FSCA

Financial Sector
Conduct Authority

ANNUAL REPORT 2020 2021

"Market Conduct Regulator of Financial Institutions."

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PART A
GENERAL INFORMATION

GENERAL INFORMATION

REGISTERED NAME	Financial Sector Conduct Authority
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EXTERNAL AUDITOR'S INFORMATION	Auditor-General of South Africa
BANKER'S INFORMATION	First National Bank [RMB Corporate Banking, Johannesburg]

LIST OF ABBREVIATIONS/ACRONYMS

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

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

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

FOREWORD BY THE MINISTER OF FINANCE

In its third year of existence, the Financial Sector Conduct Authority (FSCA) continued to excel in executing its critical mandate of protecting consumers and enhancing the efficiency and integrity of financial markets. As a regulator, the FSCA supports government policy objectives for the financial sector and ensures fair treatment for customers of financial institutions in South Africa.

The FSCA worked relentlessly towards achieving its key objectives in the final year of its three-year strategy. During the year under review, it met most of its targets, despite Covid-19 related challenges.

Internationally, the Authority participated in the Financial Action Task Force (FATF) mutual assessment of South Africa (which started in 2019 and concluded during the period under review) and has proactively started to address some of the gaps identified in the assessment. FATF is an inter-governmental body that represents most major financial centres from around the globe. South Africa is currently the only member from Africa. In addition, working together with National Treasury and the South African Reserve Bank, the Authority provided key inputs in the International Monetary Fund (IMF/World Bank Financial Sector Assessment Programme (FSAP), which is a holistic evaluation of the state of the financial system conducted every five years for member jurisdictions of the Financial Stability Board.

Regionally, the FSCA continued to offer support to its regional counterparts, hosting a virtual familiarisation and training programme in March 2021. The aim was to provide regulatory authorities in the Southern African Development Community with an opportunity to share and learn from each other's best practices and challenges in regulating and supervising the financial services industry.

Locally, the Authority continued to actively focus on developing frameworks for new activities that now fall within its jurisdiction as a result of the promulgation of the Financial Sector Regulation Act. This included the development of the draft Conduct Standard for Banks and working closely with National Treasury in further refining the second draft of the Conduct of Financial Institutions (CoFI) Bill which was published on 29 September 2020. Since the publication of the second version of the Bill, the National Treasury, in conjunction with the FSCA, facilitated various key stakeholder engagements in respect of the comments received on the Bill. The FSCA provided and will continue to provide substantial technical support in developing and further refining the Bill for submission to Cabinet and Parliament.

The period under review constituted the final year of the first three-year strategic plan of the FSCA, which had a level of internal focus, building a new organisation that is appropriately structured and adequately resourced and skilled to achieve its expanded mandate. This will continue to anchor the strategic focus of the Authority in the medium-term.

Encouraging to note that even with these efforts to build the new organisation the FSCA has continued with its supervisory mandate, and ensuring that the conduct of the sector is well monitored and adequately regulated.

ACKNOWLEDGEMENTS

I would like to congratulate Mr Unathi Kamlana and Ms Astrid Ludin, who have recently been appointed as the Commissioner and Deputy Commissioner, respectively, of the FSCA. Mr Kamlana and Ms Ludin assumed their roles on 1 June 2021.

I would like to thank Mr Abel Sithole and Adv Dube Tshidi, who have both left the FSCA, for their many years of service to the previous Financial Services Board and the FSCA, recently as members of the Transitional Management Committee (TMC) and carrying out the duties of Commissioner. I would also like to thank long-serving members of the TMC including Ms Caroline da Silva, Mr Jurgen Boyd and Mr Marius du Toit as well as current members of the TMC who assumed the duties of Acting Commissioner: Mr Olano Makhubela and Ms Katherine Gibson.

I also commend the TMC, as well as all the staff of the FSCA, for working tirelessly during the period under review.

MINISTER OF FINANCE
ENOCH GODONGWANA, MP

Foreword by the Commissioner

INTRODUCTION

The FSCA has successfully navigated one of the most challenging years in its three years of existence. The 2020 financial Year was the year many people never thought they would experience in their lifetimes. Covid-19 disrupted our lives at all levels- economically, socially and privately.

High level overview of the FSCA's strategy and performance

The third and final year of our maiden regulatory strategy was implemented successfully, regardless of many new obstacles, as the worldwide Covid-19 pandemic added pressure to the young organisation's existing challenges.

This three-year regulatory strategy had been developed at the inception of the FSCA and was an articulation of the objectives as stipulated in the Financial Sector Regulation (FSR) Act, which are; to enhance the efficiency and integrity of financial markets, promote fair customer treatment by financial institutions, provide financial education and promote financial literacy, and to assist in maintaining financial stability.

Comprehensive details on the performance in key strategic areas during the year under review can be found in Part B of this report. Some of the highlights (in terms of each strategic priority) are set out below.

Strategic priority 1: *Build a new organisation to ensure that there is an effective and seamless transition of operations from the FSB to the FSCA with minimum disruption to regulatory oversight and service delivery.*

All key and critical vacancies at head of department and specialist levels were filled, and the appointment of a commissioner and a deputy commissioner were finalised.

A new competency framework was developed and implemented to support the new technical and behavioural competencies required to deliver on the new mandate of the FSCA. Training has been facilitated at every level in order to build the requisite competencies. All job profiles were reviewed to align to the new competency framework, and various workplace culture transformation initiatives were implemented.

The talent management framework was revised to enable the FSCA to proactively nurture talent and ensure a sustainable supply of talent that will allow the organisation to deliver on its new mandate.

A benchmark of the FSCA Reward Framework was conducted, and the Remuneration Charter revised, with the aim of enhancing the employee value proposition.

Strategic priority 2: *Build an inclusive and transformed financial sector that offers broader access to financial services and products for historically disadvantaged groups, and enables Black and emerging entrepreneurs to enter the sector.*

The FSCA signed a Memorandum of Understanding (MoU) with the Financial Sector Transformation Council to ensure coordination in transforming the financial sector.

A draft transformation strategy has also been developed with the support of the World Bank. The strategy considers how the FSCA can implement its risk-based and proportionate approach to regulation and supervision in support of financial inclusion and transformation in the financial sector.

The FSCA proposed amendments to the FAIS General Code of Conduct to allow qualifying beneficiaries as contemplated in the Financial Sector Code to receive enterprise development contributions from other financial services providers and product providers.

FAIS application forms were amended in order to collect data relating to the Broad-Based Black Economic Empowerment (B-BBEE) status of licensed financial services providers, their percentage of Black ownership and percentage of Black-woman ownership. This data will enable the FSCA to monitor and develop interventions to promote transformation of the financial services sector.

The FSCA continued to hold training workshops with emerging financial services providers to inform and assist them with regulatory compliance. Covid-19 lockdown restrictions ruled out the possibility of hosting face-to-face workshops in the first half of the year, so 46 workshops were held using online platforms, but attendance rates were low.

Strategic priority 3: *Build a robust regulatory framework that promotes fair customer treatment in line with international standards and best practices, to ensure that the conduct supervision process is effective and efficient.*

The Emerging and Overarching Risk Committee, responsible for the prioritisation, monitoring and mitigation of identified emerging and overarching risks, was established with the support of the World Bank.

Various draft regulatory instruments spanning across all industries regulated by the FSCA were developed and published in response to trends, emerging risks and international developments.

A draft Conduct Standard for Banks was submitted to Parliament early in 2020, and the second draft of the Conduct of Financial Institutions (CoFI) Bill was developed in cooperation with National Treasury, in which the list of new activities that will fall within the ambit of the CoFI Bill was refined.

Strategic priority 4: *Develop informed financial customers by means of focused financial literacy interventions using media, workshops, exhibitions and other resources.*

Although face-to-face consumer activities were suspended as a result of the National State of Emergency declared due to the Covid-19 pandemic, the FSCA continued to interact with consumers via a variety of media platforms, including digital platforms and radio interviews. The increased visibility of the Authority has helped consumers to access information that enhances their understanding of financials, thereby enhancing their levels of protection.

The FSCA participated in the National Consumer Financial Education Committee (NCFEC) and in the steering committee and sub-committees of the Money Smart Week South Africa campaign. The campaign ran in March 2021 through digital platforms and traditional media. The FSCA provided funding for public relations and marketing, reverse billing of data, and monitoring and evaluation.

Strategic priority 5: *Strengthen the efficiency and integrity of our financial markets by means of vigilant oversight of evolving market infrastructure.*

The FSCA continued to participate in the working group established by National Treasury to revise draft financial markets legislation, along with the Prudential Authority and the South African Reserve Bank (SARB). The working group was established after the publication of the final Financial Markets Review Report (19 March 2020) and the "Building competitive financial markets for innovation and growth" Discussion Paper

Strategic priority 6: *Understand new ways of doing business and disruptive technologies in the financial sector by creating opportunities to improve efficiencies, reach more customers and drive inclusion.*

Good progress has been made since the establishment of the FSCA's Fintech Department and the digital launch of the Intergovernmental Fintech Working Group (IFWG) Fintech Innovation Hub.

This is a hub that was created through the collaborative effort amongst several South African financial sector regulators, including the Financial Intelligence Centre (FIC), the National Credit Regulator (NCR), the SARB and the South African Revenue Service (SARS).

The purpose of the Fintech Innovation Hub is to demystify the regulatory landscape around Fintech, by providing a space for the safe testing of innovative ideas and actively advancing innovation in financial services. The Innovation Hub consists of three components; a Regulatory Guidance Unit, Innovation Accelerator and Regulatory Sandbox.

The Regulatory Sandbox, which provides market innovators with an opportunity to test the ideas of new products and services that push the boundaries of existing regulation under the responsible supervision of relevant regulators, was launched in May 2020. A total of 52 applications for participation were received from banks, insurers and start-ups.

The first Sandbox test case in March 2021 found that amendments will need to be made to the FAIS Act to cater for lending-based crowd funders, which will also need to be licensed by the NCR, Prudential Authority and FSCA.

Draft research material on digital platforms and non-traditional data was concluded in July 2020, and the FSCA held workshops with IFWG regulators, where regulators had the opportunity to engage with proposals that arose out of the research, and make suggestions.

In November 2020, the FSCA Fintech Department published its Non-Traditional Data reports as part of IFWG's policy accelerator research into emerging trends in Fintech, as well as the Suptech report in January 2021. The Open Finance Research report was published for public comment in December 2020.

STRATEGIC RELATIONSHIPS

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

- International Organisation of Securities Commissions;
- International Association of Insurance Supervisors;
- International Financial Consumer Protection Organisation;
- International Network on Financial Education;
- International Actuarial Association;
- International Organisation of Pension Supervisors;
- Committee of Insurance, Securities and Non-Banking Financial Authorities;
- Financial Action Task Force; and
- The Organisation for Economic Cooperation and Development.

During the reporting period, the FSCA coordinated and/or participated in 35 surveys and questionnaires from international standard setting bodies.

The FSCA continues to cooperate and collaborate internationally with regulators to prevent financial crime and customer abuse, through 98 bi-lateral and multi-lateral memoranda of understandings. During the reporting period, the FSCA shared information in terms of the MoUs with respect to 479 requests from and to its counterparts in foreign jurisdictions.

South Africa is currently subject to a Financial Sector Assessment Programme (FSAP) assessment and the FSCA plays an important role. The FSAP assessment is a comprehensive and in-depth analysis of a country's financial sector by the International Monetary Fund and the World Bank.

The FSAP assessment started in the previous financial year, but was interrupted due to the Covid-19 outbreak, and therefore continued in the year under review.

On the domestic front, the FSCA is an integral part of South Africa's broader regulatory framework. A significant part of the FSCA's work, therefore, involves close collaboration and liaison with domestic counterparts to ensure consistent regulatory strategies, effective supervision and enforcement, and minimising the duplication of effort and expense.

The FSCA collaborated with the Independent Regulatory Board for Auditors, which submitted 13 reports of reportable irregularities to the FSCA during the period under review.

The FSCA signed MoUs with the Intergovernmental Fintech Working Group and the FinMark Trust, in addition to the MoU entered into with the FSTC mentioned previously. The MoU with the Prudential Authority was also amended during the period under review.

The Minister of Trade, Industry and Competition, in exercising his powers in terms of section 69 of the National Credit Act, directed the NCR to establish the National Register of Credit Agreements. The register will contain a national public database of all credit agreements concluded in South Africa, assist with efficient implementation of various pieces of legislation and facilitate access to funding for SMMEs.

To develop this register, the NCR partnered with the SARB, the FIC and the FSCA, with National Treasury and the Department of Trade, Industry and Competition providing support. These parties established a steering committee, and MoUs were signed between the participating regulators.

A new committee, the Inter-Departmental Committee (IDC) on Anti-Money Laundering and Combating the Financing of Terrorism was also created to support the work of the Inter-Agency Working Group on Illicit Financial Flows (IAWG:IFF). It includes representatives of National Treasury, the Department of Justice and Constitutional Development, the Department of Home Affairs, the State Security Agency, the SAPS, the NPA, the SARB, the FSCA and the FIC.

Feedback on cases that are operationalised within the IAWG:IFF are provided to the IDC. This means that there is now a direct line for accountability towards the executive – through the Director-General of National Treasury and the Minister of Finance, and ultimately to Cabinet committees and to Cabinet – on the output of this particular team.

CHALLENGES FACED BY THE TRANSITIONAL MANAGEMENT COMMITTEE

The Transitional Management Committee (TMC) is responsible for carrying out the mandate of the organisation until such time that the latter structure is in place.

The challenges faced in the appointment of a Commissioner and Deputy Commissioners hampered the process of consolidating these management structures, but were overcome in the financial year under review thanks to the intervention of the Minister of Finance.

The shortlisting panel could not complete the process of shortlisting four candidates in 2018/19 for consideration for these positions given the rigidity of the process in terms of the initial regulations.

Thus, amendments were made to the provisions of the FSR Act pertaining to the TMC to make provision for a streamlined process to appoint the Commissioner and Deputy Commissioners, empowering the Minister of Finance to appoint additional persons, and designate one such person to perform the functions of the Commissioner while recruitment processes were underway.

The new FSCA Commissioner and Deputy Commissioner were appointed in the year under review and commenced their duties in June 2021.

Meanwhile, the FSCA was also involved in litigation to challenge the findings of the Public Protector published on 28 March 2019.

The Public Protector issued Report No. 46 of 2018/19 entitled "Report on an investigation into allegations of maladministration, abuse of power and improper conduct by the former Executive Officer of the Financial Services Board, Adv DP Tshidi, as well as systemic corporate governance deficiencies at the Financial Services Board".

In response to various findings against the former Executive Officer (EO) of the FSB and remedial actions to be implemented by the FSCA, the FSCA and former EO launched an application to review the report in June 2019. The matter was heard on 21 September 2020, and Judgement was handed down on 10 October 2020. The Public Protector's report was reviewed, set aside and declared constitutionally invalid for a lack of jurisdiction.

FUTURE OUTLOOK

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

The FSCA has commissioned a research into South Africa's domestic financial sector outlook over the medium-term to assess how the Covid-19 pandemic may affect industry and customer-trends going forward.

APPRECIATION

It has been a particularly challenging year for every role player and stakeholder in the financial sector, both at home and abroad. As such, regulators like the FSCA could not dare let down their guard, as perpetrators of fraud, abuse and corruption were poised to take advantage of the compromised health of the economy and the population at large.

I would like to extend my sincere thanks to everyone who has contributed to sustaining the stability of our financial system. Your dedication has enabled us to keep making progress towards our goal of creating a financial system that works for all South Africans – even during this period of deep crisis.

I owe a special word of thanks to the Transitional Management Committee, the National Treasury and, in particular, the honourable Minister of Finance for the support, guidance and policy direction they have given to the FSCA.

My gratitude also goes to the members of the FSCA's Operational Executive Committee, for their tireless efforts to manage the organisation prudently and even sacrificing, for this period, some of their full benefits.

The organisation would also not exist without the staff of the FSCA, who made sacrifices and at times risked their health to ensure that we render the required service to the public.

CONCLUSION

I am immensely proud of the organisation that we have been able to build as the Financial Services Board transitioned into the FSCA over the past three years. There are still some areas for improvement to ensure that we provide the best service to our clients and society.

U Kamlana

Commissioner
Financial Sector Conduct Authority

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

To the best of our knowledge and belief, we confirm the following:

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

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

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

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

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

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

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

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2021.

Yours faithfully

U Kamlana

Commissioner
Financial Sector Conduct Authority

STRATEGIC OVERVIEW

1. VISION

The FSCA's vision is to ensure an efficient financial sector where customers are informed and treated fairly.

2. MISSION

The FSCA's mission is to ensure a fair and stable financial market, where consumers are informed and protected, and where those that jeopardise the financial wellbeing of consumers are held accountable.

3. VALUES

At the FSCA, we will always act professionally in all that we say and do. To this end, we undertake to focus on the following values:

- **Agility:** We perform our functions promptly and smartly.
- **Camaraderie:** Our culture encourages a spirit of friendship, loyalty and mutual trust.
- **Diligence:** We perform our functions with care, thoroughly and professionally.
- **Fairness:** We engage our stakeholders responsibly and embrace a culture of fairness and transparency.
- **Integrity:** We are honest and open in all our professional and business relationships.
- **Perseverance:** We do not give up and will put in the required effort to get a job done properly.

LEGISLATIVE AND OTHER MANDATES

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

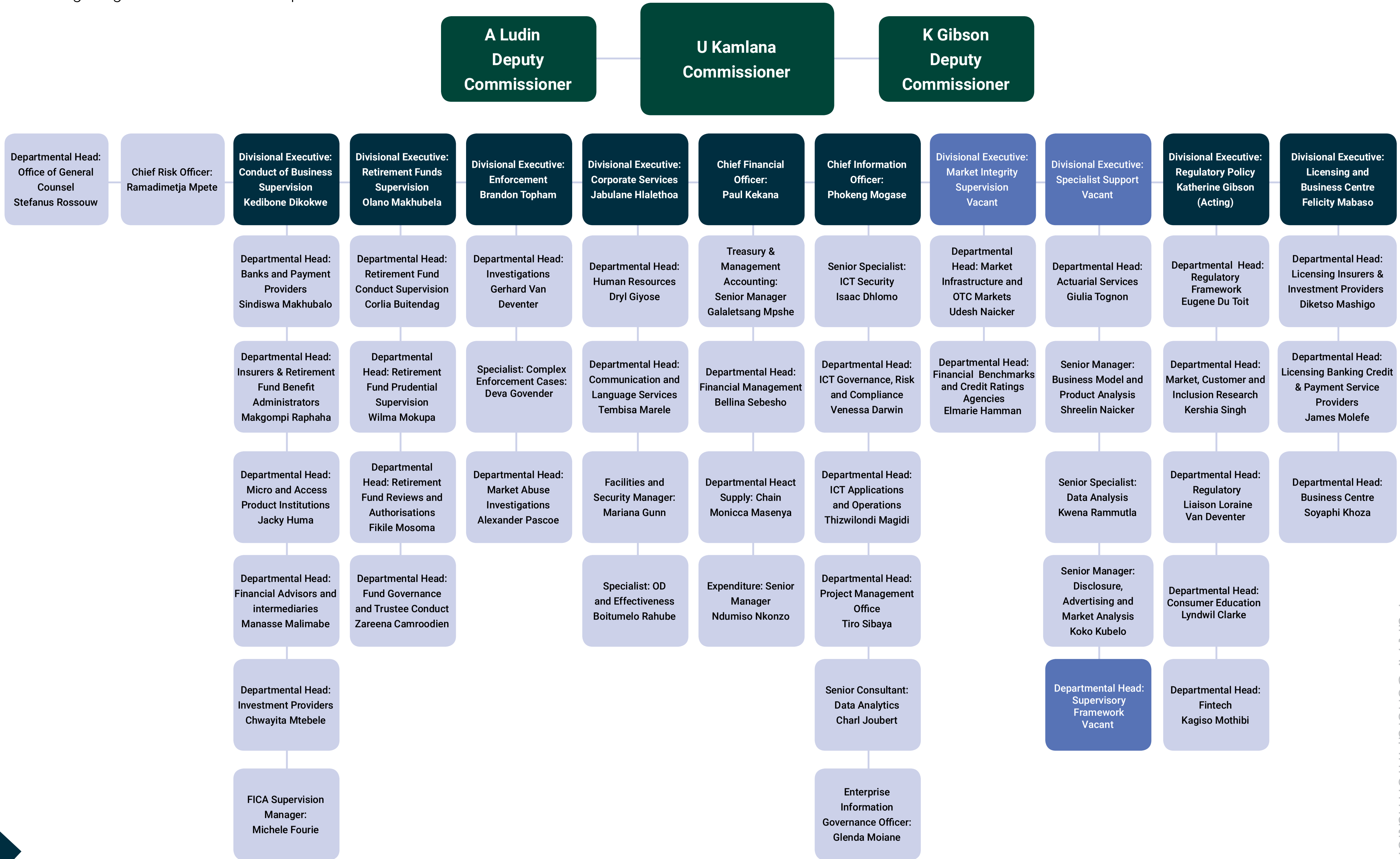
As a statutory body performing a public function in the field of market conduct regulation and supervision of the financial sector, the FSCA is independent and impartial, exercises its powers and performs its duties without fear, favour or prejudice. It is governed by the democratic values and principles 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.

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

- Collective Investment Schemes Control Act 45 of 2002
- Credit Rating Services Act 24 of 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).

ORGANISATIONAL STRUCTURE

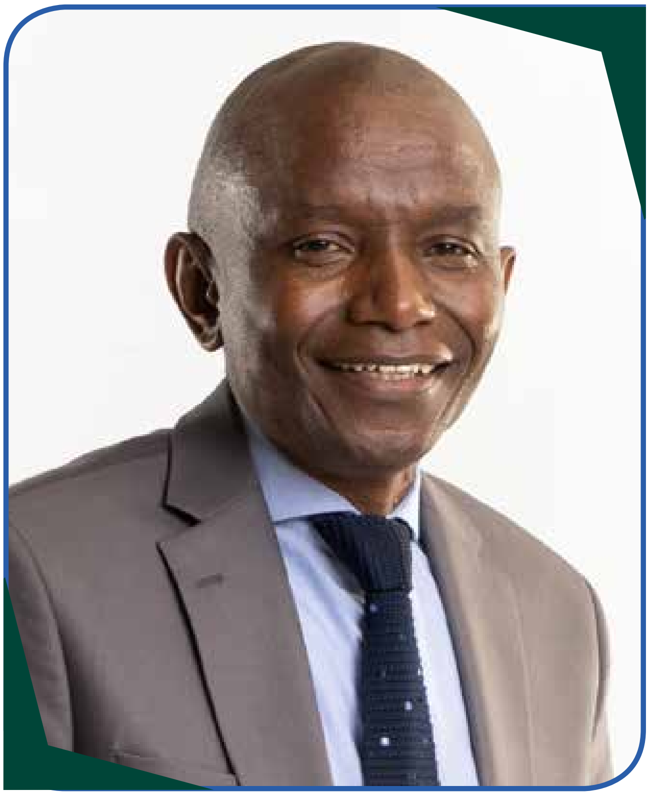
The organogram of the FSCA is reproduced below.




Financial Sector Conduct Authority
FSCA

PART B
PERFORMANCE INFORMATION

CHIEF FINANCIAL OFFICER'S REPORT



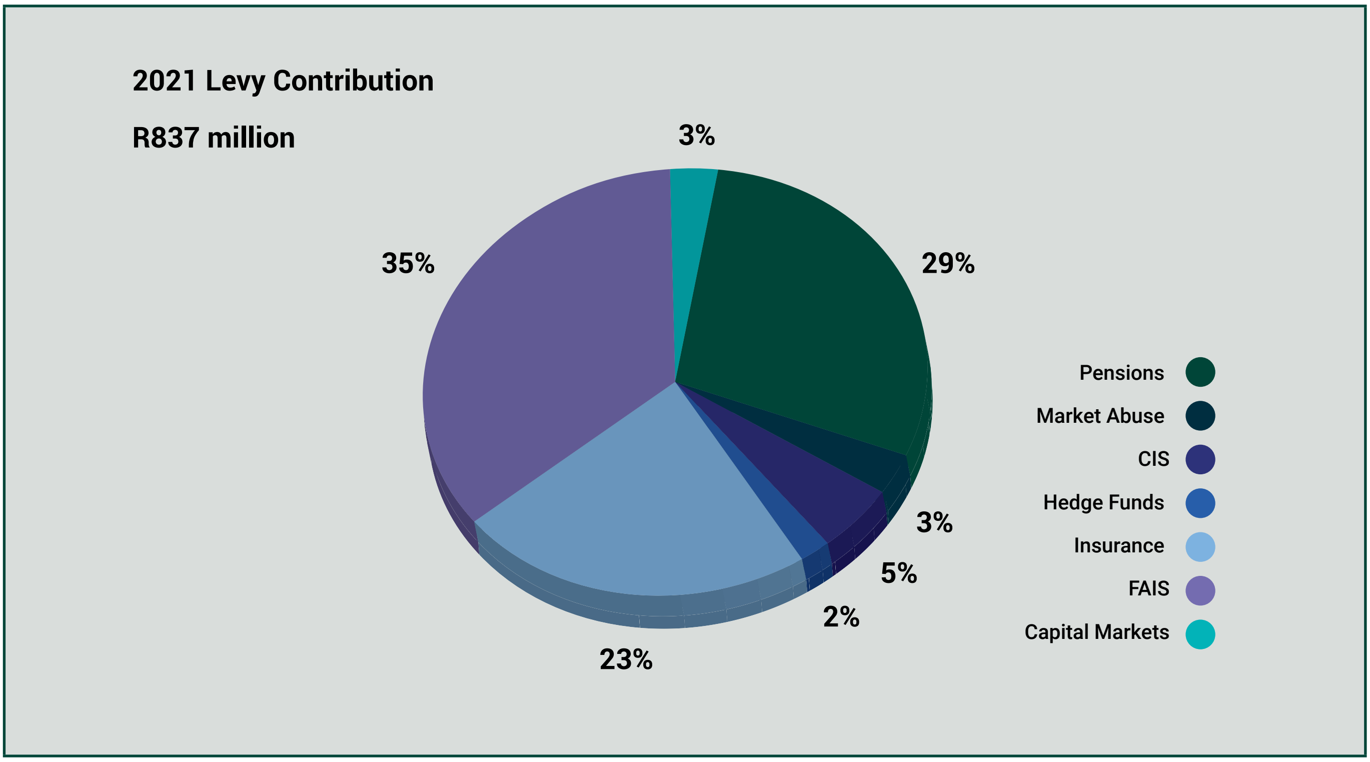
OVERVIEW

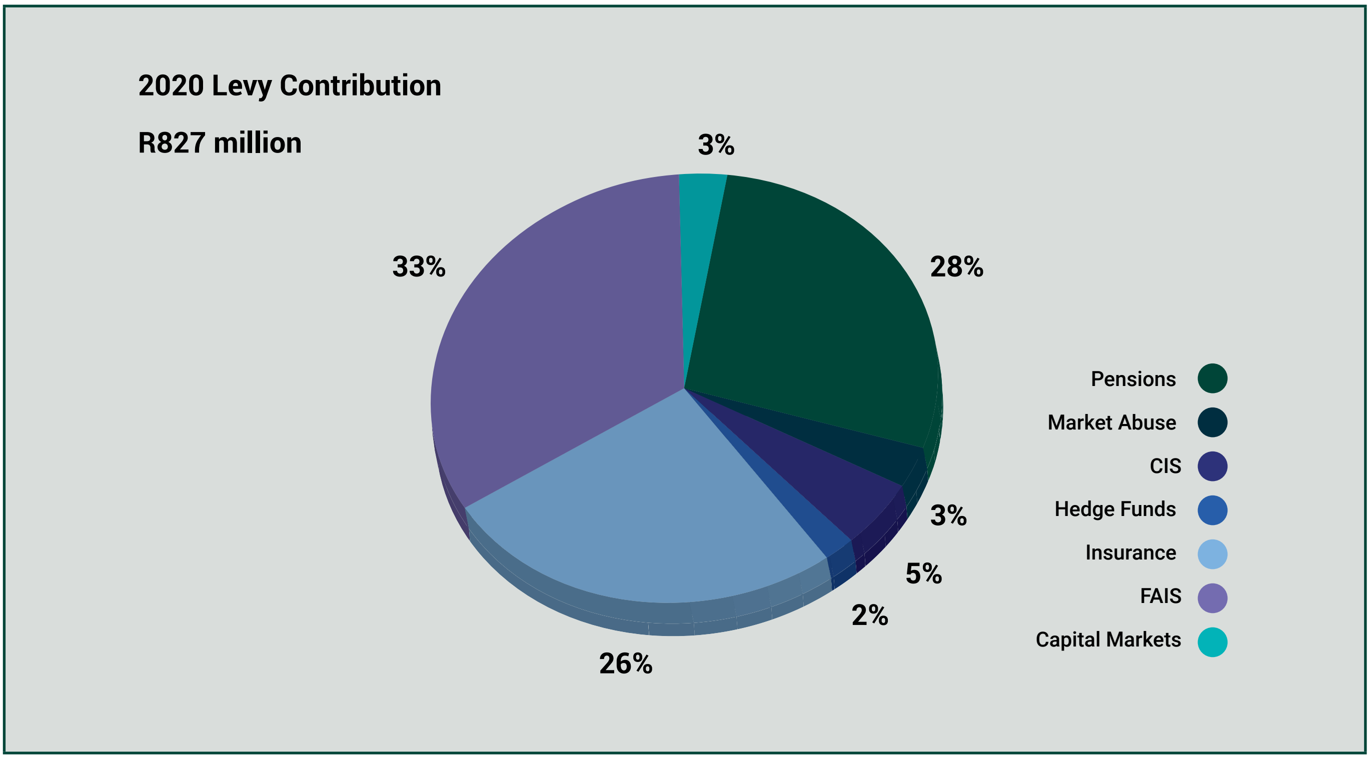
The Covid-19 pandemic continues to impact economies negatively and placing unprecedented pressures on businesses. South Africa's economic growth has stagnated, and economic forecasts indicate a long way to recovery.

The FSCA has accordingly responded to the pandemic and the new business challenges by realigning strategic focus to remain sustainable over the long term.

As at the financial year-end, we remain financially sound with total net assets improving from R465 million to R496 million and cash and cash equivalents from R542 million to R601 million for the financial year. The working capital ratio remains favourable at 2.4:1 (2020: 2.2:1) enabling us to meet our financial obligations when they fall due.

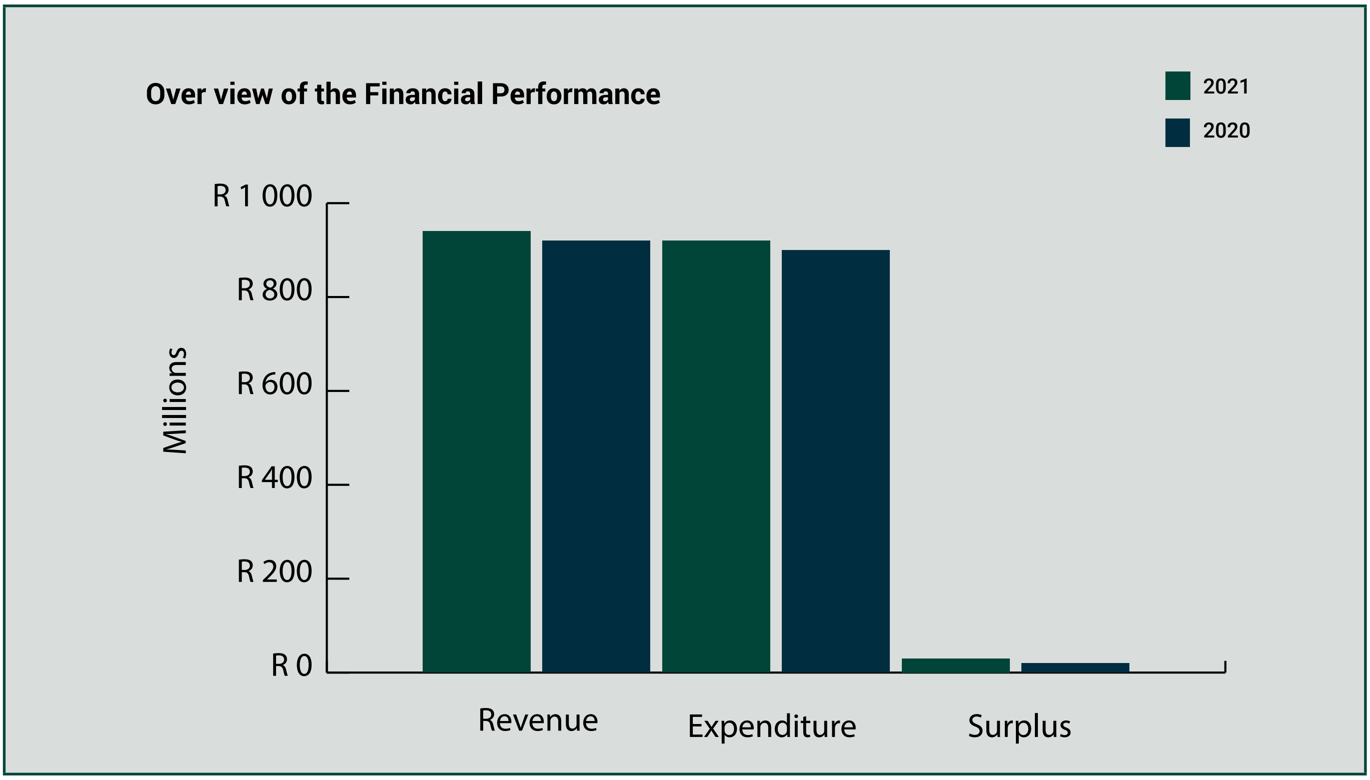
LEVIES BY INDUSTRY





The Financial Advisory and Intermediary Services (FAIS), Pensions and Insurance industries continued to be the major contributors to the levy income, accounting for 87% in both the 2021 and 2020 financial years.

FINANCIAL PERFORMANCE



REVENUE

The FSCA recorded revenue of R927 million for the year (2020: R926 million) against a budget of R960 million. The unfavourable variance is mainly due to the levies increases to industry being lower than what was budgeted.

OPERATING COSTS

The FSCA recorded operating costs of R914 million for the year (2020: R892 million) against a budget of R982 million. The favourable variance is a result of cost management measures to remain efficient and sustainable.

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

SURPLUS

The FSCA recorded a surplus of R31 million for the year (2020: R25 million) against a budgeted deficit of R22 million. The accumulated surplus increased to R361 million (2020: R348 million) and contingency and discretionary reserves increased to R134 million t (2020: R116 million). In terms of section 53(3) of the Public Finance Management Act (PFMA), the FSCA will be requesting approval from National Treasury to retain the surplus for infrastructure projects.

The FSCA maintains two reserve accounts: the contingency and discretionary reserves, currently at R87 million (2020: R86 million) and R48 million (2020: R31 million), respectively. The contingency reserve is maintained at a maximum of 10% of levy and fee income which is held to protect the FSCA against the risk of unforeseen events. The discretionary reserve is a depository for fines and penalty income for funding consumer education-related expenses. The FSCA made a request to National Treasury to retain the fines and penalty income for consumer education transitional funding pending the implementation of the Levies Bill.

CAPITAL INVESTMENTS

Capital investments comprise of property, plant and equipment (PPE) and intangible assets amounting to R61 million (2020: R73 million). These investments are managed through an asset management policy that is applied uniformly throughout the FSCA as prescribed by the PFMA and Treasury Regulations.

WORKING CAPITAL MANAGEMENT

The FSCA effectively manages working capital to ensure availability to meet financial obligations when they fall due. Cash flow is closely managed, and surplus funds are invested in the Corporation for Public Deposits with the South African Reserve Bank (SARB). The net current assets maintained for the financial year remained favourable at R430 million (2020: R408 million).

TRADE AND OTHER PAYABLES

The FSCA targets to settle trade payables within 30 days of receiving suppliers' invoices in line with National Treasury Regulations. In this regard, we have achieved an average of 29 days for the year (2019: 23 days) which is well within the 30 days as prescribed by National Treasury. At the financial year-end, trade payables amounted to R13 million (2020: R14 million).

TRADE RECEIVABLES

At the financial year-end, the levy trade receivables amounted to R24 million (2020: R17 million), representing 2.87% of the levies income (2020: 2.06%). Levy trade receivables collection declined as a result of delayed payments as at year-end.

The penalty and inspection receivables decreased to R176 million (2020: R217 million) partly as a result of impairments. Penalty and inspection receivables collection remains a challenge as these debts by their nature are not planned for and are often appealed, resulting in collection uncertainties and delays.

FINANCIAL OUTLOOK

We continue our journey to build an efficient and effective organisation.

The digital technology transformation remains our key strategic focus for a more agile capable workforce. Investment in our personnel to address the digital skills gap and planned capital expenditure is targeted to bring in efficiencies, agility and resilience to our organisation going forward.

We subscribe to the highest ethical business practices and standards and will continue to provide our stakeholders with consistent quality and efficient services.

Paul Kekana

Chief Financial Officer

PART B
PERFORMANCE INFORMATION BY DIVISIONS

PERFORMANCE INFORMATION BY DIVISIONS

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

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

The performance for each of the divisions follow, except for the Office of General Counsel (This report will be found on pages 110 - 113)

LICENSING AND BUSINESS CENTRE DIVISION

PURPOSE

The division is responsible for the licensing of all financial institutions required to be licensed in terms of the various financial sector laws (for which the FSCA is the responsible Authority).

The division consist of three departments with distinct functions as follows.

- The Licensing Department performs a critical gate-keeper function and applies regulatory principles in its approach when considering various licence applications. It seeks at a very early stage to identify, understand, address and mitigate as much as possible any potential or perceived emerging risks and trends that applicants may introduce into the financial system. It is for this reason that the licensing approach is inherently forward-looking and pre-emptive in nature and forms an integral part of the supervisory value chain. Early detection and identification of risks and practices with the potential of posing a threat to fair outcomes for financial customers and safeguarding the integrity and stability of the financial system are at the core of the licensing function.

  The Licensing Department also considers concurrence matters in respect of licence applications by financial institutions that are dually regulated by the FSCA and Prudential Authority.
- The Business Centre which acts as the FSCA's information hub and 'point of entry' for all external stakeholder inputs to the FSCA including, inter alia, queries and complaints, statutory submissions, licence applications and variations, and responses to regulatory information requests.
- The Business Process Improvements Department is responsible for the identification, standardisation, review and management of business processes that are fundamental in achieving consistent targeted strategic goals and improving operational efficiencies across all functions performed by the FSCA.

STRATEGIC OBJECTIVES

- Process all licence applications efficiently within the set timeframes.
- Development of the transformation framework at licensing.
- Recruitment of appropriate skills in the division to ensure it functions efficiently and effectively.
- Development of the Business Centre Strategy and Implementation Plan.
- Development of the Business Process Improvement Framework.

LICENSING DEPARTMENT

The FSCA licenses financial institutions under the following sectoral laws:

- Financial Advisory and Intermediary Services Act No. 37 of 2002
- Insurance Act 18 of 2017
- Financial Intelligence Centre Act No. 38 of 2001
- Pension Funds Act No. 24 of 1956
- Financial Sector Regulation Act No. 9 of 2017
- Collective Investment Schemes Act 42 of 2002
- Financial Markets Act 19 of 2012
- Friendly Societies Act 25 of 1956

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

Collective Investment Schemes Control Act

Collective Investment Schemes Managers (CIS) – Licence Applications			
CIS Securities	CIS Property	CIS Participation Bonds	Foreign CIS
50	1	2	131

The CIS industry has seen as increase in the number of applications, relative to the previous year. This increase is attributed to the increase in the number of foreign collective investment schemes that were approved to market their products in South Africa during the period. A total of 13 new foreign collective investment schemes were approved taking the total number of approved foreign collective investment schemes to 131. The number of approved, local CIS schemes decreased by one during the reporting period to 50. The CIS in Property and Participation Bond schemes remained flat on the previous year at one and two approved schemes, respectively.

The department also processed licence variations in respect of existing collective investment schemes during the period. The table below reflects the total number of licence variations processed. The higher number of variation cases processed and completed relative to the number of cases submitted during the reporting period is attributed to the fact that a total of 92 cases processed during the reporting period were in actual fact received in the prior year and only processed during the reporting period. A total of 73 cases still needed to be processed as at 31 March 2021.

Collective Investment Schemes- Variation of Licence		
Received	Completed	Outstanding
195	214	73

Financial Advisory and Intermediary Services Act

Financial Services Providers					
Category I	Category II	Category IIA	Category III	Category IV	Total
10 196	730	122	30	107	11 283

The FSCA licenses five different categories of financial services providers (FSPs) as outlined below. The total number of FSPs approved during the period is 662 which is an increase of 23%. The largest contributor to the increased number of FSPs is the Category I FSPs with 606 FSPs approved for the period. The second largest contributor to the increase is the Category II and IIA FSPs with a total of 44 approved licences and a total of R10 trillion assets under management (AUM) as at 31 June 2020.

The table immediately below provides a further breakdown of the licences granted during the review period.

Financial Services Providers					
Category I	Category II	Category IIA	Category III	Category IV	Total
606	44	3	2	7	662

The different categories are described below

- Category I consists of financial advisers and those intermediaries who render financial services on a non-discretionary basis.
- Category II FSPs (also referred to as Discretionary FSPs), render intermediary services of a discretionary nature as regards the choice of a particular financial product, but without implementing bulking.
- Category IIA FSPs represent hedge fund managers.
- Category III FSPs represent linked investment administrators specialising mainly in bulking of collective investments and other products on behalf of clients (linked investment services providers).
- Category IV relates to assistance business administrators who render intermediary services in relation to the administration of assistance policies on behalf of the insurer, to the extent agreed upon in terms of a written mandate between the insurer and the assistance business FSP.

In addition to the licence applications processed, the department also processed variation of licence applications. Overall, a total of 23 036 variation of licence applications was received and processed. These variations exclude those submitted and captured via the online portal/web.

The number of approved compliance practices and compliance officers as at 31 March 2021 is illustrated below

Compliance Practices (juristic persons)	Compliance Officers (natural persons both in-house and external)
206	4 478

Out of a total of 4 478 compliance officers, 112 were approved during the reporting period and 2 300 were inactive as they were not linked to any FSP.

Pension Funds Act

Benefit Administrators		
Employer Administrators	Professional Administrators	Benefits and Investment Administrators
14	100	9

Nine pensions funds were approved during the reporting period, taking the total number of approved section 13 B benefit administrators to 123. The decrease in the number of self-standing/standalone funds is as a result of these funds being consolidated into the umbrella fund structures as participating employers are a contributor to the low numbers in the administration space.

Financial Markets Act

Over-the-Counter Derivative Providers (ODPs) - Licence Applications				
No.	Type	Received	Authorised	Rejected
1	Bank	2	6	0
2	Non-Bank	17	1	1

During the reporting period, a total of 19 ODP licence applications were received. A total of seven licenses were granted as at 31 March 2021. There is also a total of 50 pending applications from the previous period (2019/2020). Out of the 50 pending licence applications received in previous year and carried over to the current period, 11 are banks and 31 are non-banks.

FAIS Act/Long and Short-Term Insurance Acts/Pension Funds Act/STRATE Rules and Directives.

Nominee Companies	
Approved	127

A nominee company that holds assets on behalf of financial institutions or their clients must be approved under the requirements of Board Notice 63 of 2007. This notice also prescribes the obligations for nominees to operate in South Africa. The total number of all approved companies is 127. Only one nominee company was approved during the reporting period.

CONCURRENCE ON VARIOUS LICENSING MATTERS

In terms of section 126 of the Financial Sector Regulation Act, 2017, a responsible authority may not give effect to a decision to, inter alia, issue, vary, suspend or revoke a licence of a financial institution, unless the other financial sector regulator with a common regulatory interest in the entity concerned has concurred.

During the review period, the FSCA concurred with the Prudential Authority's (PA's) decision to grant approval to the following member-based financial institutions, banks and insurers

CO-OPERATIVE FINANCIAL INSTITUTIONS

- Registration of 21 CFIs, 17 of which were previously registered with theCo-operative Financial Institutions (CFIs).
- Two CFIs were deregistered by the PA for, amongst others, failing to comply with the conditions imposed on the licence.
- One CFI converted to a Co-Operative Bank.
- One CFI converted to a Mutual Bank.

BANKS

- Registration of one representative office of a foreign bank and granted request for deregistration involving another representative office.
- Registration of one local branch of a foreign bank and granted request to deregister four branches.

INSURERS

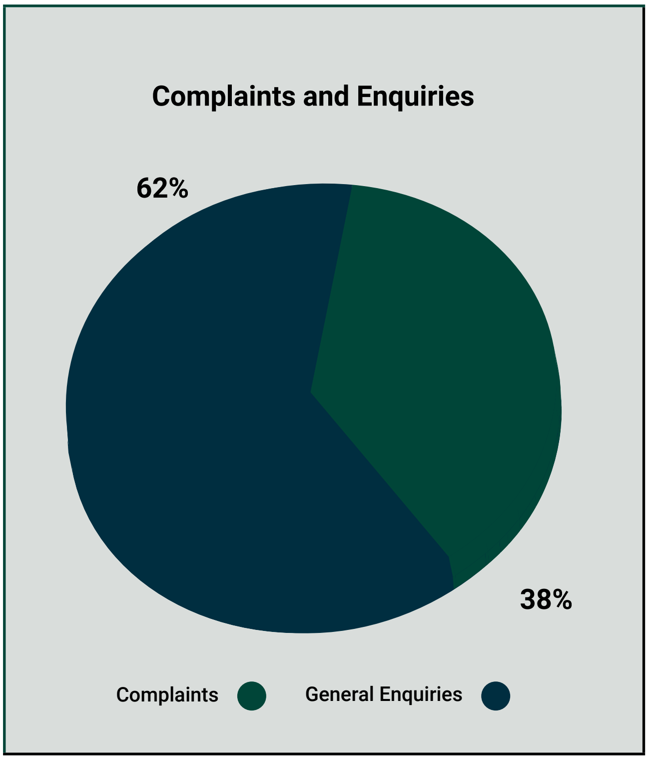
- Approval of four entities seeking to engage in the micro-insurance business.
- Two foreign re-insurers seeking to conduct reinsurance business in South Africa through a local branch.
- Approval of 14 controlling companies of insurance groups.
- Approval of 10 insurers seeking approval for variation of their licence conditions.

The FSCA also obtained concurrence from the PA in approving five FSPs and seven ODPs.

BUSINESS CENTRE

The Business Centre is a function within the FSCA responsible for ensuring operational efficiency across the organisation by effectively managing information from various stakeholders in respect of different divisional activities. It is the central point of entry for external stakeholders and an information management hub of the FSCA. The Business Centre provides administrative and supervisory support to the various divisions which includes inter alia, receipt of licence applications, statutory returns, the management of complaints and enquiries, etc. It also manages the FSCA's outsourced call centre responsible for complaints and enquiries on behalf of the FSCA.

A total of 5 803 complaints and enquiries were received during the reporting period. Matters considered include complaints against registered financial institutions and complaints against entities conducting unregistered businesses in respect of regulated activities. Complaints represented 38% of the matters received and considered, while enquiries represented 62%. Complaints and enquiries relating to matters that fall outside the mandate of the FSCA were referred to the relevant authorities.

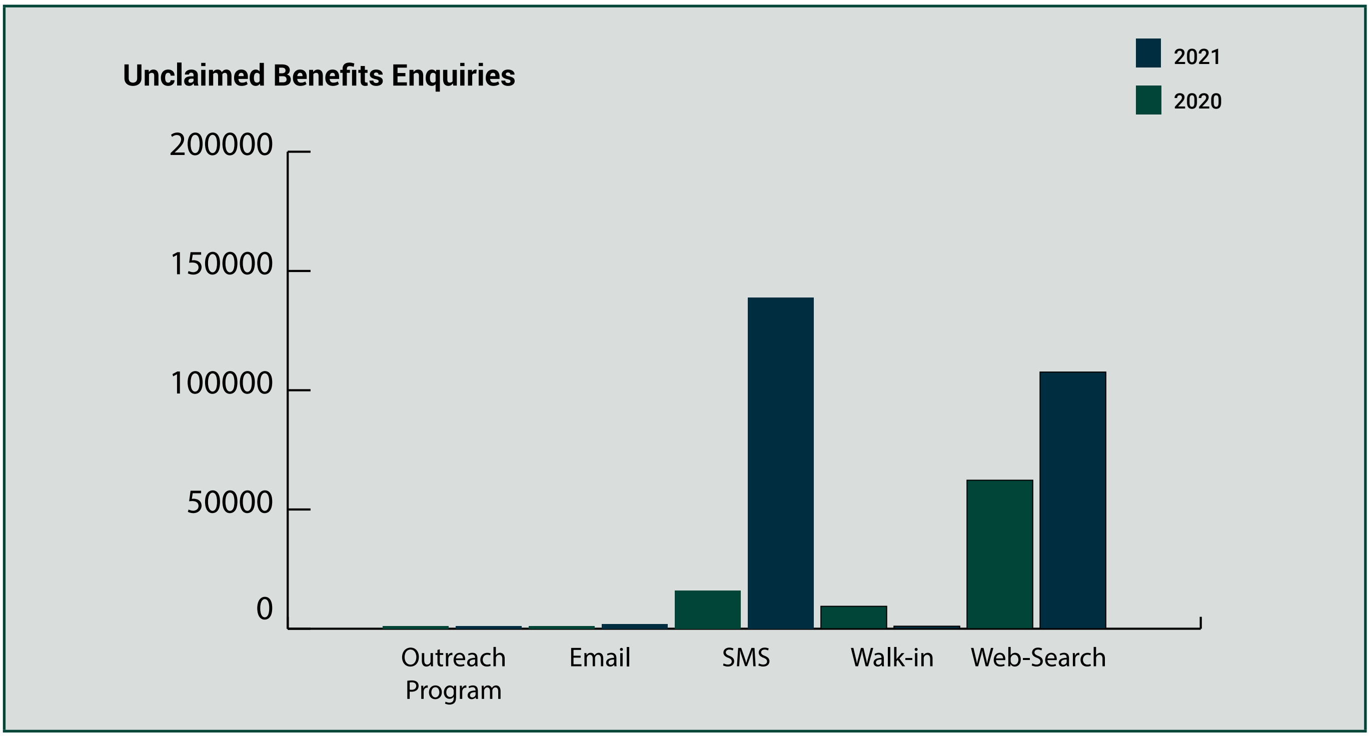


Type	
Complaints	2 205
General Enquiries	3 598
Total	**5 803**

UNCLAIMED BENEFITS

The FSCA has developed a platform through which members of the public who are prospective beneficiaries of unclaimed retirement benefits that are currently managed by various retirement funds and/or administrators can access those funds in a more cost-effective way. The FSCA has since 2015 made available various channels to facilitate the engagement between members and beneficiaries of unclaimed retirement benefits and retirement funds/administrators to enable access and pay-out of benefits to relevant persons. This platform is also intended to discourage the use of unscrupulous agents who are charging unsuspecting members of the public exorbitant fees to access their retirement benefits.

The number of unclaimed benefits enquiries received by the FSCA during the reporting period had increased significantly compared to the previous year (2020: 61 800 to: 106 700). The Authority has also observed a significant increase in the use of the online unclaimed benefits enquiry channels particularly the SMS and web channels. The sharp increase is attributed to the increased awareness initiatives that were done through various media interviews on various radio stations. No outreach programmes were conducted during the reporting period due to the Covid-19 pandemic and lockdown restrictions. The number of walk-in clients also reduced significantly for the same reasons.



Channel	2020	2021
Outreach Programme Enquiries	782	21
Email	868	1 466
SMS	18 611	136 282
Walk-in	11 063	1 182
Web-Search	61 833	106 771

BUSINESS PROCESSES IMPROVEMENT

Centralisation and harmonisation of processes are core and fundamental in achieving operational efficiencies and building a culture of customer centricity across all functions performed by the FSCA.

During the reporting period, the Business Process Improvement Department commenced with the enterprise data clean-up project (a critical deliverable of the Enterprise Information Management Programme initiative) as part of the preparatory work for the integrated regulatory solution. This project is intended to be finalised in the next financial year. The department also received and processed six applications requests for sharing of FAIS information with third parties. Two applications were approved and one declined. The remaining applications were still under consideration on 31 March 2021.

REGULATORY DEVELOPMENTS

ONLINE TRADING PLATFORMS

The Licensing Department has, during the period under review, responded to general enquiries received from potential licence applicants on the role that the online trading platforms play in the financial services space as well as the legislative requirements to be complied with. The online platform businesses operate in the retail client space and offer trading venues to the clients to trade the over-the-counter (OTC) markets. The predominant offering is online derivative trading platforms more specifically Contracts for Difference (CFDs) as the primary instrument offered on a variety of underlying reference assets such as single equities, indexes, commodities and lastly currencies. In terms of the observations made as well as the responses to the general enquiries on the online trading platforms during the period, the currency asset class appears to be the most traded asset class speculated on using CFDs. This is a regulated activity.

TECHNOLOGY-DRIVEN BUSINESS MODELS

The department responded to enquiries pertaining to technology-driven business models in the financial services space, the intermediation role that some of the technology innovations plays as well as whether a licence is required and if required, type of licence that is required. Most notably, enquiries have come from technology businesses operating in the insurance space and offering web-based applications. These are aimed at making insurance products easily accessible with reduced costs, fundraising and investment platforms, making previously inaccessible investment opportunity available to the average retail consumer.

CRYPTO ASSETS

Enquiries pertaining to the rendering of financial services by both the financial institutions offering crypto assets and services and the financial customers have continued to be addressed. The provision of services in respect thereof, is currently not regulated under any legislation. From the providers` side, the enquiries related to the licensing process and requirements while from the financial customers` side, these pertained largely to the authorisation of the providers. Contributing to the enquiries has been the crypto "health warnings" issued by the FSCA to the general public. The FSCA has issued "health warnings" and cautionaries to the public on investment in crypto assets and this together with the statement of intent to declare crypto assets as a financial product also contributed to enquiries received and addressed by the department.

MIRROR/COPY TRADING ACTIVITIES

The department received enquiries on the activity of mirror/copy. This activity takes place largely on the online trading platforms where a multi-account management functionality is offered on the online trading platforms and where the "master trader" is able to open a "master trader account" and link the live accounts of multiple clients to the "master trader account". Trades executed at the "master trader account" level are then replicated at client account level. General enquiries related to clarity being sought around the mirror trading activities rendered and whether or not the services constitute financial services and the type of licence required to perform such services. Closer inspection of the models pointed to elements of intermediary services being rendered and discretion on the part of the "master trader" being present in the manner that the mirror trading activities are performed potentially requiring authorisation under the FAIS Act. Enquiries continued to be dealt with on a case-by-case basis.

REGULATORY POLICY DIVISION

PURPOSE

The Regulatory Policy Division is responsible for the development of regulatory frameworks for which the FSCA has regulatory and supervisory responsibility. The division is also responsible for the FSCA's financial inclusion and consumer education mandates, as set out in the Financial Sector Regulation Act. It conducts research into broader domestic and international developments and emerging conduct risks, including technological innovations (Fintech) necessary to inform such frameworks, and as such, has dedicated research and Fintech departments to inform the regulatory framework departments as well as support all FSCA divisions. The division is further tasked with coordinating the FSCA's interaction with other regulatory and supervisory authorities and standard setting bodies and ensures that adequate internal and external stakeholder consultation takes place in relation to the development of regulatory frameworks.

STRATEGIC PRIORITIES AND OUTCOMES/ OBJECTIVES

Business performance focused on the following strategic priorities as set out in the annual performance plan:

- Building a new organisation
- An inclusive and transformed financial sector
- A robust regulatory framework that promotes fair customer treatment
- Informed financial customers
- Strengthening the efficiency and integrity of our financial markets
- Understanding new ways of doing business.

DEPARTMENTS

The division consists of five departments, namely, Regulatory Framework, Market, Customer and Inclusion Research, Regulatory Liaison, Consumer Education and Financial Technology.

PERFORMANCE

REGULATORY FRAMEWORK DEPARTMENT

The Regulatory Framework Department carries out ongoing legislative review a nd development of the conduct regulatory framework falling under the financial sector laws that are within the FSCA jurisdiction, to ensure that it continues to effectively support the FSCA's customer protection, market integrity and efficiency, and financial stability (supportive role) objectives.

The regulatory framework refers to the body of laws and supporting instruments, for which the FSCA is responsible, that govern the conduct regulation of financial institutions. The regulatory framework comprises primary laws, subordinate legislation, documents that impose legally enforceable requirements and documents that support the interpretation and implementation of financial sector laws, such as interpretation rulings, guidance notices, general directives and the likes.

The department also provides support in the interpretation and application of regulatory instruments, including the drafting of interpretation rulings and guidance notices as well as exemptions.

The following strategic goals are relevant to the department. Progress towards achieving these goals is summarised below:

Strategic goal	Achievement to date towards 3-year targets
Develop and maintain a pre-emptive and proactive regulatory framework that is aligned with the FSR Act and relevant international standards.	Provided support in the development of primary legislation. Developed, drafted and published regulatory instruments and related documents assisting in the implementation of the regulatory framework. Provided support on the interpretation and application of the regulatory and legislative provisions, including the drafting of guidance notices and interpretation rulings and provided training on the conduct legislative frameworks.
Proactive stakeholder management by implementing an effective communication, brand, reputation and stakeholder management strategy.	Participated in numerous working group and committee meetings of the international associations of which the FSCA is a member and of other international and regional bodies and forums. Responded through the Regulatory Liaison Department to questionnaires and surveys, and exchange of information under the domestic and international inter-regulatory multilateral memoranda of understanding as well as memoranda of understanding. Participated in external stakeholder platforms, presentations, conferences and media. Participated in and hosted numerous working group and committee meetings with industry stakeholders and associations.

IMPLEMENTING NATIONAL POLICIES AFFECTING THE FINANCIAL SECTOR

The FSCA and the other relevant regulatory authorities must continuously strive to deliver and support government policy objectives for the financial sector. The FSCA takes its policy direction from the National Treasury (NT) whose objectives are, in turn, informed by broader government strategic and development plans. The FSCA plays a supportive role in assisting the NT to formulate policy positions which are ultimately translated into primary legislation.

Two of these critical pieces of primary legislation currently under development include the:

- **Conduct of Financial Institutions (CoFI) Bill:** The CoFI Bill aims to significantly streamline the legal landscape for conduct regulation in the financial sector, and to give legislative effect to the market conduct policy approach. It will strengthen customer protection by establishing a single comprehensive market conduct law in the financial sector, resulting in the consistent application of consumer protection principles across the sector. The draft CoFI Bill was first published for public consultation by the NT on 11 December 2018. During the course of 2019, the NT facilitated various public consultation processes which resulted in further refinements to the Bill. On 29 September 2020, the NT published the second version of the CoFI Bill together with a high-level overview of the comments received on the first version of the Bill. Since publication of the second version of the Bill, the NT in conjunction with the FSCA facilitated various key stakeholder engagements in respect of the Bill and processed all comments received resulting in further refinements to the Bill. The FSCA provided and will continue to provide substantial technical support to the NT in developing and further refining the CoFI Bill, for submitting to Cabinet for approval to submit to Parliament.

- **Financial Markets Act Review:** The FSCA is continuing to participate in a joint working group tasked with implementing the recommendations regarding the Financial Markets Review and providing substantial support to the National Treasury in drafting proposals related to refining the financial markets regulatory framework and the revised Financial Markets Act.

DEVELOPMENT AND MAINTENANCE OF REGULATORY FRAMEWORKS

The department continued to work on developing and maintaining the regulatory frameworks supervised by the FSCA. This entailed, amongst other things, developing, drafting and publishing regulatory instruments, amendments to other subordinate legislation, interpretation rulings, guidance notices, other legal notices, communications and the like.

Regular review of the regulatory frameworks falling within the jurisdiction of the FSCA is critical to ensure that such regulatory frameworks are robust, effective, aligned with international standards and supports and enables the FSCA to fulfil its legislated objectives and functions.

The review process deals with analysis and surveillance of the financial sector environment from a regulatory perspective in order to identify any legislative gaps, regulatory arbitrage, emerging risks, inconsistencies with international standards and the like, and the closing of these gaps, risks or inconsistencies in the form of new or amended regulatory instruments.

Gaps in the regulatory framework or emerging risks can be identified in a variety of ways, including identification of gaps or emerging risks through the supervisory approach of the FSCA, through internal research, undesirable practices or recurring poor outcomes identified directly or through external stakeholders (such as ombud schemes or industry associations) and new and topical developments on an international or local front, posing emerging risks such as binary options, crypto assets and crowdfunding.

The department will continue to refine its approach in developing and maintaining the FSCA's regulatory frameworks to ensure the regulatory frameworks enable the FSCA to achieve its legislative objectives in an optimal manner. The specific regulatory framework developments that occurred during the reporting year are discussed below in more detail.

SUBORDINATE LEGISLATION

BANKING INDUSTRY

The final FSCA Conduct Standard for Banks was published on the FSCA's website during July 2020 with some sections becoming effective upon publication and others only becoming effective during July 2021 to provide sufficient time for banks to become compliant with the new requirements. The objective of the Conduct Standard for Banks is to introduce requirements that promote the fair treatment of financial customers of banks. The Conduct Standard is aimed at various types of banking activities although the application of certain sections is limited to retail financial customers. The Conduct Standard is strongly geared towards principle-based requirements to ensure that banks deliver fair customer outcomes in a disciplined, transparent and consistent manner. Work also continues on the recommendations from the Retail Banking Diagnostic, including supervisory engagements. It is envisaged that in due course, amendments will be proposed to the

Conduct Standard for Banks that are informed by the work performed under the Retail Banking Diagnostic and supervisory engagements. If the CoFI Bill overtakes this process, the amendments will be incorporated into the CoFI Bill framework.

COLLECTIVE INVESTMENT SCHEMES INDUSTRY

A few regulatory framework developments in the Collective Investment Schemes (CIS) environment were finalised during the reporting period. After extensive public consultation and submissions of the conduct standards to Parliament, the following conduct standards were finalised:

- **Conduct Standard - Net Asset Valuation Calculation and Pricing for Collective Investment Scheme Portfolios (NAV Conduct Standard):** Fairness to investors requires that there is a proper and transparent basis for asset valuation and the pricing and the redemption of participatory interests in a CIS. According to an International Organisation of Securities Commission's (IOSCO) report[1] on the principles for the valuation of CIS, "The valuation of the assets employed or held by a CIS is critical to investors because it affects, amongst others, the CIS's NAV, financial reporting, performance reporting and presentation, and fees paid to CIS service providers. Therefore, it is crucial to understand all the valuation drivers in order to reach a correct valuation of the assets in the portfolio or, before purchasing/selling an asset, in order to assess the correct value of such an asset."

  The regulatory framework for CIS in South Africa only provided for certain high-level provisions in the Collective Investment Schemes Control Act and the Deed establishing a CIS and did not provide for the determination of NAV within CIS portfolios in sufficient detail to enable proper regulations. In this context, the FSCA developed the NAV Conduct Standard. Work also continued, in conjunction with the Association for Savings and Investments South Africa (ASISA), in developing an extensive Valuations Guideline supporting the operation of the NAV Conduct Standard.

  The final Conduct Standard was published on 19 May 2020 with provision being made for a six-month implementation after the publication date.

- **Conduct Standard - Requirements for Delegation of Administration by a Manager of a Collective Investment Scheme:** It is standard practice in the CIS industry that some of a manager's core functions, and in some instances all administration functions, are delegated by the manager to a professional administration provider and investment of assets to an investment manager.[2] Proper administration of portfolio assets form the cornerstone of a manager delivering on its mandate to investors who hold participatory interests in the portfolio. The FSCA developed this Conduct Standard to ensure that delegation occurs in a controlled and responsible manner in the interest of investors. It is envisaged that this will translate into market and investor confidence and transparency regarding the value chain of end-to-end customer servicing and optimising investor protection by ensuring that the manager's risk will not be materially increased.

  The final Conduct Standard was published on 19 May 2020 with an immediate effective date.

  Apart from the above-mentioned, extensive work continued on a variety of projects culminating in conduct standards, other instruments or Papers that were published for public comment during the reporting period or were subject to further technical work. These include:

- **Draft Conduct Standard for Advertising, Marketing and Information Disclosure Requirements for Collective Investment Schemes:** A reviewed draft of Board Notice 92, i.e., a new Conduct Standard for Advertising, Marketing and Information Disclosure Requirements for Collective Investment Schemes was consulted on and workshopped extensively with industry during the 2019/20 reporting period. Resulting therefrom, as well as the need to include requirements for a prospectus and other new matters to align with international best practice, a revised Conduct Standard was developed during this reporting period and published for another

1 Principles for the Valuation of Collective Investment Schemes, Final Report, IOSCO, May 2013, p.4.

2 Also known as an asset manager.

round of public consultation on 7 October 2020. It is envisaged that the draft Conduct Standard will be submitted to Parliament during the latter half of 2021 and finalised as soon as possible, thereafter.

- **Review of Board Notices 910 (Fit and Proper Requirements and Conditions for CIS Managers) and 911 (Application form for registration as a CIS Manager):** Extensive internal work was conducted in reviewing the aforementioned Notices during the reporting period. The Board Notices were converted to a Conduct Standard relating to governance, fit and proper and other requirements for CIS managers. The draft Conduct Standard was published for public comment on 2 December 2020 until 15 February 2021. It is envisaged that the draft Conduct Standard will be submitted to Parliament during the latter half of 2021 or early 2022 and finalised as soon as possible, thereafter.
- **Conduct Standard - Securities that may be included in a CIS in Securities and the manner of such inclusion:** The Collective Investment Schemes Control Act provides that the FSCA may determine the manner in which and the limits and conditions subject to which securities or classes of securities may be included in a portfolio of a collective investment scheme in securities. To date, these matters are prescribed in Board Notice 90 of 2014. The proposed Conduct Standard will aim to update and modernise the existing Board Notice, inclusive of international best practice where relevant.

  The work hereon has commenced by means of inputs from industry, development of a structure, discussions on specific topics with industry, etc., but the development of the Conduct Standard itself has been earmarked as a focus area for 2021/22. This Conduct Standard is strongly dependent on international best practice as well as IOSCO and Financial Services Board developments which the FSCA must adhere to. Important international work is currently being conducted on options to enhance the resilience of Money Market portfolios as well as other risk issues for CIS. The work on the Conduct Standard has been delayed as it needs to include the outcomes of the international work.
- **Development of an accounting framework for CIS Managers and their portfolios:** Work relating to the development of a bespoke accounting framework for Collective Investment Schemes Managers and their portfolios will continue during the course of 2021 and 2022 with the assistance of two audit firms having progressed the matter by producing proposed standard financial statements that will form the basis of further work.

FINANCIAL ADVISORY AND INTERMEDIARY SERVICES (FAIS) INDUSTRY

- **Draft amendments to the FAIS General Code of Conduct, the Determination of Fit and Proper Requirements for Financial Services Providers and the Notice on Qualifications, Experience and Criteria for the Approval as a Compliance Officer:** At the end of November 2020, proposed amendments were published to the FAIS General Code of Conduct, the Determination of Fit and Proper Requirements for Financial Services Providers as well as the Notice on Qualifications, Experience and Criteria for the Approval as a Compliance Officer for public comment.

  The main purpose of the amendments to update the General Code is in order to make provision for the alignment of requirements that will be put in place with the proposed premium collection framework, to limit the need for further exemption notices, to give effect to a Retail Distribution Review (RDR) related proposal and to ensure that the Code offers additional protection to financial customers. The main purpose of the amendments to the Determination of Fit and Proper Requirements is to update the Determination in order to limit the need for further exemptions, to update incorrect references and to ensure that the Determination is more easily understood and interpreted. The main purpose of the proposed amendments to the Compliance Officer Notice, is to update the Notice to refer to the latest amendments and changes to the FAIS framework. It is envisaged that the proposed amendments will be submitted to Parliament during the latter half of 2021 and will be finalised as soon as possible, thereafter.

- **Draft Declaration of Crypto Assets as a financial product under the FAIS Act:** The regulation of crypto assets has been under consideration by the NT and relevant authorities for a number of years. In a significant development, the Intergovernmental Fintech Working Group (IFWG) was established in 2016, comprising members from the NT, South African Reserve Bank, FSCA and Financial Intelligence Centre, with the National Credit Regulator and South African Revenue Services joining in 2019, in order to develop a common understanding among regulators and policymakers of financial technology (Fintech) developments as well as the regulatory and policy implications for the financial sector and the economy. Following the establishment of the IFWG, the Crypto Assets Regulatory Working Group (CAR WG) was formed under the auspices of the IFWG. The main objective of the CAR WG was to formulate a coherent and comprehensive policy stance on crypto assets, while ensuring the continued integrity and efficient functioning of financial markets, maintaining financial stability, protecting the rights and interests of customers and investors, and combating illegitimate cross-border financial flows, money laundering and terrorist financing. Following its establishment, the CAR WG published amongst others, a Position Paper on Crypto Assets in 2020 (Position Paper). The Position Paper set out in detail the problem statements that informed its work and recommendations and the risks related to crypto assets. The Position Paper also highlighted the challenges in regulating crypto assets and, importantly, made various policy recommendations relating to the regulation of the crypto assets environment. Various of these policy recommendations directly impact the FSCA as it was recommended that the FSCA regulates services related to the buying and selling of crypto assets.

  The increased risk of harm to consumers purchasing/investing in crypto assets, coupled with the exponential increase in the provision and use of crypto assets in South Africa gave further urgency to the need to start regulating the selling or intermediating of crypto assets in South Africa, and giving effect to the Crypto Assets Regulatory Working Group recommendations.

  As a result, on 20 November 2020, the FSCA published a draft Declaration for public comment proposing to declare crypto assets as a financial product under the FAIS Act. Comments on the draft Declaration are being considered. Simultaneously work is also currently being undertaken to formulate a draft licensing and regulatory framework that will be applicable to the rendering of financial services in relation to crypto assets. It is envisaged that the Declaration will be finalised at the end of 2021 or beginning of 2022.

- **Foreign Exchange/Currency and Over-the Counter Derivatives online trading platforms:**

- The evolution of the FOREX/currency market, both in terms of size (propelled by the explosive growth in and access to this market by the retail clients) and market practice (improved mobile and other application technology platforms, and the retail-geared and cost-effective derivative products) over the years has resulted in exponential growth in this market.

- Some of the noted factors responsible for this massive move and growth over the last couple of years in the FOREX/currency trading environment/sector with huge retail (client) participation is mostly attributed to, among others, the easy access and entry into this market through advanced technology, the proliferation of the trading platforms, the quick and easy availability of financial derivative instruments, specifically geared towards the retail market (e.g. Contract for Difference) as well as the ease with which these instruments can be traded. The increase in the number of the trading platforms has also further spurred the increase in the trading of the over-the-counter derivative products such as Contracts for Difference (CFDs) by the retail clients.

- This growth has resulted in a divergence between market practice and appropriate and relevant regulatory requirements for this sector. Although some of these activities are captured within the ambit of the FAIS Act, some are not. Broader discussions regarding the regulation of these activities are, however, currently underway and will inform the formulation of the CoFI Bill which will include these activities within its ambit.

- As an interim measure pending the finalisation of the CoFI Bill, the FSCA is currently considering, to the extent that the FAIS Act allows, an appropriate policy response to these developments.

FINANCIAL MARKETS

In addition to the Financial Markets Act (FMA) Review as discussed above, several financial market related developments took place during the course of the reporting period:

- **Joint Standard - Margin Requirements for non-centrally cleared OTC derivative transactions:** The Basel Committee on Banking Supervision and International Organsation of Securities Commissions published an initial regulatory framework for margin requirements[3] in 2015 and provided new regulatory guidelines to be adopted into the domestic laws of the G20 member states. To ensure that South Africa's legal framework for regulation and supervision of the financial sector adheres to the internationally agreed standards and the G20, the NT published a discussion document[4] in March 2015 relating to reducing the risks of over-the-counter derivatives. The Discussion Document outlined SA's proposed policy approach to regulating OTC derivative markets. Against this backdrop, the FSCA and PA developed a Joint Standard aimed at implementing margin requirements for non-centrally cleared OTC derivative transactions and to reduce systemic risk and advance broader macroprudential benefits by reducing financial system vulnerability caused by build-up of uncollateralised exposures within the financial system. The Joint Standard underwent extensive public consultation during 2018 and 2019 and was submitted to Parliament in December 2019. It is envisaged that the final Joint Standard will be done in the first half of 2021. The effective date of the Joint Standard, however, will be determined by the Authorities in due course and will take a phased approach with parallel engagement with Industry.

- **Central Counterparty (CCP), external CCP and Trade Repository (TR) licence applications, and Equivalence Framework:** The Financial Markets Act defines a central counterparty as a clearing house that interposes itself between counterparties to transactions in securities, becoming a buyer to every seller and the seller to every buyer and thereby ensuring the performance of open contracts. A CCP becomes a counterparty to trades with market participants through novation, an open offer system or through a legally binding agreement. Following on the introduction of measures to mandate central clearing of OTC derivatives as discussed above, the focus in 2020 moved to finalising the licensing framework for CCPs.

In December 2019, the FSCA and PA published various draft documents for public comment that were aimed at facilitating the licensing of CCP's, external CCPs and TRs as explained above. These documents included the following:

- Draft Joint Standard on Requirements relating to a central counterparty licence application;
- Draft Equivalence Framework for external CCPs, TRs and Central Security Depositories;
- Determination – Requirements for external central counterparty or external trade repository licence applications.

The draft Joint Standard setting out the requirements relating to a central counterparty licence application underwent extensive public consultation and was tabled with Parliament in quarter 4 of 2020. Subsequently, the final Joint Standard was published on the websites of the FSCA and the PA, together with all the relevant documentation and came into effect on 31 March 2021. The FSCA subsequently by notice on its website, determined the form and manner in which a CCP licence application must be submitted to the FSCA.

The FSCA and the PA are also working on a Roadmap outlining a phased approach in developing a regulatory framework for central clearing in

3 BCBS-IOSCO Framework for Non-Centrally Cleared Derivatives.

4 Reducing the risks of over-the-counter derivatives in SA.

South Africa. The phased approach mooted out the roadmap in the development of the regulatory framework in three phases. The first phase was completed through the effective making of the Joint Standard, paving the way for the licensing of central counterparties by the Authorities. The second phase comprises of work being undertaken in respect of finalising the draft Equivalence Framework and Determination for external central counterparties and external trade repositories. The Financial Markets Act enables external (foreign) CCPs and TRs to be licensed to operate within the South African jurisdiction, without being subject to the South African regulatory framework regulating CCPs, if such an external CCP or TR is situated in a jurisdiction that has a regulatory framework that is equivalent to the South African regulatory framework. The Financial Markets Act enables the FSCA with the concurrence of the South African Reserve Bank (SARB) and the PA, to determine: (a) that the regulatory framework of a specified foreign country is equivalent to the regulatory framework established in terms of the Financial Markets Act; and (b) the licensing process for external CCPs and TRs. Linked to the equivalence framework, the FMA enables the use of exemptions to, where justified, exempt an external applicant from local requirements, where there are appropriate similar requirements in the relevant equivalent jurisdiction and if a departure from the local requirements is justified. To ensure a consistent approach to providing such exemptions, the Authorities can prescribe, through a Joint Standard, the criteria that must be applied when deciding whether to exempt such external applicants. Following on the development of the equivalence framework, the Authorities will develop an Equivalence Frameworkwhich will set out the criteria that would be applicable if an Exemption Framework applies for a CCP licence and qualifies for an exemption in terms of the requirements of the FMA.

Both the Equivalence Framework and the exemption framework as described, will be consulted on, in due course. More details on the approach to these developments will be set out in the joint Roadmap, which the FSCA envisages will be published during the course of 2021.

- **Designation of Benchmarks (with draft Conduct Standard):** Benchmarks play a key role in the financial system's core functions of pricing and allocating capital and risk. The pricing of many financial instruments and financial contracts depends on the accuracy and integrity of benchmarks which can be subject to conflicts of interest, the use of discretion and weak governance regimes. Past cases of manipulation of interest rate benchmarks[5] combined with allegations of manipulation of commodity and foreign exchange benchmarks highlighted the shortcomings in the benchmark regulatory framework and how benchmarks are open to manipulation and abuse. Concerns about the integrity and reliability of financial benchmarks have also prompted a number of regulatory reform initiatives internationally. The activity of providing a benchmark is, however, currently not directly regulated in terms of any financial sector law. In December 2019, the FSCA submitted a proposal to the Minister of Finance requesting the designation of providing a benchmark or index as a financial service in terms of section 3(3)(a)(iii) of the Financial Sector Regulation Act. Following the publication of the Regulations by the Minister of Finance proposing to designate the provision of a benchmark as a financial service, the FSCA will publish a draft Conduct Standard setting out the proposed framework for licensing and regulating the provision of benchmarks, which has already been developed for public consultation.
- **Conduct Standard for Exchanges:** The granting of additional exchange licences during the course 2016 created a multiple exchange environment in South Africa, resulting in market fragmentation of to competition between exchanges, and complexities and challenges arising from an environment with the same authorised users as well as the listing and the trading of the same securities across multiple South African exchanges. The current legislation also does not contain any provisions relating to interoperability and the need for exchanges to cooperate with each other and to harmonise exchange rules in respect of certain market operations. To mitigate the risks

5 Cases surrounding the London Interbank Offered Rate (LIBOR) and the Euro Interbank Offered Rate (EURIBOR) bears reference.

created by the multiple exchange environment, the FSCA developed a Conduct Standard for Exchanges and draft Directive for Exchanges during the course of 2019. These documents underwent public consultation during May and June of 2020. It is envisaged that the Conduct Standard and Directive will be submitted to Parliament during the latter half of 2021 and will be finalised as soon as possible, thereafter.

- **Joint Standard - Minimum requirements for the recovery plans of market infrastructures:** Market infrastructures play an essential role in the financial system and a severe disruption to a market infrastructure system could compromise the proper operation of markets and adversely impact the critical function of allocating savings efficiently between economic agents. International principles[6] advocate that financial market infrastructures should have comprehensive and effective recovery plans because the disorderly failure of such a market infrastructure could lead to severe systemic disruptions. The recovery of a market infrastructure concerns the ability of the market infrastructure to recover from a threat to its viability and financial strength so that it can continue to provide its critical functions as a going concern. In this context, the FSCA and PA developed a draft Joint Standard on Recovery Plans for Market Infrastructures accompanied by a draft Guidance Notice setting out guidance and recommendations in respect of recovery tools for Market Infrastructures. The draft Joint Recovery Standard and the draft Joint Guidance Notice is undergoing refinement and the Authorities are in the process of engaging on the last aspects relating to the finalisation of the draft documents. The aim is to publish these documents for public consultation during the latter half of 2021.

- **Designation of Securities Financing Transactions (with draft Conduct Standard):** As part of South Africa's commitment to adhere to global financial standards and the increasing need for the protection of investors and consumers of financial products, the formulation of a framework for the regulation of Securities Financing Transactions (SFTs) in the South African markets has become a priority. It is commonly accepted that the optimal utilisation of SFTs in a well-regulated environment can make a significant contribution to the efficiency, liquidity and the competitiveness of the South African capital markets and will further reduce systemic risk.

- A detailed analysis has been undertaken of extensive research done with regards to SFTs and consideration given on how to regulate these transactions most appropriately. Policy consideration is being given to which participants engaging in these types of activities should be regulated in respect of their participation in STFs and the risks these participants are exposed to during these transactions. The proposed policy approach on how to potentially regulate the participants engaging in SFTs are in the process of being finalised and further information in this regard is expected to be published during the course of 2021. Once the policy position regarding the preferred approach to regulating these transactions have been finalised, the process in respect of finalising and publishing the legislative instruments giving effect to the proposal (e.g., a draft Conduct Standard relating to SFTs) will be published for consultation.

- **Reporting framework for short sales:** During the 2008 global financial crisis, several countries implemented emergency measures on short sales because of concerns that this activity was aggravating the downward spiral in share prices, thereby posing a threat to individual financial institutions and wider financial stability. Various measures were taken, ranging from restricting short sales to temporarily banning short sales in certain sectors. Other measures included introducing a requirement to flag every short sale on the exchange trading system and the reporting and disclosure of net short positions at certain thresholds. Currently, South Africa does not have a reporting framework in place for short sales, which is contrary to prevailing international standards. In the above context, the FSCA previously published a Discussion Paper on the "implementation of a

6 The Principles for Financial Market Infrastructures issued by the Committee on Payment and Settlement Systems and the Technical Committee of the International Organisation of Securities Commissions in April 2012.

short sales reporting and disclosure framework" and during the reporting period, prepared a Position Paper outlining the FSCA's position on the proposed reporting and disclosure framework for short sale transactions. This Position Paper is expected to be published in Q3 or Q4 of 2021. The Authority aims to articulate the reporting requirements for short sales mooted to in the Position Paper in a draft Conduct Standard under development, with the intention to consult on the draft Conduct Standard soon after the Position Paper is published.

INSURANCE INDUSTRY

Following two major conduct reforms in the insurance regulatory framework during the course of 2017 and 2018, regulatory framework developments in the insurance industry for this reporting year focussed on a few select themes that are nearing finalisation focused:

- **Conduct related requirements for Cell Captive Insurance Business in relation to third party risks:** The policy proposals informed by the risks articulated in the December 2019 Position Paper related to third party cell captive insurance business was translated into legislative proposals in the draft Conduct Standard setting out requirements relating to third party cell captive insurance business. The draft Conduct Standard was published for public consultation on 28 July 2020 until 22 September 2020. Several engagements with industry players occurred following the publication to discuss and engage on the proposed requirements. The draft Conduct Standard proposes appropriate governance and oversight requirements on cell captive insurers to mitigate the specific risks which have been identified as particularly prominent in third party cell captive insurance models. Further to this, the Conduct Standard proposes that a general disclosure obligation should be placed on cell captive insurers in the Conduct Standard to disclose to the potential policyholder, before it enters into a policy, details regarding the nature of the relationship between the cell captive insurer and the cell owner and the fees and remuneration borne from this relationship. The reporting requirements relating to the notification of any new third-party cell arrangements as communicated in terms of FSB Information Request 5 of 2016 is perpetuated in the draft Conduct Standard. Lastly, the draft Conduct Standard proposes limitations in instances where the cell owner is a Non-Mandated Intermediary (NMI) or an associate of an NMI to mitigate the conduct risks as identified. All public comments were scrutinised, considered and responded to and the aim is to submit the draft Conduct Standard to Parliament during Q3 of 2021.
- **Further amendments to the Policyholder Protection Rules (PPRs) and Regulations under the Long-term and Short-term Insurance Acts:** The FSCA has been working on further amendments to the Policyholder Protection Rules (PPRs) and Regulations informed by a number of regulatory projects. The amendments will, amongst other things, be focused on accommodating various RDR developments, such as 'carving out' advice from intermediary services to facilitate the charging of advice fees, a prohibition on paying commission on lump sum investment policies and giving effect to the proposals in the Equivalence of Reward Position Paper published in December 2019, following technical work performed on this topic as part of the RDR work. The amendments will also include the proposals related to the premium collections' framework informed by the Position Paper titled *the future regulatory framework for the collection of insurance premiums* consulted on during 2019. The proposal in the Position Paper was aimed at addressing a number of risks and concerns related to the collection of insurance premiums informed, *inter alia,* by the curatorship of Insure Group Managers Limited. As an interim step in order to encourage this shift to the direct collection of premium into the bank account of the insurer without the premium being held by a third-party, a general exemption was granted for insurers and independent intermediaries from the commission regulations under the Long-term Insurance Act and Short-term Insurance Act when remunerating intermediaries for performing certain stipulated premium collection related activities in instances

where a premium is collected directly into the insurer's bank account. However, the aim remains to change the regulatory framework to reflect the enhanced requirements as alluded to in the 2019 Position Paper. Amendments to the PPRs will also focus on gaps and abuses identified through supervisory experience, including enhancements related to governance and oversight of product design, premium review practices, targeted disclosures and loyalty benefits.

It is envisaged that the draft amendments to the PPRs will be published in Q2 of 2021, and the draft amendments to the Regulations later on in 2021.

- **Joint Standard on outsourcing by insurers:** The FSCA and PA are in the process of developing a Joint Standard relating to outsourcing by insurers. The Standard is largely based on the current prudential outsourcing Standard but will be amended to incorporate various conduct of business specific requirements. It is envisaged that the Standard will be published for public consultation during the course of Q2 of 2021.

RETIREMENT FUNDS INDUSTRY

A significant amount of technical work took place in relation to retirement fund regulatory framework developments. These developments are at varying stages of completion. Some of these developments were finalised during the reporting period whilst some were published for public comment. Some of these developments include the following:

- **Conduct Standard - Minimum Skills and Training Requirements for Board Members of Pension Funds:** This Conduct Standard prescribes the minimum skills and training requirements for board members of funds as provided for in section 7A(3)(a) of the Pension Funds Act. The Conduct Standard was published for public comment in Q2 of 2021 and after the public consultation process in December 2019, the Conduct Standard was submitted to the NT to facilitate the submission of the Conduct Standard to Parliament. The Conduct Standard was finalised in July 2020.
- **Proposed Conduct Standard - Requirement related to the Payment of Pension Fund Contributions:** In December 2019, the FSCA submitted a proposal to the Minister of Finance requesting that the Minister agrees to the repeal of Regulation 33 to enable the FSCA to improve and replace Regulation 33 with a Conduct Standard. The proposed Conduct Standard was included in the submission. On 29 May 2020, the draft Conduct Standard was published for comment until 31 July 2020. The comments have been considered and further refinements were made to the Conduct Standard. The FSCA is aiming to submit the final draft Conduct Standard to Parliament during the latter half of 2021.
- **Conduct Standard - Conditions for smoothed bonus policies to form part of default investment portfolios:** The purpose of this Conduct Standard is to prescribe the conditions with which a smoothed bonus policy must comply in order to be considered for inclusion as a default investment portfolio. In general, the Conduct Standard aims to provide additional protection to members who are defaulted into a smoothed bonus policy, to ensure that they fully understand the default being provided. The Conduct Standard was tabled before Parliament in May 2020 and the final Conduct Standard was made effective on 9 October 2020.
- **Proposed Conduct Standard – Conditions for Living Annuities in an Annuity Strategy:** Where a pensioner elects a living annuity on retirement, there is a risk that this could result in poor retirement outcomes for the individual, such as unsustainable income streams and a reduction in affordable annuity payments over time. The definition of "annuity strategy" in the Regulations under the Pension Funds Act provides that conditions may be prescribed for purposes of an "annuity strategy" and regulation 39(3)(a) states that drawdown levels of living annuities that form part of the annuity strategy of a fund must comply with a prescribed standard. The purpose of this draft Conduct Standard is to address the risk of poor retirement outcomes, and to give effect to a prescribed standard as contemplated in Regulation 39(3)(a) by prescribing the conditions for a living

annuity to be chosen as part of a fund's annuity strategy, including the drawdown levels for such a living annuity. The Conduct Standard was published for a second round of public comment in Q2 of 2020. It is envisaged that the Conduct Standard will be submitted to Parliament during Q3 of 2021. The Conduct Standard will be made final once the Parliamentary process has been completed.

- **Proposed Conduct Standard - Communication of Benefit Projections to Members of Pension Funds:** A pension benefit projection is an important tool in monitoring whether a pension fund member is saving enough for retirement. Projections assist in managing the expectations of members of a pension fund and influencing their behaviour by providing members with information regarding realistic expectations of their future retirement benefits and the potential effect of retirement decisions. The purpose of this Conduct Standard is to prescribe requirements relating to the communication of benefit projections to pension fund members, the methodology to be applied in the calculation of the benefit projections and how assumptions relating to benefit projection calculations are to be determined and/or used. On 29 May 2020, the Authority published the draft Conduct Standard for public consultation. Comments received on the draft Conduct Standard have been processed and further refinements were made to the draft Conduct Standard. The FSCA is aiming to submit the final draft Conduct Standard to Parliament in Q3 of 2021and to finalise it as soon as possible, thereafter.
- **Proposed Conduct Standard - Conditions for Securities Lending for Pension Funds:** Regulation 28(6) under the Pension Funds Act provides that pension funds may engage in securities lending and enables the FSCA to prescribe conditions in respect thereof. Securities lending enables a pension fund to earn additional income to the benefit of the fund and its members. Fund assets represent a significant portion of investable assets of financial institutions and such assets form a large base of the securities lending in the financial industry. In order to balance the benefit with the possible risks associated with securities lending, the FSCA is intending to make a Standard dealing with securities lending which prescribes conditions in the form of general principles and requirements pertaining to service providers, agents, counterparties, lending limits, collateral, etc. The draft Conduct Standard was published for public comments on 7 October 2020 until 30 November 2020. Comments received on the draft Conduct Standard have been processed and further refinements were made to the draft Conduct Standard. The FSCA is aiming to submit the final draft Conduct Standard to Parliament in Q3 of 2021 and to finalise it as soon as possible, thereafter.
- **Proposed Conduct Standard - Conditions for Investment in Derivative Instruments for Pension Funds:** Regulation 28(7) of the Regulations under the Pension Funds Act provides that funds may invest in derivative instruments and enables the FSCA to prescribe conditions in respect thereof. This Conduct Standard intends to prescribe the conditions for pension funds relating to investing in derivative instruments as part of its investment strategy. In order to balance the benefit with the possible risks associated with investing in derivative instruments, the FSCA deems it appropriate to prescribe conditions by providing for general principles and requirements pertaining to, amongst others, counterparties, exposure limits, netting of exposures and collateral. On 8 June 2020, the draft Conduct Standard was published for comment until 31 July 2020. Comments received on the draft Conduct Standard were processed and the FSCA is aiming to submit the final draft Conduct Standard to Parliament during the latter half of 2021.
- **Proposed Conduct Standard - Conditions for Investment in Hedge Funds:** Regulation 28 of the Regulations under the Pension Funds Act provides that a fund may invest in hedge funds subject to such limits as determined in Table 1 to Regulation 28. To ensure that funds only invest in appropriately regulated hedge funds, this draft Standard proposed that funds may only invest in hedge funds administered by a manager registered as prescribed in paragraph 2(2) of the Determination on the

Requirements for Hedge Funds.[7] The draft Conduct Standard was published for public comment in Q4 of 2020 and comments received from the public are being scrutinised and considered with an aim to further refine the draft Conduct Standard. Related amendments to the definition of Hedge Funds in Regulation 28 have also been proposed and National Treasury has subsequently published the draft amendments in Q1 of 2021 for public comment. The FSCA is currently reconsidering the draft Conduct Standard in light of the Regulation 28 amendments and will communicate next steps during the course of 2021.

- **Proposed Conduct Standard - Financial Statements and Regulatory Reporting Requirements:** The FSCA is in the process of converting Board Notice 77 of 2014 into a Conduct Standard. The new Conduct Standard will include enhanced regulatory reporting requirements. The draft Standard will be published in due course.
- **Proposed Conduct Standard - Dissolution of Pension Funds:** This Standard proposes to prescribe various requirements relating to the dissolution and cancellation of registration of pension funds, and matters related thereto, and will supplement the existing Chapter V of the Regulations under the Pension Funds Act. The draft Conduct Standard will be published in due course.

CROSS-CUTTING DEVELOPMENTS

- **Discussion Document – Ensuring appropriate financial consumer education initiatives:** During June 2020, the FSCA published a Discussion Document aimed at *Ensuring Appropriate Financial Consumer Education Initiatives,* for public comment. The discussion document was developed to facilitate industry comment on a proposed Conduct Standard aimed at ensuring consumer educationinitiatives provided are appropriate. Comments received from the public are being considered for the development of the proposed Conduct Standard. However, in addition to the comments, an Information Request will be sent to all financial institutions to obtain a baseline set of data of consumer initiatives against which to measure the outcome of the proposed Standard. These developments will continue during the course of 2021 and 2022.
- **Joint Standard - Fitness, propriety and other matters related to significant owners:** One of the key elements of the governance framework of financial institutions is the role of significant owners as they have the ability to control and materially influence the business and strategy of a financial institution. To avoid disruptions to the financial system from poor management of a financial institution as well as poor treatment of customers, it is critical that significant owners and those running financial institutions are fit and proper. Accordingly, this Joint Standard proposes to introduce fit and proper requirements for significant owners of financial institutions and parameters of what constitutes 'an increase or a decrease in the extent of the ability of the person, alone or together with a related or inter-related person, to control or influence materially the business or strategy of the financial institution (as referred to in sections 157(1) and 158(4) of the Financial Sector Regulation Act). After two rounds of public consultation, the Joint Standard was submitted to Parliament on 27 November 2019. Publication of the final Joint Standard was purposefully delayed in order to not place additional implementation burdens on the financial industry amidst the Covid-19 pandemic and the national lockdown. The Joint Standard came into effect on 1 December 2020.
- **Proposed Joint Standard on Governance:** The FSCA and Prudential Authority are in the process of developing a Joint Standard on Governance applicable to all financial institutions. A Joint Governance Working Group consisting of various representatives from the FSCA and PA was established during the reporting period with the aim of developing a joint governance framework, and the terms of reference of the working group requires the representatives to consider various governance focus areas, international best practice

7 Published under Board Notice 52 in Government Gazette No. 38540 of 6 March 2015, made in terms of the Collective Investment Schemes Control Act, 2002.

and the South African context. Extensive research into international standards and best practices were undertaken during the course of 2020 and comparative work is underway between the output from this research and the existing local governance requirements applicable in various sectors. The aim is to start drafting the framework in the latter half of 2021.

- **Proposed Joint Standard on IT Risk Management Framework:** The FSCA and PA are working on finalising a first draft of the Joint Standard to be published for public comment during the course of Q2 of 2021.. The proposed Joint Standard sets out the IT risk management principles that financial institutions must comply with for achieving sound practices and processes in managing IT risks. The proposed Joint Standard seeks to ensure that financial institutions have established a sound and robust IT risk management framework; assist financial institutions in integrating technology risk management into their overall management system; and ensure that financial institutions have implemented information security controls for the information held on IT systems.

HARMONISATION PROJECT

In its Policy Paper titled "*Treating Customers Fairly in the Financial Sector: A draft Market Conduct Policy Framework for South Africa*", the NT highlighted that regulatory silos impede reform, and it was specifically stated that South African financial institutions are subject to an incomplete and inconsistent legal framework for market conduct that creates opportunities for regulatory arbitrage. This also means that the level of customer protection depends on the industry and distribution channel. The NT further stated that the issue is exacerbated by the fact that regulatory requirements tend to focus on subsector rules rather than consistent, cross-sectoral outcomes.

This siloed approach was therefore one of the important factors driving the design of the Twin Peaks architecture, which is aimed at, amongst other things, breaking down the silos and adopting a more holistic approach that improves customers outcomes across sectors. With the intention of giving effect to this holistic cross-sectoral approach, the NT published the draft CoFI Bill (as discussed above). The revision of the legal framework through the CoFI Bill aims to significantly streamline the conduct requirements for financial institutions by replacing the conduct provisions in existing financial sector laws into a single, consolidated and overarching legal framework focused on conduct of business. The CoFI Bill will also to a large extent move away from the sectoral regulatory framework approach and embed overarching outcomes-based requirements that apply across sectors.

Acknowledging the future regulatory framework architecture and the need to start harmonising laws regulated by the FSCA to avoid fragmented supervision, regulatory arbitrage and inconsistent customer outcomes across the sector, the FSCA initiated a Harmonisation Project which is aimed at harmonising the regulatory requirements across industries supervised by the FSCA. The Harmonisation Project entails identifying key conduct "themes"[8] and developing a consolidated legal framework, cutting across all sectors, for each of the identified themes. The intention is to eventually publish the harmonised "themed" regulatory frameworks as conduct standards under the CoFI Bill, replacing any remaining requirements in existing financial sector laws that overlap with the themed frameworks.

It is envisaged that the Harmonisation Project will go far in removing regulatory arbitrage and ensuring more consistent outcomes across the financial sector as a whole and will contribute significantly in ensuring a faster and smoother transition into the CoFI Bill framework. The draft harmonised "themed" regulatory frameworks will be published for stakeholder input and consultation as and when developed, but it is envisaged that these consultations will only start taking place during the course of 2022.

RETAIL DISTRIBUTION REVIEW

Although the Retail Distribution Review (RDR) cuts across various functional areas within the FSCA, the Policy Division is responsible for coordinating implementation of the RDR.

8 Such as culture and governance, outsourcing. advertising, disclosure, complaints management, conflicts of interest and the like.

The department played a critical role in supporting the Policy Division to further the RDR work during the reporting period.

Following the incorporation of various RDR proposals into the relevant legislative frameworks overseen by the FSCA over the course of a number of years, technical work on various RDR proposals continued during the reporting period. Updated publications are being worked on for the Adviser Categorisation Working Group as well as the Investments Matters Working Group.

OTHER DOCUMENTS, INSTRUMENTS OR PROJECTS ASSISTING IN THE IMPLEMENTATION OF REGULATORY FRAMEWORKS

- **Notices**

  Legal Notices may be published under the Financial Sector Regulation Act or as stipulated under sectoral laws. These Notices typically reflect actions exercised by the FSCA under financial sector laws such as the granting of exemptions or extensions, making of determinations, declaration and general directives, and the like. These Notices are legally enforceable. During the reporting period, the department facilitated the publication of a significant number of Notices across all industries supervised by the FSCA.

- **Interpretation Rulings**

  The FSCA is empowered to publish interpretation rulings where necessary to promote clarity, consistency and certainty in the interpretation or application of financial sector laws for which we are responsible. Interpretation rulings are binding on the FSCA. They oblige the FSCA to interpret and apply the applicable law in line with the interpretation ruling, unless or until a legislative change or a court judgment effectively overrides the interpretation ruling.

- **Guidance Notices:** The FSCA may issue guidance notices on the application of financial sector laws for which it is responsible. This tool is used if there is uncertainty or material inconsistency in the way in which financial institutions implement regulatory requirements. Guidance notices are not legally binding but provide useful information to promote consistent application of principle-based requirements, without having to resort to less flexible rules-based interventions. Guidance notices may give examples of what the FSCA would see as good or poor practice in relation to specific principles or required outcomes. During the reporting period, the department facilitated the publication of three guidance notices, i.e.:

  - **Guidance Notice on the Lapsing of Licences in terms of section 11 of the Financial Advisory and Intermediary Services Act, 2002:** The purpose of this Guidance Notice is to provide guidance on the requirements in terms of the Financial Advisory and Intermediary Services Act, 2002 (FAIS Act) pertaining to the lapsing of a licence and the duties of financial services providers (FSP), any key individual of the FSP, or another person in control of the affairs of the FSP, as the case may be; when dealing with the voluntary surrender of a licence and voluntary closure of business, respectively; and the effect of non-compliance with the requirements of the FAIS Act in relation to the lapsing of licences. The Guidance Notice was published on 25 November 2020.

  - **Guidance Notice on the Application of section 7C(2)(f) of the Pension Funds Act, 1956 read with section 2 of the Financial Institutions (Protection of Funds) Act, 2001:** The purpose of this Guidance Notice is to provide guidance on the requirements in terms of the Pension Funds Act, 1956 and the Financial Institutions (Protection of Funds) Act, 2001 pertaining to the expectation of the boards of retirement funds when they consider releasing a proportion of the assets backing unpaid surplus liabilities, and matters to be considered by the fund when taking such a decision. The Guidance Notice was published on 10 December 2020.

- **Guidance Notice on the Net Asset Valuation Calculation and Pricing Best Practice Guidelines for Collective Investment Scheme Portfolios in terms of sections 44(1) and 94(1) of the Collective Investment Schemes Control Act:** On 19 May 2020, the FSCA published the NAV Conduct Standard which prescribes the requirements applicable to the calculation and pricing of the NAV of a portfolio of a CIS. Since the publication of the NAV Conduct Standard, the FSCA identified a need to provide guidance on the application of sections 44(1) and 94(1) of Collective Investment Schemes Control Act (CISCA) and the NAV Conduct Standard. The NAV Guideline is expected to be published in Q2 of 2021 and may also be applied in the valuation of instruments by regulated entities other than collective investment scheme.

- **Industry Communications**

  The department facilitated the publication of numerous industry communications. These communications related to regulatory instruments published for consultation or published as final instruments, general legislative matters, supervisory matters or any other matter the FSCA wished to communicate to industry stakeholders. The FSCA and the Prudential Authority opted to also publish a number of joint communications during the reporting period.

REGULATORY SUPPORT

The department provided regulatory support to the public, industry stakeholders and other FSCA divisions. Regulatory support entails assisting in the interpretation and application of regulatory and legislative provisions, guidance notices and interpretation rulings and the like, as well as regulatory developments. The department also provided training on legislative developments to the other divisions of the FSCA.

STAKEHOLDER MANAGEMENT

Stakeholder engagement and international cooperation continues to serve as a critical forum for learning, dialogue and the exchange of ideas on best practice.

International

Members of the department participated in numerous working group and committee meetings of the international associations of which the FSCA is a member and of other international and regional bodies and forums, during the year under review.

Domestic

The department liaised regularly during the year under review with domestic counterparts, industry ombuds, representative bodies of regulated entities, intermediary associations, and the auditing and actuarial professions. The department is also responsible for coordinating the activities of the Market Conduct Regulatory Framework Steering Committee and consultation processes in relation to regulatory framework developments. The Market Conduct Regulatory Framework Steering Committee is made up of cross-functional representatives from financial sector industry associations, ombud schemes and professional bodies. The committee is chaired by the FSCA and meets quarterly. It acts as an informal consultation forum and technical advisory panel for key conduct of business regulatory reforms proposed by the FSCA.

Information sharing

The department responded through the Regulatory Liaison Department to questionnaires and surveys and exchange of information under domestic and international inter-regulatory multilateral memoranda of understanding as well as memoranda of understanding.

MARKET, CUSTOMER AND INCLUSION RESEARCH DEPARTMENT

The Market, Customer and Inclusion Research Department (MCIRD) is responsible for carrying out ongoing proactive research into and monitoring of financial sector trends and emerging market conduct risks. It also carries out specific research projects to support the work of other FSCA divisions. The department is also responsible for ensuring that the work of the FSCA appropriately supports and promotes financial inclusion and transformation of the financial sector.

Strategic goal

Strategic goal	Achievement to date towards 3-year targets
Promote entry to the financial sector by Black and emerging entrepreneurs and broadening access to financial services and products by the previously excluded.	The department developed a financial inclusion strategy for the FSCA and has commenced work on an implementation plan to track and monitor the activities of the FSCA relating to the pillars of the financial inclusion strategy. It has also participated in processes underway at the Financial Sector Transformation Council to revise the Financial Sector Code. A transformation strategy has been drafted and is currently being finalised, after which it will be consulted on with various stakeholders. Through the department, the FSCA remains a syndicate member of the Finscope Survey, providing key information and data on financial inclusion trends in South Africa. In 2020, Finscope undertook a survey focusing on financial inclusion levels amongst Small Medium Micro Enterprises (SMMEs) in the country.

KEY DEPARTMENTAL PERFORMANCE

Promoting financial inclusion

The FSCA's financial inclusion strategy identifies three dimensions that seeks to influence – access to financial products and services, the quality of financial products and services, and usage of financial products and services. The strategy also acknowledges the importance of a multi-stakeholder approach to promoting financial inclusion in the country, and to this end, the FSCA will continue to engage with other relevant stakeholders in forums on financial inclusion matters. Technical assistance is being provided through the World Bank Financial Sector Development and Reform Programme (FSDRP) to develop an implementation, monitoring and evaluation plan for the FSCA's financial inclusion strategy over the medium-term. In 2020, Finscope undertook a survey focusing on financial inclusion levels amongst SMMEs in the country, and this will be used to further develop approaches to supporting SMMEs financial inclusion.

Financial sector transformation

An MoU between the FSCA and FSTC will be entered into in the first quarter of the new financial year. Training workshops on the Financial Sector Code was arranged with the Licensing and Business Centre and Conduct of Business Supervision departments in February 2021. The FSCA's transformation strategy is being finalised internally and will be shared with external stakeholders thereafter.

The department maintained a regular tracking document to keep abreast of financial sector industry responses and developments in response to the Covid-19 pandemic in South Africa. The department has also commissioned a research study into South Africa's domestic financial sector outlook over the medium-term, including how the Covid-19 pandemic may affect industry and customer trends going forward.

A number of research projects are underway, the results of which were somewhat delayed due to the effects of the Covid-19 lockdown and restrictions. Projects include:

- An industry questionnaire was issued relating to the sale of value-added products at point of sale through motor dealerships; results are being analysed.
- A research project was commissioned by the National Treasury through the World Bank examining the financial sector ombuds system in South Africa. The World Bank diagnostic report on the financial sector ombuds system will make recommendations for improving the alternative dispute resolution system for financial customers. This contributes to a stronger customer protection framework and complements the work of the FSCA as conduct regulator of financial institutions.
- A project in partnership with the Consultative Group to Assist the Poor (CGAP) was developed as an indicator framework for testing customer outcomes, the results were made available to the FSCA and will be shared with external stakeholders

in the next financial year. Learnings and outcomes from this project will feed into strengthening the collection and analysis of industry data by the FSCA, including through supervisory initiatives.

REGULATORY LIAISON DEPARTMENT

The Regulatory Liaison Department supports the building of the new organisation and promotes financial customer protection and the efficiency and integrity of financial markets by advancing international and domestic regulatory and enforcement cooperation and collaboration. It does so in order to deliver and support the FSCA's strategic priorities of promoting fair customer treatment and the building of a new organisation. The FSCA recognises that financial markets and the provision of financial services are global in nature and that international cooperation and collaboration are critical in helping to ensure the protection of South African customers and the integrity of South Africa's financial markets. The FSCA therefore works closely with its international counterparts and policy forums to ensure it remains abreast of regulatory developments and has the opportunity to influence international and regional regulatory policy.

The department further coordinates the FSCA's participation in and provides the administrative support for the Financial System Council of Regulators and provides secretariat and administrative services to the Committee of Insurance, Securities and Non-Banking Financial Authorities.

Strategic goal

Strategic outcome	Achievement to date towards 3-year targets
Effective transition to the FSCA with minimal disruption to regulatory oversight and service delivery.	The Regulatory Liaison Department hosted a virtual Familiarisation and Training Programme for the FSCA's counterparts in the Southern African Development Community (SADC) and the Sub-Saharan region. The department further facilitated the conclusion oof a bi-lateral MoU with the FinMark Trust.
Ensure the regulatory and supervisory framework is in line with international standards and best practices.	The department issued 11 Monitors on Local and Regulatory Developments and participated in surveys/questionnaires from international standard setting bodies. It further coordinated and attended the virtual Committee of Insurance, Securities and Non-banking Financial Authorities (CISNA) Strategic Planning and Performance Review Committee and reported on the progress on implementing the FSAP recommendations. It further responded to 479 requests for information from domestic and foreign regulators.

INTERNATIONAL FORUMS

During the past year, the FSCA's participation in the following international and regional forums has remained a core part of its work:

- International Organisation of Securities Commissions
- International Association of Insurance Supervisors
- International Financial Consumer Protection Organisation
- International Network on Financial Education
- International Actuarial Association
- International Organisation of Pension Supervisors
- Committee of Insurance, Securities and Non-Banking Financial Authorities
- Financial Action Task Force
- Organisation for Economic Cooperation and Development.

COOPERATION AND COLLABORATION

International

The FSCA continues to cooperate and collaborate internationally with regulators to prevent financial crime and customer abuse. The cooperation and collaboration are enabled through 98 bi-lateral and multi-lateral memoranda of understandings (MoUs). During the reporting period, the FSCA shared information in terms of the MoUs in respect of 479 requests from and to its counterparts in foreign jurisdictions.

Domestic

On the domestic front, the FSCA is an integral part of South Africa's broader regulatory framework. A significant part of the FSCA's work therefore involves close collaboration and liaison with domestic counterparts to ensure consistent regulatory strategies, effective supervision and enforcement and, minimisation of the duplication of effort and expense.

The FSCA further collaborated with the Independent Regulatory Board for Auditors who had submitted 13 reports of reportable irregularities to the FSCA during the period under review.

Memorandum of Understanding

During the reporting period, the FSCA entered into the following MoUs

MoU	Purpose
IFWG MoU	To set out the understanding of the Parties to the MoU regarding the cooperation, collaboration, support and assistance between each other in order to achieve the objective of the IFWG and how they intend to cooperate and collaborate in the implementation and operations of the Innovation Hub.
FinMark Trust	To provide a framework of cooperation and facilitate collaboration between the FSCA and FinMark Trust.

The MoU between the FSCA and PA was further amended, ***inter alia***, to provide for the delegation by the PA to the FSCA on the power to appoint investigators and to investigate a contravention of section 11 of the Banks Act in terms of sections 134 and 135 of the FSR Act, respectively. The delegation is limited to those contraventions of section 11 where the FSCA reasonably suspects that the activity resulting in the contravention appears to be, constitutes or simulates, a Ponzi scheme or an activity designated in General Notice No.498 published in the Government Gazette No.17895 on 27 March 1997.

The delegation is further subject to the condition that the FSCA obtain the approval of the PA prior to investigating a Ponzi scheme. The delegation also does not divest the PA of any of its powers to investigate Ponzi schemes.

CAPACITY BUILDING

The FSCA continues to offer assistance to its regional counterparts. In March 2021, the FSCA hosted a virtual Familiarisation and Training Programme. The programme was attended by 162 participants from Angola, Botswana, Eswatini, Ethiopia, Lesotho, Kenya, Malawi, Mozambique, Mauritius, Namibia and Zimbabwe. The programme is designed to provide regulatory authorities in the Southern African Development Community (SADC) with an opportunity to share and learn from each other's best practices and challenges in regulating and supervising the financial services industry within the SADC region.

In the past, the programme was conducted face-to-face at the offices of the FSCA with a duration of between three to five days. This year, the programme was hosted virtually due the limitations on travel and the requirements relating to social distancing as a result of the Covid-19 pandemic. The focus of the programme was further limited to one theme, namely, Fintech.

COMMITTEE OF INSURANCE, SECURITIES AND NON-BANKING FINANCIAL AUTHORITIES' SECRETARIAT

The Committee of Insurance, Securities and Non-banking Financial Authorities (CISNA) was established in June 1998 by SADC, as a committee of authorities responsible for the supervision of insurance, securities and non-banking financial sector industries in SADC Member States. CISNA is part of the Trade, Industry, Finance and Investment Directorate of the SADC and reports to the SADC Committee of Ministers of Finance and Investment.

The FSCA is a member of CISNA and participates in its various sub-committees. The FSCA continues to provide secretariat support to CISNA and manages the CISNA website until the Office of the Permanent Secretariat is able to take over the secretariat duties. As a result of the Covid-19 pandemic, the biannual meetings for the reporting period were cancelled. However, the FSCA participated in the Strategic Planning and Performance Review Committee that continued to meet in order to operationalise the Office of the Permanent Secretariat.

INTERNATIONAL ASSESSMENTS/ SURVEYS

Financial Sector Assessment Programme

The Financial Sector Assessment Programme (FSAP) is a comprehensive and in-depth analysis of a country's financial sector and are the joint responsibility of the International Monetary Fund (IMF) and the World Bank (WB) in developing economies and emerging markets. South Africa, as a G20 country, is expected to undertake an FSAP review every five years. South Africa last underwent an FSAP review in 2014, with the final reports published during December 2014 and March 2015. South Africa is currently subject to an assessment and the FSCA plays an important role.

The first mission of the FSAP review took place during February/March 2020 and focused on the core topics of banking, insurance, interconnectedness, stress-testing, crisis management and preparedness, and pensions. Due to the Covid-19 outbreak, the securities component of the assessment did not take place and was postponed to the second mission that took place during 28 September 2020 and 2 December 2020. The focus of the second mission was on macroprudential supervision, systemic liquidity management, financial inclusion, SME finance, capital market development, cyber security/resilience and Fintech. It is anticipated that the review will be finalised during the second quarter of the next reporting period.

Surveys

During the reporting period, the FSCA coordinated and or participated in 35 surveys and questionnaires of International Standard Setting Bodies.

FinCoNet SC5 Report	OECD Financial Consumer Protection measures implemented in response to Covid-19 emergency
IOSCO C4 Mandate on Retail Distribution and Digitalisation	IAIS ICP 19 - Conduct of Business
IMF/World Bank FSAP Technical Notes	G20 Data Gaps Initiative
IOSCO Thematic Review on Business Continuity Plans	ESMA Annual Request for information regarding JSE Clear
IOSCO GEMC Fintech project on use of innovation facilitators	FSB OTC Derivatives Market Reforms: 2020 questionnaire
Council for the Built Environment – Establishment of an ombudsman office	IOSCO Thematic Review on Business Continuity Plans Follow-up Questions
Finconet SC5 Report on Financial Advertising	IOSCO Committee 8 - Questionnaire on Investor Complaint Handling and Redress
OTCD questionnaire - request for updates: Update of market data and regulatory developments for the period 1 July to 30 Sep 2020	IMF/World Bank 2020 FSAP Board Review - Country Authorities
SARS SA EOIR Review 2020	IAIS ICP 19 - Conduct of Business - Comment on draft report
IOSCO Survey on the Enforcement Toolbox for Ordinary and Associate Members	IAIS Financial Services Board - BCBS follow-up questionnaire on LIBOR transition
IOSCO 2020 Multilateral Memorandum of Understanding (MMoU) Monitoring Group Survey	IOSCO Leverage in Investment Funds
G20 Data Gaps Initiative	IOSCO 2020 MMoU/EMMoU Statistics Submission and Verification
IAIS Market Conduct Survey on Use of Key Indicators to Assess Conduct of Insurers	Financial Services Board CMCG Questionnaire
IOSCO AC Thematic Review on BCP with respect to Trading Venues and Intermediaries	SARS SA EOIR Review 2020

FinCoNet SC5 Report	OECD Financial Consumer Protection measures implemented in response to Covid-19 emergency
UNODC Questionnaire on PEP scrutiny and beneficial ownership transparency	Review of G20/OECD High-level Principles on Financial Consumer Protection: Questionnaire on implementation and evaluation
IOSCO Consultation report on issues and concerns regarding Market Data (Secondary Equity Markets)	NAMFISA Innovation Benchmarking Survey
Bank of Russia Insider Information and Market Manipulation	IOSCO 2020 World Investor Week (WIW)
AMERC Q4, 2020 Newsletter: Call for Contributions	

CONSUMER EDUCATION DEPARTMENT

The activities of the Consumer Education Department (CED) of the FSCA are mandated through section 57 of the Financial Sector Regulation Act of 2017, which directs the FSCA *"to protect financial customers by providing financial customers and potential financial customers with financial education programmes, and otherwise promoting financial literacy and the ability of financial customers and potential financial customers to make sound financial decisions."*

This mandate is implemented through one of the FSCA's strategic priorities for the next three years to ensure that we have informed financial customers. The intended outcomes of this priority are to have broader consumer protection, integrate financial education with regulatory functions, coordinated industry financial education activities, have improved data on consumer behaviour and to attempt to positively change consumer behaviour when it comes to personal financial management.

Strategic goal

Strategic goal	Achievement to date towards 3-year targets
Promote financial education to consumers of financial services and products by way of focused financial literacy interventions using the media, workshops, exhibitions, etc.	The department implemented a total of 90 online and media activities reaching about 1 303 consumers through webinars and reaching approximately 8 258 000 listeners via radio interviews. The CED also engaged with 16 stakeholders towards achieving our targets.

Service delivery objectives, indicators and outputs

The Consumer Education Department uses a variety of innovative methodologies to engage with consumers. From research and resource development to the implementation of workshops, exhibitions, media activities, youth campaigns and projects. All these activities are supported by online resources through our website at https://www.fscamymoney.co.za and various social media platforms. Monitoring and evaluation frameworks are implemented within each campaign and project from the activity conceptualisation and design stage. The Covid-19 pandemic and the accompanying lockdown measures in South Africa, however, made face-to-face financial education extremely challenging. The FSCA therefore decided to suspend all face-to-face activities for the 2020/21, in support of governments efforts to contain the spread of the virus.

Research, Monitoring and Evaluation

In 2019, the CED commissioned a follow-up to the 2012 financial literacy baseline study, which was an expansion of the South African Social Attitude Survey (SASAS). However, only 40% of the data processing could be completed before the lockdown measures were implemented. The rest of the data collection could only commence in October 2020 and the final report will thus only be available in 2022.

In addition to the national research, monitoring and evaluation of each consumer education activity is essential as it provides insights into the strengths, weaknesses and lessons learnt for each respective initiative. Some of the CED's monitoring and evaluation is done internally, and larger projects/campaigns are monitored and evaluated by independent contracted service providers, depending on project budget and project scale.

During this period, the following monitoring and evaluation reports were published by contracted companies:

- National Financial Literacy Speech Competition 2019 Case Study
- National Financial Literacy Speech Competition 2019 Close Out Report
- Money Smart Week 2021 Interim Report
- FSCA Financial Literacy Facilitator Pilot Report 2021.

An internal Covid-19 report was also published during this period.

The final reports on these projects as well as various other research reports are available at www.fscamymoney.co.za.

Resource development

In 2018, the department started a process to review, revise and redesign 16 resource materials. This was done to update the resources with legislative changes and to rebrand it from FSB to FSCA. In 2021, 18 resources were developed and 11 of them rebranded. These include brochures for funeral cover, credit insurance, credit ratings, unclaimed benefits, illegal tracers, consumer insurance tips, life insurance, non-life insurance, Savvy Savers budget booklet, shares, collective investment schemes (CIS), retirement planning, the importance of a will and pyramid schemes. Also included were four resources for the FSCA's Financial Literacy Facilitator Course, namely, a facilitator guide, facilitator presentation pack, learner guide and learner workbook.

Activities

Since all face-to-face activities were cancelled or postponed, projects such as the speech competition, Expanded Public Works Programme (EPWP) workshops, as well as other workshops and exhibitions could not be implemented.

The CED did, however, embark on several digital as well as community radio campaigns which resulted in 90 activities taking place, reaching an online audience of 1 303 and radio listenership of 8 258 000. The media numbers are as provided by the radio stations.

The following activities, campaigns and projects were implemented during the 2020/21 financial year:

Webinars

A total of 42 webinars were held reaching 1 303 consumers. The challenge with webinars is that consumers do not have the data to attend the webinars and the FSCA had to provide data vouchers to consumers in some instances. The target groups reached through the webinars included SMMEs, lower income consumers, secondary school learners and tertiary students and rural consumers.

National Financial Literacy Speech Competition

Although the National Financial Literacy Speech Competition could not take place, the CED staff used this time to plan a digitised version of the competition for 2021. In addition to this, the staff also assisted the nine provincial winners of 2019, who all received bursaries as part of their prizes, to enrol and register at the university of their choice. As all of them passed their matric with an exemption, seven of the nine learners are registered at a university in South Africa and have started the academic year. The remaining two chose to take a gap year and will start their studies in 2022. 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.

Financial Literacy Facilitator Course

In 2018, the FSCA-CED decided to establish a database of accredited financial education facilitators sourced from all nine provinces, who could assist in facilitating activities that fall under the mandate of the CED and provide consumer education facilitation to organisations who can access their skills through this database.

In 2019, the FSCA appointed an accredited contractor to develop a customised Financial Literacy Facilitator Course which focuses on facilitation and presentation skills, using the FSCA's MyMoney Learning Series.

The course development was completed in November 2020 and piloted with 16 learners and observers from the FSCA and various financial industry associations in December 2020. The course is in line with unit standard 117871 *"Facilitate learning using a variety of given* *methodologies"* and carries 10 credits on level 5 of the National Qualifications Framework of South Africa. Upon successful completion, learners will have met the objectives of the course, which are:

- Understand the basic content and practiced facilitating the FSCA MyMoney Learning Series content
- Conducted basic training as a facilitator
- Completed formative and summative assessments on facilitating the material
- Prepared a Portfolio of Evidence (PoE) which will be submitted to the Education Training and Development Practices Sector Education and Training Authority (ETDP SETA) to earn the unit standard
- Completed an additional non-accredited content assessment required by the FSCA.

A total of 32 learners are expected to participate in the training programme during Q2 of 2021.

Online activities

During 2020/21, the visitors to the FSCA's consumer education website, www.fscamymoney.co.za, increased dramatically as consumers were looking for more information on how to manage their money more effectively during lockdown. Published articles on Covid-19 regulations and how it affected consumers, as well as warnings about scams and fraud were the most popular. During this time, a total of 16 006 people visited the website. The majority of visitors, 50% accessed the website using their desktop, while 47.3% used cellphones and 1.8% used tablets.

With the transition from face-to-face to digital learning, we were able to introduce podcast and consumer television onto the website to educate consumers. We have been able to create content that delivers true value to consumers using podcasts and video animation.

In collaboration with our Communication and Language Services Department our social media pages, Facebook, Instagram, LinkedIn, and YouTube, have seen an increase in the number of people engaging with the videos, with a total reach of 1 792 857 across all platforms. Not only does video content get more engagement than other content types, but it lives longer, enabling consumers to reference the content.

Podcasts have also become the new talk radio on the website and continues to grow as more consumers visit the website to listen to the consumer education interviews.

The FSCA's online Trustee Training Toolkit (TTK) for trustees of retirement funds continues to grow since it became mandatory for trustees to do the training. To date, 12 116 trustees have registered on the e-learning system, an increase of 29%, and 3 674 have completed the summative assessment test, an increase of 51% for 2020/21. The online e-learning programme can be accessed via www.trusteetoolkit.co.za and registration is free.

Stakeholders

The Consumer Education Department maintains successful relationships with all stakeholders interested in and participating in financial education activities. The most significant stakeholder engagement for 2020/21, was the FSCA's representation on the National Consumer Financial Education Committee (NCFEC) and it's Money Smart Week South Africa's Steering Committee (MSWSA SteerCom) and sub-committees.

The CED representatives on the NCFEC gave valuable guidance on messaging and implementation of digital activities during the lockdown period. Most noteworthy contributions were on the MSWSA SteerCom, the committee established to coordinate MSWSA for 2021. The event took place from 22 to 28 March 2021 and was implemented through activities on the digital platform www.mswsa.co.za, social media, as well as various traditional media platforms such as radio, television and print. The FSCA's Discretionary Fund provided a budget for public relations and marketing of the event as well as for the monitoring and evaluation. The event was aligned to the International Network on Financial Education's (INFE) Global Money Week and was hugely successful as the statistics below shows:

- + 17 500 South Africans logged onto www.mswsa.co.za
- + 83 300 video downloads i.e., video play button pressed an average of 11 900/day

- ± 63 330 079 persons reached with combined public relations efforts
- + 2 500 000 social media reach
- ± 4 331 000 listenership on community radio.

The FSCA also provided funding for the reverse billing of data, which meant that South Africans could watch the virtual activities at no data cost. This contributed to the numbers reflected above.

The FSCA's CED is also regularly invited to speak at financial education conferences and presented virtually at the at the following conferences:

- 4 February 2021: Webinar, OECD/INFE Technical Assistance Project for Financial Education in the Constituency Programme of the Ministry of Finance of the Netherlands; Presentation: "*National Strategies on Financial Education: Governance structures and coordination with private and not-for-profit stakeholders - examples and practices*"
- 16 March 2021: Webinar, OECD/INFE Technical Assistance Project on Financial Education in the Commonwealth of Independent States, Phase II*, Peer Learning on "*Stakeholdership for National Strategies on Financial Education*"
- 30 March 2021: Webinar; Global Financial Literacy Excellence Center - "Rethinking the Role of Investor Protection and Education"- Connecting to Reimagine: Money and Covid-19.

Strategic Priority 4: Informed financial customers					
Strategic Outcome/Objective: To ensure informed financial customers.					
Strategic goal	**Performance indicators (Number of interventions)**	**Achievement 2019/20**	**Target for 2020/21**	**Achievement 2020/21**	**Reason for deviation**
Provide financial customers and potential financial customers with financial education programmes to promote financial literacy and capability.	Research/monitoring and evaluation	9	7	5	Due to the lockdown measures, the planned research was postponed to 2021.
	Resource development	11	18	18	
	Workshops, presentations and edutainment	143 (16 850 consumers)	55	38 (1 101 consumers)	No face-to-face workshops could be implemented due to Covid-19 lockdown measures, but 38 webinars were completed.
	Online activities FSCA Consumer Ed website, Trustee Training Toolkit, Social media	1	1	1	
	Media Activities	16 2 786 616 (listeners)*	15	41 8 255 000 (listeners) * 3 348 (Q and A chat session viewers)	Additional media activities due to media campaigns were undertaken and included ad-hoc interviews for information on managing money during the Covid-19 lockdown and live Q & A sessions with different participants during the Money Smart Week.
		* Statistics as received from radio and television stations.			
	Money Smart Week	0	1	1 7 radio interviews: 3 000 listeners + 4 webinars: 202 consumers	This event consisted of Radio Cape Pulpit interviews and webinar sessions.

FINANCIAL TECHNOLOGY DEPARTMENT

A key objective of the FSCA regulatory framework is to mitigate the risks associated with technology in financial services, while encouraging innovation that may deliver efficiencies and promote inclusion. To this end, the Financial Technology (Fintech) Department was established in 2019, with recruitment and onboarding of the Head of Department and Senior Specialists, as well as the development of the strategic roadmap. The key strategic focus areas for the Fintech department include:

1) Providing regulatory guidance to Fintechs
2) Testing new Fintech innovations in a Sandbox
3) Conducting research on latest Fintech developments in order to influence policy change
4) Providing subject matter expertise within FSCA and to external stakeholders
5) Engaging with the Fintech ecosystem (incubators, venture capitals, academics, incumbents).

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

- In March 2020, the Fintech innovation hub was officially launched to the public. Owing to Covid-19, the launch was done digitally, through press releases and live video streams, addressing various public questions on how the hub will work. The launch was met with a positive response and cited as "much needed" and "timely" by the Fintech ecosystem. Since the launch of the innovation hub, it has already engaged over 50 Fintech firms, and is in the process of accepting and reviewing applications from Fintechs to participate in the Regulatory Sandbox, showing signs of healthy demand from the marketplace.
- In May 2020, the Sandbox was officially launched to the public with 52 applications received to enter into the Sandbox from banks, insurers, and start-ups alike.
- In July 2020, the FSCA concluded draft research material on Digital Platforms and Non-Traditional Data. The FSCA held workshops with IFWG regulators where regulators had the opportunity to engage with the proposal and make suggestions.
- In November 2020, the FSCA Fintech Department published its Non-Traditional Data reports as part of IFWG's policy accelerator research into emerging trends in Fintech.
- In December 2020, the FSCA's Fintech Department published the Open Finance Research Report for public comment, with a closing date of 28th February 2020.
- In December 2020, the FSCA released a declaration recommending the designation of crypto assets under FAIS for public comment. This is in order to give the FSCA greater regulatory oversight over crypto asset services to curb market abuses currently taking place. Comments from the public have been received and processed with an updated directive expected to go out in June 2021. This work is tied to the ongoing work of the Crypto Assets Working Group, in which the FSCA has been a key member in shaping the outcomes of the Position Paper that is also expected to be published in June 2021.
- In January 2021, the FSCA Fintech Department published the Suptech Report as part of IFWG's policy accelerator research into emerging trends in Fintech.
- In March 2021, the FSCA concluded the very first Sandbox case of the IFWG innovation hub on Lending Crowdfunding. Key outcomes of the testing were that lending-based crowd-funders will have to be licensed by the NCR, PA and FSCA. A key recommendation finding from the Sandbox testing is that amendments will also need to me made to FAIS to cater for crowd-funders going forward.

Over the coming financial year, the FSCA Fintech Department will continue to be focused on guiding even more Fintechs on regulatory matters, conducting Sandbox tests by introducing further cohorts, and carrying out further research focused on Digital platforms, Non-traditional data, Regtech and Suptech, Open Finance, Alternative Finance, Digital Financial Inclusion, Suptech and Artificial Intelligence and, Digital Banking in order to develop new policies. The department will also host several industry workshops and Hackathons as a means to drive collaboration between regulators and the Fintech ecosystem and to equip regulators with market intelligence and digital capabilities required to effectively and proactively regulate fast changing Fintech innovations.

CONDUCT OF BUSINESS SUPERVISION DIVISION

PURPOSE

The Conduct of Business Supervision Division is responsible for the ongoing supervision of the business conduct of all supervised entities, with an emphasis on promoting fair treatment of financial customers, other than retirement fundsand it is also responsible for supervision relating to anti-money laundering and counter financing of terrorism (AML/CFT)."

DEPARTMENTS

The Conduct of Supervision Division consists of six departments and indicated in the table below.

Department	Function Description
Supervision: Banks and Payment Providers	Accountable for supervising the business conduct of entities authorised to issue banking products and entities authorised to provide payment services. The supervises the provision of credit by banks (other than co-operative banks..
Supervision: Insurers and Retirement Fund Benefit Administrators	The department is accountable for supervising the business conduct of entities authorised for issuing insurance products and entities authorised for retirement fund benefit administration. The two areas of focus are combined in the same department to ensure consistency, as many large Retirement Fund Benefit Administrators are also insurers.
Supervision: Micro and Access Product Institutions	This department is accountable for supervising the business conduct of micro-insurers and other financial services entities operating in the "micro" or "access product" space. For these purposes, access products include micro-insurance policies, funeral policies (including funeral policies sold by traditional insurers), and products offered by friendly societies, co-operative banks and co-operative financial institutions.
Supervision: Financial Advisers and Intermediaries	The department is accountable for supervising the business conduct of entities licensed to render financial advisory and intermediary services, and entities who are authorised for the activity of product sales and execution on a non-advise basis, where the entity is not also authorised for the actual issue of the products concerned. The department is mainly involved with the activities of the category I and IV FSPs, and as such, it was a natural move to join the two into one department.
Supervision: Investment Providers	Accountable for supervising the business conduct of a range of financial institutions authorised for various activities in relation to investments. Activities concerned (as contemplated in the current draft of the CoFI licensing framework), include: Providing a pooled investment (CIS managers and schemes, as well as alternative investment funds). Discretionary investment management (currently FAIS Category II and IIA intermediaries). Investment platform administration (LISPs with bulking – currently FAIS Category III intermediaries). Investment Administrators.
FICA Supervision	Accountable for carrying out the FSCA's supervisory functions under the Financial Intelligence Centre Act. The department will also ensure that any referrals relating to Anti-Money Laundering/Counter Financing of Terrorists (AML/CFT) matters received from the Financial Intelligence Centre are appropriately dealt with within the FSCA. As per the MoU with the PA, the FSCA's FICA responsibilities in respect of insurers have been delegated to the PA.

Strategic outcomes-oriented goals

Strategic outcome	Achievement to date towards 3-year targets
Building a new organisation Effective transition to the FSCA with minimal disruption to regulatory oversight and service delivery.	The division has created and staffed all six departments.
An inclusive and transformed financial sector Promote entry to the financial services sector by Black and emerging entrepreneurs and broadening access to financial services and products by the previously excluded.	Many of the financial services providers (FSPs) do not have compliance officers. Their access to credible information regarding their compliance responsibilities in terms of the legislation is limited. The COB Division hosted 17 webinars in total, which are aimed at small FSPs, to guide them through the requirements of the legislation, and to understand the broader landscape of financial services. These webinars are accredited for CPD purposes with the Financial Planning Institute. The webinars are hosted on the FSCA's YouTube channel, and are available for 12 months. The webinars were a collaborative effort, and various departments contributed. Other divisions such as the Fintech Unit also contributed. The FICA Supervision Unit contributed three of these webinars to create awareness and provide guidance in relation to compliance with the FIC Act.
A robust regulatory framework that promotes fair customer treatment • Ensure the regulatory and supervisory framework is in line with international standards and best practices. • Ensure effective and efficient conduct supervision processes.	The supervision plan of the division is aimed at developing and implementing a robust regulatory and supervisory framework. Fair customer outcomes are part of the approach and underpins the activities of the division. The work that is being done to develop a Conduct of Business Return (CBR) is a case in point. The CBR uses market conduct indicators to assist the division in doing intrusive off-site monitoring of the various individual entities and the industry as a whole. By using analytical tools, trends can be identified and addressed before it necessarily becomes a concern. This will also influence the development of the regulatory landscape. We have already started identifying possible market practices and products that will form part of the thematic reviews the division will further investigate. Further to this, the division has embarked on a project to develop an Omni-CBR for the entire division. This will enable all financial institutions to customise the return for their particular business/licence and complete only the relevant parts. The aim is also to be more intrusive and intensive in our approach of supervision for the other financial entities. The first draft of the return will be published before the end of 2021 for comments. The COB Division uses different supervisory tools. The supervisory tools include information gathering from diverse sources such as complaints and queries from consumers and other stakeholders, consumer bodies and industry associations, alternative dispute resolution structures, consumer and other media, research conducted on general or specific industry trends and targeted mystery shopping. The COB Division conducts supervisory off-site monitoring, which enables the formulation of pre-emptive responses to emerging conduct risks. Supervisory on-site inspections will enable us to confirm the insights gained into an institution. The risk-based approach to supervision will also inform the need for thematic on-site inspections. The findings from thematic on-site inspections may form the basis for future supervisory and regulatory reforms. The FICA Supervision Unit issued the Directive to Provide Information (DPI) in 2021. The information obtained through this directive informs the institutional standalone Money Laundering/Terrorist Financing (ML/TF) risk rating, informs the review of the sector risk assessment, provides for trend and gap analysis and informs the prioritisation of supervisory activities in line with international standards. The results of the directive also impacts the scope of On-site inspections and identifying issues to be focused on in respect of awareness initiatives, in line with a risk-based approach to supervision. On-site inspections are scoped and emphasis is placed on the amendments to the FIC Act, the results of previous inspections as well as the preliminary findings, following the Financial Action Task Force (FATF) mutual evaluation.

Strategic outcome	Achievement to date towards 3-year targets
Informed financial customers promote financial education to consumers of financial services and products by way of focused financial literacy interventions using the media, workshops, exhibitions, etc.	The Division has engaged with the Consumer Education Department on a variety of initiatives, providing technical support when required.
Proactive stakeholder management Proactive stakeholder management by implementing an effective communication, brand, reputation and stakeholder management strategy.	The COB Division has an interactive approach to stakeholder management. There are regular engagements with industry associations and professional bodies, including. The engagements include regular meetings to discuss industry concerns and cooperation between the FSCA and the industry. This includes cooperation and participation in industry projects and workstreams. The Division is also actively involved in engagements with other regulatory bodies, including the Prudential Authority, the FIC and the Council for Medical Schemes. The COB Division regularly participates in at industry events, as this also affords an opportunity to engage the industry regarding regulatory concerns and developments. Where requested, the COB Division also meets with regulated entities and the compliance fraternity to share information relating to supervisory trends.

SERVICE DELIVERY OBJECTIVES, INDICATORS AND OUTPUTS

Impact of Covid-19 and the response thereto

During March 2020, South Africa, as was true for the rest of the World, was hard hit by the impact of Covid-19. On 26 March 2020, South Africa started with the first lockdown, and at the end of the financial year (31 March 2021) was still in lockdown, albeit a less restricted form of lockdown. The FSCA was impacted in a similar manner to the financial services industry, and had to adapt to the restrictions, and find ways to continue to engage and support the industry. The following actions were undertaken by the COB: Supervision Division in response to restrictions imposed on the country:

- In addition to the various communications published by the COB Supervision Division, the Insurers and Retirement Fund Benefit Administrators Supervision Department (within COB Supervision Division), held numerous meetings with the non-life insurance industry regarding the business interruption insurance cover and associated claims, as well as two rounds of meetings/engagements (together with the Prudential Authority) with re-insurers, who are underwriting the business interruption cover in South Africa and various other impacted stakeholders, in an effort to provide assistance and an ultimate resolution of the dispute.

Date/Number of Notice	Authority	Sectors	Summary
2021/02/11	FSCA	Insurance	This communication sets out the FSCA's current position on certain aspects of Contingent Business Interruption (CBI) insurance cover as well as its expectations of non-life insurers and policyholders in respect of CBI claims, in order to ensure that the processing of these claims is not unduly delayed and in line with the legal certainty that has been obtained in recent judgments.
2020/12/23	FSCA	Insurance	The legal certainty that the non-life insurance industry has been waiting for from the South African courts in respect of CBI cover has now been provided by the Supreme Court of Appeal (SCA) in the matter between Guardrisk Insurance Company Limited v Café Chameleon CC. In light of the SCA judgment, the FSCA now expects the non-life insurance industry to honour its CBI cover obligations and to make payment of valid CBI claims without delay. Discussions between the non-life insurance industry and reinsurers should be expedited to ensure that policyholders who have already suffered huge financial losses since March 2020, do not continue to suffer these losses, as the legal certainty which the non-life insurance industry required has now been provided by the SCA.
2020/11/19	FSCA	Insurance	Following receipt of the decision by the Western Cape High Court in the matter between Ma-Afrika Hotels (Pty) Ltd & Another v Santam Limited, FSCA confirms and reiterates its views on CBI cover. While the FSCA respects the non-life insurance industry's right to appeal and notes that there is a pending appeal in the Café Chameleon CC v Guardrisk Insurance Company Ltd matter, the FSCA urges the non-life insurance industry, in the interest of policyholders, to consider paying CBI claims based on the legal certainty that has been provided by the courts thus far, including the full bench of the Western Cape High Court.
2020/09/16	FSCA	Insurance	Following ongoing discussions with the non-life insurance industry, the FSCA would like to provide an update regarding the process of obtaining legal certainty on the CBI cover. As indicated in previous communications, the FSCA has been engaging with the non-life insurance industry on the most efficient way to approach the courts in order to obtain legal certainty on CBI cover. After engaging with their legal teams, the majority of non-life insurers have advised the FSCA that due to many legal complexities, they are now of the view that the cases that are currently before the South African courts and the one by the Financial Conduct Authority in the United Kingdom will provide the required legal certainty on CBI policy wordings for the non-life insurance industry.
2020/08/12	FSCA	Insurance	The FSCA provides a brief update on the steps that have been taken to date, regarding the process of obtaining legal certainty on CBI cover and related issues, such as time barring clauses and interim relief measures taken by some non-life insurers. The FSCA is pleased to report that a good number of non-life insurers have announced that they will be making interim payments to assist struggling policyholders and further that they have communicated the exact details of their interim relief measures to their brokers and policyholders.
2020/07/24	FSCA	CIS	The FSCA issued a general exemption to Collective Investment Schemes Managers to provide for instances where a market price of a security held by a portfolio of a Collective Investment Scheme is not determinable.
2020/07/24	FSCA	Insurance	The FSCA and the PA (Authorities) have reached an understanding with non-life insurers that are most affected by business interruption cover claims that they will consider interim relief to their policyholders who have the appropriate contagious disease extension, while legal certainty on this matter is being sought from the courts. This interim relief will take the form of once off payments to policyholders to enable them to continue running their businesses while waiting for the outcome of the legal process.

Date/Number of Notice	Authority	Sectors	Summary
2020/07/24	FSCA	Insurance	This arrangement follows discussions between the Authorities and the non-life insurers. The discussions were primarily aimed at addressing two main issues which are of concern to the FSCA. The first is the impact of the repudiation of contingency business interruption cover claims by some non-life insurers (and delays in processing policyholders' claims) and the second is the impact of this matter on the reputation of the non-life insurance industry. The Authorities will continue to work with non-life insurers that are most affected by these business interruption cover claims to ensure that business interruption claims are resolved as quickly as possible and that trust and confidence in the non-life insurance industry can be restored. The efforts by these insurers to provide interim relief to their policyholders with no intention of claiming the funds back from their policyholders is appreciated by the Authorities. When necessary, further media statements will be issued.
2020/07/09	FSCA	Insurance	The FSCA is concerned about the behaviour of some insurers who are deliberately avoiding paying business interruption claims where no grounds exist to do so. The national lockdown cannot be used by any insurer as grounds to reject a claim. Such conduct goes against the principles of treating customers fairly and breaks down confidence and trust in the insurance sector. The FSCA has communicated this view to insurers and will take action against those that do not treat their customers fairly.
2020/06/18	FSCA	Insurance	This Communication sets out the position of the FSCA on certain aspects of the CBI cover. The FSCA published a communication wherein feedback is provided to the industry regarding the analysis undertaken of policy wordings which are different for non-life insurers offering the CBI cover submitted to the FSCA. The FSCA then provides its interpretation of the policy wordings and guidance in terms of how it should be applied by the insurers, also bearing in mind the burden of proof placed on policyholders.
2020/06/17	SARB, PA, FSCA	Banking	Joint Communication 7 of 2020 - Precautionary measures by financial institutions and payment institutions to limit the spread of the coronavirus disease (Covid-19) pandemic.
2020/05/19	FCSA	Banking	Frequently asked questions - Banking during the Covid-19 pandemic.
2020/05/12	FSCA/PA	Insurance	The purpose of this Communication was to set out the Authorities position on certain aspects of the CBI cover as well as the Authorities' expectations on non-life insurers and intermediaries as to how they should communicate with policyholders in respect of CBI claims related to Covid-19. The Authorities were engaging with the insurance industry on CBI insurance to understand, amongst others, the full impact of CBI claims on insurers and re-insurers following the outbreak of Covid-19. This Communication was issued based on the Authorities' engagements with insurers to date, on notifications to endorse policies by adding certain exclusions to CBI policies, the reaction of reinsurers to the Covid-19 outbreak, as well as on some complaints that were received by the Authorities at the date of publication.
2020/05/08	FSCA	CIS	The FSCA issued a general exemption to Collective Investment Schemes Managers to cater for liquidity pressures that might be experienced by some of the Collective Investment Schemes Managers due to the exceptional market conditions that arise due to Covid-19.

Date/Number of Notice	Authority	Sectors	Summary
FSCA Commu-nication 12 of 2020	FSCA	General	Impact of (Covid-19): Expectations on Regulated Entities.
2020/04/22	FSCA	Insurance	Non-life insurers and independent intermediaries that provide premium relief to policy-holders due to the Covid-19 pandemic have been exempted from Regulation 5.2 and 5.3(1) of the Regulations under the Short-term Insurance Act, 1998. Regulation 5.2 determines the time and payment of commission, and regulation 5.3(1) caps the commission an insurer or intermediary may receive.
2020/04/22	FSCA	CIS	The FSCA has published a communication that outlines its expectations on managers of collective investment schemes regarding their responsibility to ensure that all customers are treated fairly during the national lockdown.
2020/04/21	FSCA	General	The FSCA published guidelines to consumers that they can apply when considering their financial situation. The FSCA further expects South Africans to be more aware and take greater charge of their financial situation and be responsible when making financial decisions that will impact their lives during and after the Covid-19 pandemic.
2020/04/19	FSCA and PA	General	Joint guidance issued by the FSCA and PA: Guidance under the Regulations in terms of section 27(2) of the Disaster Management Act, 2002.
2020/04/16	FSCA	FAIS	Amendment to the dates to obtain Continuous Professional Development (CPD), and amendment to dates to comply with supervision requirements
2020/04/16	FSCA/PA	Insurance	A Joint Communication has been published which outlines regulatory and supervisory actions that the Authorities are implementing to alleviate the stress caused by Covid-19 on the insurance industry. Insurers are urged to take all necessary steps to maintain financial soundness throughout this period. However, insurers are advised not to take any drastic actions, including selling investments under these circumstances, or implementing management actions, such as the removal of non-vested bonuses, without prior engagement with the Authorities.
2020/04/16	FSCA	Insurance	Non-life and life insurers that provide premium relief to policyholders due to the National State of Disaster brought on by the Covid-19 outbreak have been exempted from the requirements for the time and payment of commission, in the case of short-term insurance policies, and the adjustment and refund of commission, in the case of long-term insurance policies.
2020/04/15 FSCA commu-nication 20 of 2021	FSCA	FAIS	The FSCA exempts financial services providers and juristic representatives from certain financial soundness requirements.
2020/04/07	FSCA	General	The FSCA extended the period of compliance with various requirements related to the submission of statutory returns, 2020.
2020/04/03	FSCA	Insurance	The FSCA has published a communication that outlines its expectations regarding the culture and responsibilities of insurers and financial services providers in respect of premium collection of funeral policies during the Covid-19 crisis. Insurers are advised to take into consideration that the Policyholder Protection Rules issued in terms of the Long-term Insurance Act, No.52 of 1998, provides for a grace period in instances where a premium has not been paid on its due date. Insurers are expected to notify policyholders accordingly, in this regard.

Date/Number of Notice	Authority	Sectors	Summary
2020/03/27	FSCA	General	The FSCA outlined its Licensing and Business Centre Operations during the 21-day lockdown.
2020/03/27	FSCA and PA	General	Guidance to the South African Insurance Association (SAIA) members on the lockdown regulations.
2020/03/26	FSCA and PA	General	Guidance to the Association for Savings and Investment South Africa (ASISA).
2020/03/24	FSCA	General	Guidance on essential services for the FIA.
2020/03/24	FSCA	General	Communication regarding the impact of Covid-19 on compliance with various regulatory requirements.
2020/03/17	FSCA	General	The FSCA will be taking precautionary measures to contain the coronavirus pandemic, protect its staff, the sector and to support Government efforts. Among other measures, the FSCA will enable remote working, use technology to facilitate all meetings, and suspend all face-to-face engagements with external stakeholders, including walk-in clients at its Pretoria offices, until further notice.

BANKS AND PAYMENT PROVIDERS

The Banks and Payment Providers Department was established in June 2019 within the Conduct of Business Supervision Division to supervise the conduct of Banks and Payment Providers on behalf of the Financial Sector Conduct Authority. The Conduct Standards for Banks 3 of 2020, a regulatory instrument that will be used to supervise the conduct of Banks, has recently been promulgated and was published on 02 July 2020. The first six sections of the Conducts Standards for Banks 3 of 2020, as at 01 March 2021 with the last four sections coming into effect from 01 July 2021. The department is responsible for the supervision of 71 Banks and 323 Payment Providers. There are currently 37 South African licensed Banks currently being supervised.

Achievement of strategic objectives

Strategic objective	Performance indicator	Achievement 2020/21
Reports on on-site inspections conducted on regulated entities	Number of on-site inspections conducted on regulated entities	20 thematic/on-site reviews conducted with different banks through virtual platforms.
Improved brand awareness, financial literacy, customer awareness and understanding of their rights and responsibilities when making financial decisions	Reports on training on support programmes for communities utilising banking services	5 planned awareness programmes could not be held due to the Covid-19 pandemic and the lockdown regulations. These workshops can only be held face-to-face due to the identified population who are not digitally savvy and illiterate.
Improved brand awareness, financial literacy, customer awareness and understanding of their rights and responsibilities when making financial decisions	Number of surveys conducted on regulated entities	1 planned survey could not be conducted due to the Covid–19 pandemic restrictions and regulations. The survey needs to be done with customers face-to-face in different the provinces.

NUMBER OF SUPERVISED ENTITIES

Banks

Number of Banks as per confirmation of Banks licensed and supervised by the FSCA: 37

- Locally Controlled Banks 17
- Foreign Controlled/Branches of Foreign Banks 16
- Mutual Banks 4

DESK-BASED ACTIVITIES

Banks

- Targeted information on the findings of the Retail Banking Diagnostic Report (June 2018):
  - The FSCA undertook a review exercise to measure progress and steps taken by banks to remedy the nine findings of the Retail Banking Diagnostic report and sent out letters, requesting targeted information on the findings of Retail Banking Diagnostic and enhancements thereof.
  - 15 banks were selected to provide feedback on finding 3.2 Dormant Transactional Accounts of the Retail Banking Diagnostic.

Key Findings

  - Most banks showed a good understanding on dormant transactional accounts, as they defined it as "accounts in which no customer-initiated transaction has occurred for a certain period of time."
  - It was found that the duration on inactivity in which the account is considered dormant varies vastly among the banks, with parameters ranging from two to 24 months.
  - FSCA also found that most banks do not notify customers when dormant or inactive accounts are identified to inform them about implications of such.
  - The lack of uniformity where some banks charge even after the account has been identified and marked as dormant and others do not charge.
  - The manner in which dormant accounts are closed, differs vastly within the industry where some banks close these accounts:
    - » after six months and transfer funds to the bank's General Ledger (GL) account
    - » when the credit balance has been depleted to zero.
  - Some banks have no dormant accounts closure process in place, while others keep the account indefinitely open, as long as there is a credit balance.
  - The FSCA found that it is a common practice that negative balances are routed to the collections department, even if the negative balances were owing to bank fees/charges. It is in such cases that the industry makes the effort to contact and trace customers.
  - Positive balances are treated differently by banks, where two in 15 banks will trace the customers' other accounts and transfer the balance to it, the rest of the other banks will continue to debit monthly fees indefinitely.
  - The FSCA also found that other banks write off the positive balances and report them as profit on their income statement.
- The FSCA submitted these findings and recommendation to the Banking Association South Africa (BASA) industry body where a working group has been established to provide the FSCA with a proposal to pave the way forward.

» The Banks and Payment Providers Supervision Department resolved 154 complaints during the financial year.

- Bank Complex Complaints mediated by the Banks and Payment Providers (BPP) Department and managed to resolve complaints to the value of R3 458 767.

» Alleged surety documents forgery R3 320 227.

» Credit life claim not paid R69 776.80

» Incorrectly listed on the Credit Bureaus as R68 764.00 instead of R687.64

Mystery Shopping

FSCA is using mystery shopping as one of the key supervisory instruments to determine whether products and services promote fair customer outcomes, and yielded the following:

- Review of the fraudulent debit order reversal fees, updating systems, processes and reprinting pricing brochures with no fees being charged.
    - » Customer experience in the mining area having been reimagined and enhanced by the introduction of the queue management system. The bank further revamped the entire ATM infrastructure.
    - » Two potentially misleading advertisements were retracted.

Achieved customer-centric outcomes:

- Deliberate effort by banks to reduce fees, some banks kept them unchanged with increased benefits for customers in the 2021/22 financial year.
- Some banks are now beginning to reduce the credit life insurance premium as the principal credit balance reduces to ensure fair customer outcomes.
- Visualising of the complaints' management processes and external complaints resolution mechanisms (contact details of various ombudsman) by the five big banks to ensure that customers are able to voice their concerns timeously.
- Banks are now moving away from legacy systems to new technological innovations (enablers) to ensure fair customer outcomes.
- Some banks have invested in the expansion of functionalities on USSD platform/distribution channel to ensure that customers who are not technologically savvy and do not have access to smart devices, have full access to banking services.
- Cooperation by banks to adopt market conduct as a business imperative vs a compliance tick box exercise.
- Overall, approximately 89% of the banks have succeeded in inculcating the market conduct culture within the organisation.
- The focus on a rogue organisation which has drastically decreased the incidents of fraudulent debit orders and accelerating the Debi Check implementation.
- Some banks have reviewed their operating models and strategies to be fair customer outcomes driven vs profit.
- Thematic Reviews Conducted with Regulated Entities: Total of 20

Bank Name	Type of Review
Absa Group Limited	Complaints Management Process, Market Conduct and Pricing reviews
African Bank Limited	Complaints Management Process and Market Conduct review
Capitec Bank Limited	Complaints Management Process and Market Conduct review
FirstRand Limited	Market Conduct and Advertising reviews
Grindrod Bank Limited	Market Conduct and Complaints Management meeting
Nedbank Group Limited	Complaints Management Process X2 and Market Conduct X2 reviews
Sasfin Group Limited	Complaints Management Process
Standard Bank Group Limited	Complaints Management Process, Market Conduct X2 and Business Model review
Ubank Limited	Market Conduct and Complaints Management meeting
Tyme Bank Limited	Market Conduct and Complaints Management meeting

Stakeholder engagements

- Bank and Payment Providers held 36 stakeholder engagements in total

Stakeholders	Level of Engagement	Number of Meetings Held
Prudential Authority (PA)	Share information and update on key market conduct issues identified to foster stronger relations	11 Meetings held
Banking Association South Africa (BASA)	Share information, identify areas of mutual concern and foster stronger relations	8 Meetings held
Payments Association South Africa (PASA)	Share information, identify areas of mutual concern and foster stronger relations	4 Meetings held
BankServ	Share information, identify areas of mutual concern and foster stronger relations	1 Meeting held
National Credit Regulator	Share information, identify areas of mutual concern and foster stronger relations	1 Meeting held
National Payments Systems Department (NPSD)	Share information, identify areas of mutual concern and foster stronger relations	7 Meetings held
Ombudsman for Banking Services (OBS)	Share information, update in identified trends through complaints statistics and to foster stronger relations	4 Meetings held

Banks and Payment Providers held 214 engagements with the executive personnel of banks:

- FSCA attended 29 Board meetings with banks during the Financial Year
- Seven meetings with the Chairperson of the Board
- A total 178 meetings were held with the banks Chief Executive Officers (CEOs) and Executive Management.

INSURERS AND RETIREMENT FUND BENEFIT ADMINISTRATORS

Number of Supervised entities

Insurers:

	2019/20	2020/21
Number of insurers – as per a list from the Prudential Authority	175	174
Number of operational insurers	158	156
Life – excluding reinsurers	68	67
Non-life: excluding reinsurers	75	75
Composite (all reinsurers)	5	5
Reinsurers (including the composite insurers)	10	9

Section 13B administrators

2019/20	2020/21
159	123

***This figure reflects only the active benefit administrators and the reduction in the number of benefit administrators is largely due to a number of administrators that are dormant and are currently being investigated for cancellation.**

Desk-based activities

Insurers:

Conduct of business returns (CBRs)

2018/19	2019/20	2020/2021
112	114	97

**Insurers that were not converted, in liquidation and in run-off do not submit CBRs. Commercial lines, group business and linked insurers do not submit the current CBRs.*

- Types of interactions and volumes:
  - Binder Cancellations: 180
  - New Binder Agreements: 214
  - New Cell Agreements: 13
  - Exemption and Extension Notices: 11
  - Notices in terms of Outsourcing: 122
  - Group Scheme Termination Notices: 418
  - Section 8(2)(d) Approvals: 424
  - This refers to approvals in terms of section 8(2)(d) of the Short-term Insurance Act for insurance business placed with insurers outside the jurisdiction of South Africa and consequently the FSCA, and where an intermediary rendered services in respect of the placement of the insurance business offshore.
  - Section 5(9) name approvals: 78

» This refers to approvals in terms of section 5(9) of the Insurance Act, and is a function delegated to the FSCA by the PA.

Section 13B administrators

- Types of interaction and volumes:

Annual Reports

» Annual Reports received in terms of Condition 11 of Board Notice 24 of 2002:

» Annexure Cs (Reports from the Independent Auditors of the Administrators) = 110

» Annexure Ds (Management Representation Letters) = 110

Protected Disclosures

» 1 Protected disclosure received – matter still under investigation.

On-site inspections conducted as desktop reviews

Type of inspection	Insurer
Insurance Compliance (general)	King Price Insurance Company Limited

STAKEHOLDER ENGAGEMENTS

13B Stakeholder Engagements and Administrator Liaisons

- 10 Engagement Meetings were held with Benefit Administrators. These were to understand the business of the administrator and to review and assess if they are complying with section 13B of the Pension Funds Act and the prescribed conditions in Board Notice 24 of 2002 and to assess if there were any conduct risks from the detailed discussions.
- Furthermore, one Systems Demonstration Meeting was held with a benefit administrator in order to assess their administration system with a view of understanding if the system could handle the size and complexity of their business.

Insurers: Quarterly and Bi-annual Meetings

- 76 meetings resulting in engagement with 96 licences (including life and non-life insurers)

Insurers: Additional Engagements: Operational Meetings

- 40 meetings resulting in engagement with 41 licences (including life and non-life insurers)

Insurers: Accompanying the PA to Group Engagements

- 12 meetings resulting in engagements with 18 licences (including life and non-life insurers)

Insurers: Other stakeholder engagements

Name of stakeholder	Brief summary of engagement
SAIA/National Treasury/FSCA/South African Reserve Bank quarterly meetings	The objective is to foster stronger relationships and create strategic alignment between the different regulators.
Long- and Short-Term Ombudsman bi-annual meeting	The objectives are to foster stronger relationships; create strategic alignment between the offices and to identify systemic and conduct risks.
IRBAS bi-annual meeting	The objectives are to foster stronger relationships; create strategic alignment between the offices and to identify systemic and conduct risks.
CISA Insurance Group bi-annual meeting	The objectives are to foster stronger relationships; create strategic alignment between the offices and to identify systemic and conduct risks.
FICA quarterly meetings	The objectives are to foster stronger relationships; create strategic alignment between the offices and to identify systemic and conduct risks.

Achievement of strategic objectives (This includes Insurers and Retirement Fund Benefit Administrators and Micro and Access Product Institutions)

Strategic objective	Performance indicator	Achievement 2019/20	Target 2020/21
An effective communication, brand, reputation and stake-holder management strategy during the transition to FSCA	Date of approval of the stake-holder outreach plans for 2020/21	Division's Stakeholder Man-agement Plan approved on 30 April 2019	Agreed on Division's Stake-holder Management Plan by 30 April 2020
	Percentage achievement of targets in the Conduct of Busi-ness Division's Stakeholder Management Plan (2020/21)	105.44%	Achieve 90% of the targets as set out in the Conduct of Busi-ness Division's Stakeholder Management Plan (2020/21)
Conduct risk-based supervi-sion to monitor and improve the financial investment environment	Percentage achievement of targets set out in on-site risk-based supervision plans 2020/21	90.9%	80%
	Percentage implementation of supervisory plan	100% Implementation of quarterly targets of the supervisory plan	90% implementation of quar-terly targets of the superviso-ry plan

MICRO AND ACCESS PRODUCT INSTITUTIONS

The provision of "micro" and "access" products falls within the supervisory ambit of the Micro and Access Product Institutions Supervision Department. The department is responsible for the supervision of market conduct of micro-insurers, insurers that provide funeral policies, co-operative banks, co-operative financial institutions, and friendly societies.

Number of Supervised entities

The uptake of licenses in the micro and access product environment has grown. The number of institutions supervised by the department has increased as depicted in the table below.

	2019/2020	2020/2021
Insurers providing funeral policies	46	45
Micro-insurers	2	7
Friendly Societies	197	196
Co-operative Financial Institutions	23	25
Co-operative Banks	4	5

Co-operative financial institutions (CFIs) and co-operative banks are licensed by the PA in terms of the Co-operative Banks Act, 40 of 2007. The FSCA's concurrence is required as per the Memorandum of Understanding between the PA and FSCA for the licensing of these entities. The framework for market conduct supervision in respect of co-operative banks is contained in the Conduct Standards for Banks which will take full effect from July 2021 and the FSCA is currently developing the Conduct Standards for CFIs.

OFF-SITE SUPERVISION

- Friendly Societies
  - 18 friendly societies submitted annual returns for the year ended December 2019

2019 returns were submitted due to back reporting.

  - One complaint was received during the period under review.
- Insurers providing Funeral Policies:
  - 158 complaints received.

MARKET CONDUCT THEMATIC REVIEWS CONDUCTED – FUNERAL BUSINESS

During the reporting period, the department conducted 21 virtual thematic reviews with supervised insurers as depicted in the table below:

Insurer
Hollard Life
Nedgroup Life
1 Life Insurance
Clientele Life
Assupol
Workers Life
Old Mutual
Constantia Life & Health
Fedgroup Life
African Unity
Bryte Life

Insurer
Vodacom Life
ABSA Life
FirstRand Life
Liberty Life
KGA Life
Sanlam Developing Markets
AVBOB
Nestlife
SAFRICAN
3Sixty Life

MARKET CONDUCT THEMATIC REVIEWS CONDUCTED - CO-OPERATIVE BANKS AND CO-OPERATIVE FINANCIAL INSTITUTIONS

During the reporting period, the department conducted 11 virtual thematic reviews with supervised co-operatives as depicted in the table below:

Co-operative Banks
Ditsobotla Primary Savings and Credit Co-operative Bank
Ziphakamise Savings and Credit Co-operative Bank
Webbers Employees Savings and Credit Co-operative Bank
OSK Kooperatiewe Bank Beperk
Co-operative Financial Institutions
Kings Grange Stokvel Financial Services Co-operative Limited
Young Women in Business Network Co-operative Financial Institution
Nagrik Financial Services Co-operative
People Empowerment Primary Co-operative
Tshwane Community Financial Services Co-operative Limited
SA Primary Medical Financial Co-operative Limited
Motswedi Financial Services Co-operative Limited

FINANCIAL ADVISERS AND INTERMEDIARIES

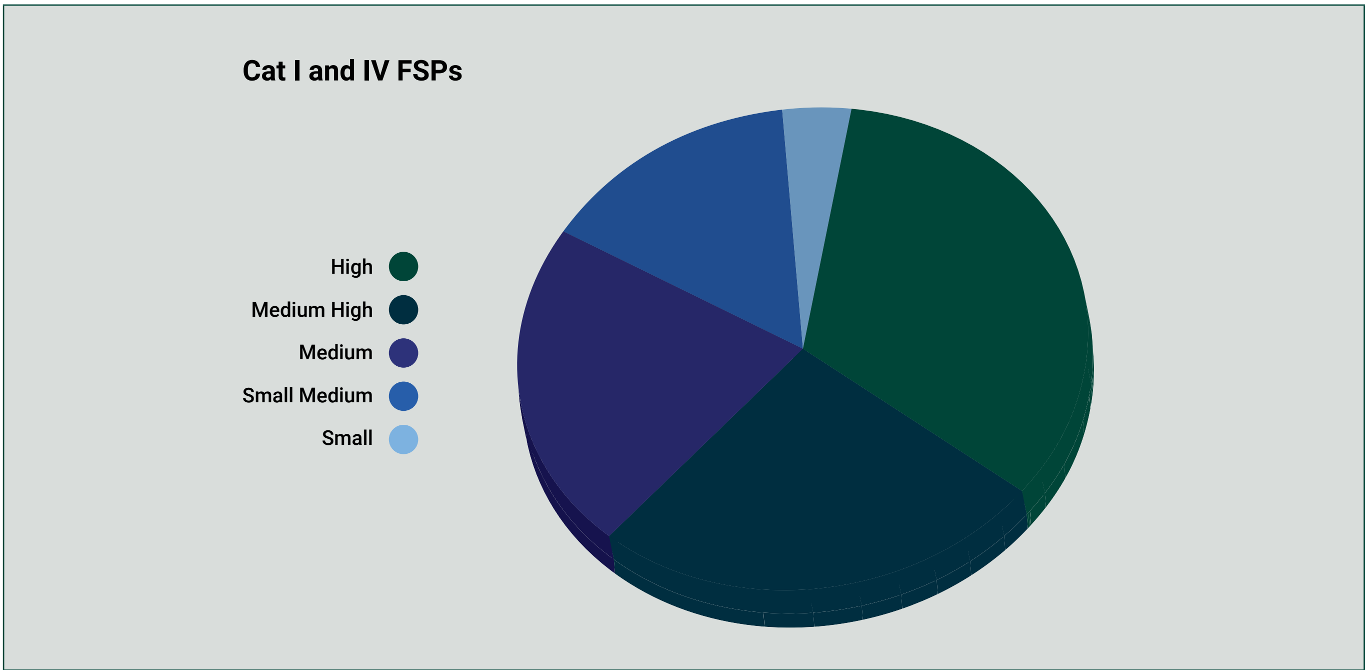
The department supervises 10 130 authorised financial services providers (FSPs) that are authorised for advice and/or intermediary services. This number reflects a drop of 4% as compared to the previous reporting period of 10 534. The drop in numbers can mainly be due to the withdrawal of licensees' licences that failed to comply with the conditions for the lifting of suspensions and lapses, as well as FSPs voluntarily surrendering their licences.

The supervised FSPs include category I and IV FSPs that are authorised for all financial products, but act without discretion. Category IV FSPs provide specific administrative functions in relation to assistance business (funeral) policies. The supervision of FSPs include desk-based and on-site monitoring in terms of its risk-based supervision framework approach, and enforcement of compliance with legislation.

RISK-BASED SUPERVISION

The risk-based approach categorises FSPs according to risks inherent in their business activities and the impact thereof on the consumers of financial products. The breakdown as at 31 March 2021 is depicted in the table and the pie chart below:

	2020	2021
High Impact	209	205
Medium to High Impact	724	739
Medium Impact	3 923	3 875
Small to Medium Impact	2 888	2 575
Small FSPs	2 790	2 736



RISK-BASED SUPERVISION OF FSPS ACTIVITIES

The table below depicts the supervisory activities undertaken by the department, in terms of risk-based supervision of authorised FSPs:

	2019/20	2020/21
Authorised Cat I and IV FSPs	10 534	10 130
Desk-based supervision		
Financial statements	8 424	2 094[1]
Compliance reports	0[2]	120[3]
Extension requests	569	306
Material irregularity reports	100	58
Referrals for regulatory action		
FSPs	133	113
Individuals	2	0
Inspections and on-site visits		
FIC inspections with an educational aim	0	0

	2019/20	2020/21
FIC inspections for compliance with FIC Act	74	20
FAIS Act: Theme visits on operational ability of key individuals	0	10
FAIS Act: Theme visits on FSPs that only offer derivatives	0	10
Ad hoc inspections for FAIS issues	4	1
Communication with Industry		
SME Workshops	10	
Webinars for SME FSPs		17[12]

FINANCIAL STATEMENTS

All FSPs are required to submit financial statements to the Authority within four months of year-end which may include audited financial statements in some risk categories. These are analysed to determine various regulatory issues including the financial soundness requirements. A total of 2 064 financial statements were received and analysed, and 44 FSPs were referred for regulatory action because of failure to meet the financial soundness requirements. Some cases were pended for further information. In April 2020, a Communication and FSCA FAIS Notice was issued to extend the submission period of financial statements by four months, to alleviate the immediate impact of Covid-19 and the impact of the lockdown restrictions. It is, however, disappointing to note that the level of compliance has dropped significantly, notwithstanding the general exemption granted.

FINANCIAL YEAR-END AND SUBMISSION DATES

- The financial year-end and submission dates are not evenly or randomly spread throughout the year, most of the FSPs year-end is 28 February.

Fin Year-End	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Number	192	8 972	103	119	40	423	23	33	57	22	10	136
Submission date	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Extended submission date	Sept 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021	Submission dates were not extended				July 2020	Aug 2020
Percentage	2	88.5	3	1	0.40	4	0.20	0.30	0.50	0.20	0.09	1.30

COMPLIANCE REPORTS

- A compliance officer or in the absence of such an officer, the FSP concerned must submit to the Authority in the manner and regarding the matters, as from time to time determined by the Authority. The Authority did not prescribe reports for the reporting period and therefore FSPs and/or compliance officers were not required to submit compliance reports. The compliance reports that were received, were from FSPs that had not submitted for previous periods. The reports that were received, were analysed.

IRREGULARITY REPORTS

- Under the FAIS Act, compliance officers and auditors must report material non-compliance to the Authority. During the reporting period, 57 irregularity reports were received, considered and the necessary action taken. This reflects a reduction of 43% as compared to 100 reported the previous reporting period. The reports were considered, and the necessary action was taken.

REFERRALS FOR REGULATORY ACTION

- Following the findings of contraventions of the FAIS Act by PSPs through off-site monitoring and on-site inspections, 113 FSPs were referred for regulatory action. This is a reduction of 20 against the previous reporting period.
- The reasons for referrals were:

Failure to submit required financial statements and/or supporting documents	18
Failure to meet the financial soundness requirements	41
Failure to meet the competence requirements, including RE Qualifications and CPD	32
Fraud by the FSP or the director of FSP	2
FSP does not have a key individual	6
Various contraventions of the General Code of Conduct	3
Honesty and Integrity	1
Failure to adhere to the FIC Act	2
Failure to register/renew accreditation with Council for Medical Schemes (CMS)	1
Allowing persons to submit applications to product suppliers although they were not appointed as representatives	4
Failure to submit outstanding compliance reports for previous years when compliance reports were due	1
Failure to meet the conditions of exemptions	2

ON-SITE INSPECTIONS

- Inspections are done in terms of the FAIS Act and the FIC Act. During the reporting period, the department's monitoring was on FSPs that are accountable institutions in terms of the FIC Act, to determine compliance with the FIC Act and general compliance with the FAIS Act. A total of 74 inspections were done in respect of the former and four in respect of the latter.
- The department took a different approach with regards to on-site inspections during the past three years:
- In 2018/19, we conducted a one-day education visit to small FSPs with no compliance officers. Most of these inspections were conducted by one inspector.
- In 2019/20 we conducted a full, in-depth FICA inspection that lasted an average of three days and involved more staff per visit.
- In 2020/21 we conducted:
  - » Full in-depth FICA inspections
  - » Thematic reviews on FSPs where the key individuals are acting as key individuals on multiple licences
  - » Thematic reviews on FSPs that are only approved for derivative products.
- These inspections were conducted virtually, using various interactive tools to enable the FSCA to have a meaningful engagement with the industry.
- The major issues identified during the FIC Act inspections were:
  - » Accountable institutions have difficulty understanding their money laundering/ terror financing (ML/TF) risks and as a result, struggled to develop customised Risk Management and Compliance Plans (RMCPs) and rollout such customised RMCPs to reflect in the ML/TF risk assessment of clients and conducting the relevant Customer Due Diligence (CDD) in line with their risk-based approach.
  - » Most accountable institutions have an RMCP, but it is not customised – the fact that it is mostly templates, creates difficulty in implementing individual risk assessment of clients because the templates are void of the individual risk-based approaches of accountable institutions.
- The major issues identified during the thematic review of the Derivative on-site reviews were that:
  - » some FSPs were required to be registered as

over-the-counter product (OTP) providers, and had not submitted the application yet,

  - » some FSPs were not providing any advice, clients were only provided with intermediary services, which means that clients who did not understand the product could be making investment decisions without understanding the impact of their decisions.

- The major issues identified during the thematic review of FSPs where the key individual (KI) operates on multiple licenses were:
  - » Most of the FSPs were either dormant, had changed to Cat 2s, belonged to a group with other FSPs or were 12J companies.
  - » The KIs in the 12J companies only had experiences in 12J FSPs, they did not render any other financial services as defined in the FAIS Act. They had adequate operational ability because they only dealt with 12J related transactions.
  - » This means the number of KIs on multiple FSPs has deteriorated and those that were still on multiple FSPs had the requisite operational ability. There was only one KI who informed us that he was an interim KI whose main purpose was to mentor and train the permanent KIs.

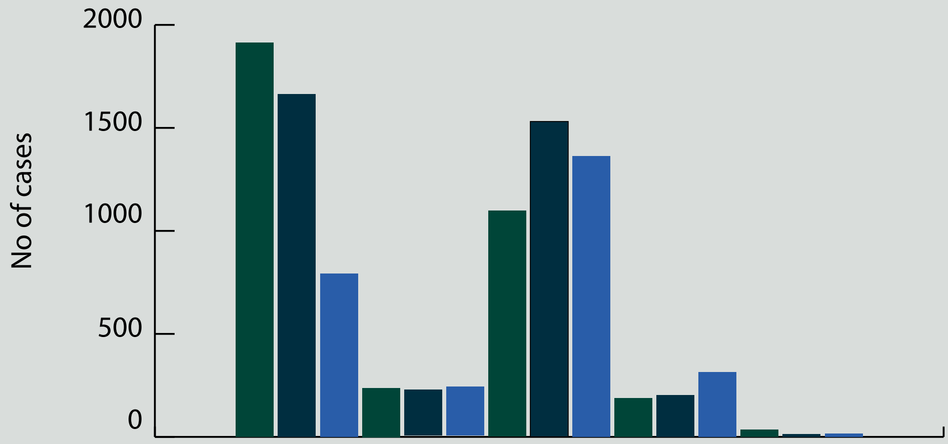
ENFORCEMENT OF COMPLIANCE WITH LEGISLATION

- The department's goal is to ensure that all supervised FSPs are held to a high degree of compliance with the FSR Act and all sector laws, and therefore enforcement of compliance is a priority, especially for the sake of investor protection. In that regard, the department considers complaints referred by the Business Centre about contraventions of the FSR Act and sector laws by supervised FSPs and off-site and on-site inspection findings of non-compliance. It also considers the FAIS Ombud's Determinations to determine whether there is a need for further regulatory action to be taken. Non-compliance can result in the suspension or withdrawal of a licence, in terms of section 9 of the FAIS Act and/or a debarment of any person, in terms of section 153 of the FSR Act.

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

Enforcement of compliance with legislation activities			
	Frequency		
Activity	2 019	2 020	2 021
Complaints	1915	1 664	793
Anonymous tip-offs	240	222	236
Regulatory action	1 095	1 531	1 362
Debarments	187	203	314
FAIS Ombud	36	14	16

Overview of Enforcement of Legislation Activities



	Complaints	Tip Offs	Regulatory Action	Debarments	Fais Ombuds
2019	1915	240	1095	187	36
2020	1664	222	1531	203	14
2021	793	236	1362	314	16

FAIS OMBUD'S DETERMINATIONS

- The Office of the Ombud for financial services providers (FAIS Ombud) was established under the FAIS Act, to consider and resolve complaints in a procedurally fair, informal, economical and expeditious manner.
- Where a complaint is not settled between a financial services provider and the complainant, the FAIS Ombud must make a final determination which may include a dismissal of a complaint or uphold the complaint wholly or partially.
- The FAIS Ombud is required to send copies of the Determinations to the Authority. The Authority considers the Determinations to determine whether any regulatory action needs to be taken and such action may include no action to be taken, suspension or withdrawal of a licence, or a debarment of a person or request a FSP to provide information of measures it had put in place to ensure that the findings of the Determination do not recur.
- The department received 16 Determinations which were considered, and the necessary action taken.

Complaints

- The department considers complaints relating to alleged contraventions of the FSR Act or any sector laws by supervised institutions or persons referred by the Business Centre.
- The handling of complaints plays an important role in the conduct of business supervision as it alerts the Authority of areas of concern and to identify issues that may require amendments to legislation or areas that require consumer education to be focused on.
- The outcome of the investigations of such cases may be a dismissal, regulatory action in the form of a suspension or withdrawal of a licence or a debarment of a person.
- During the reporting period, 793 complaints were received as compared to 1 664 the previous year.
- Taking into account the three-year trend since the establishment of the FSCA, it is noted that there was a steep decline on referred cases of 59%, i.e., from 1 915 to 793.
- This decline can be attributed to the Business Center which is now fully capacitated to deal with most of the complaints.

Regulatory action

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

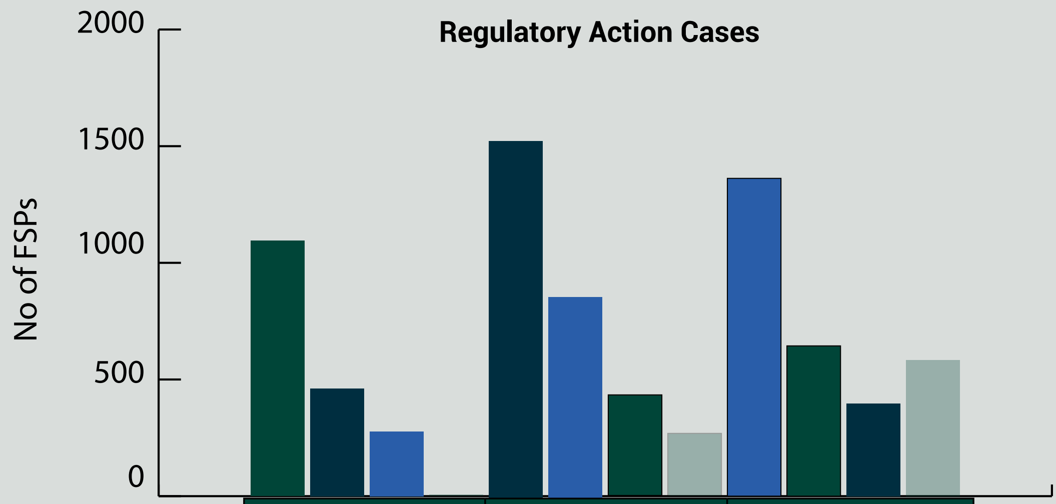
1. no longer meets the fit and proper requirements applicable to the licensee, if the licensee is a partnership, trust, corporate or unincorporated body, that the licensee or any key individual of the licensee does not meet or no longer meets the fit and proper requirements applicable to the licensee or key individual;
2. did not when applying for the licence, make a full disclosure of all the relevant information to the Authority, or furnished false or misleading information;
3. has failed to comply with any other provision of this Act or any requirement under the FSR Act, including conduct standard, a prudential standard or a joined standard;
4. has failed to pay a levy, an administrative penalty, or any interest thereof;
5. does not have an approved key individual;
6. has failed to comply with the regulators' directive; or
7. has failed to comply with any condition or restriction imposed under this Act.

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

Not all the regulatory action cases opened, end up with a suspension or withdrawal, as most FSPs rectify the situation as soon as notices of intention to suspend are issued. Some FSPs rectify after suspension and ultimately those that fail to comply with the condition for the lifting of a suspension are withdrawn.

The table below provides some details of regulatory action

Regulatory Action			
Activity	Year		
	2019	2020	2021
Regulatory actions cases opened	1 095	1 531	1 362
Suspensions	461	863	644
Lifting of suspensions	277	431	397
Withdrawals	6	269	583



	2019	2020 Year	2021
Regulatory Actions	1095	1531	1362
Suspensions	461	863	644
Lifting of Suspensions	277	431	397
Withdrawals	6	269	583

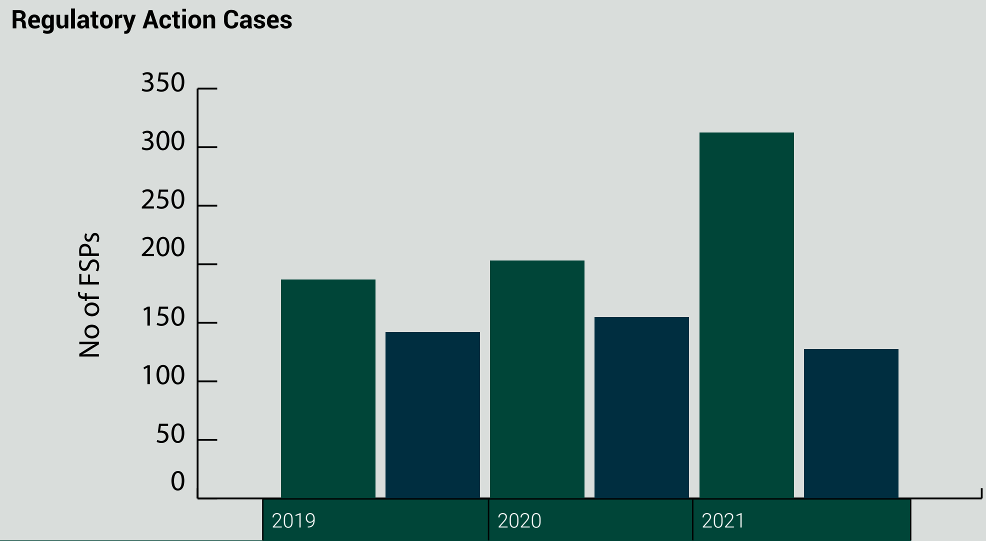
DEBARMENTS BY THE FSCA

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

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

The department received 314 cases and issued 129 debarment orders.

Debarments by the FSCA			
Details	**2019**	**2020**	**2021**
Opened cases	187	203	314
Debarment orders issued	142	155	129



	2019	2020	2021
opened cases	187	203	314
debarment or ders issued	142	155	129

COMMUNICATION WITH THE FSPS

Due to the impact of Covid-19, and the various levels of lockdown regulations imposed on the country, the approach to the planned workshops were amended. The department did not offer any face-to-face workshops. The department, in collaboration with the other departments within the Conduct of Business: Supervision, and divisions such as Office of the General Counsel, Fintech Hub and Specialist Support, recorded 17 webinars. The webinars are available via the FSCA's YouTube channel. The webinars are also accredited for Continuous Professional Development (CPD) purposes with the Financial Planning Institute (FPI). To qualify for CPD, people must register on the online platform and complete an assessment per webinar. Upon successful completion, delegates can download a valid CPD certificate.

THE TOPICS COVERED ARE

1. Guidance on FICA related concerns: 3 webinars
2. FAIS: Regulatory action
3. FAIS: Ending a license
4. FAIS: Debarment – 2 sessions
5. FAIS: Competence requirements – 5 webinars
   a. General competence requirements (2 sections)
   b. Services under supervision
   c. Regulatory examinations, qualifications
   d. CPD requirements
6. FAIS: General update on Fit and Proper
7. FAIS: Business continuity and succession
8. FAIS: Financial statements and financial soundness
9. FAIS: Update on the General Code of Conduct
10. Fintech overview
11. Insurance: Data management
12. Insurance: Outsourcing and binders

STAKEHOLDER ENGAGEMENT

Various meetings with industry are held. Meetings were held with various stakeholders, including local and international regulators, banks, insurance companies, administrators, brokers and industry and professional bodies. Some of the key engagements are detailed below.

Stakeholder	Description
Compliance Institute	Quarterly meeting
FSCA EXCO and ASISA EXCO	Industry matters
FSCA/FIC/FATF	As a supervisory body in terms of the FIC Act, the FSCA was an integral part of the Financial Action Task Force (FATF) Mutual Evaluation of South Africa, which took place during February 2020.
FSCA FIC/SARB	Discuss supervision in terms of FIC Act

Achievement of strategic objectives

Strategic objective	Performance indicator	Target	Achievement 2018/19	Achievement 2019/20	Achievement 2020/21	Reason for deviation
Conduct risk-based supervision to monitor and improve financial investment environment	Percentage achievement of targets set out in risk-based supervision plans relating to on-site visits	80%	90%	104%[13]	102.5%[14]	None - targets were achieved
	Percentage achievement of analysis of statutory returns as set out in the service level agreement	80%	96%	91.5%	96%	None – targets were achieved

INVESTMENT PROVIDERS

The department supervises Collective Investments Scheme (CIS) managers, Collective Investment Schemes in Hedge Funds, and Investment Provider FSPs. The latter includes discretionary FSPs, FSPs that take discretion over Hedge Fund investments, and administrative FSPs, which are also known as linked investment service providers.

The supervised entities include

Collective Investment Schemes Managers (CISs):		
	2019/20	2020/21
CISs in Securities	51	51
CISs in Property	1	1
CISs in Participation Bonds	2	2
Foreign Collective Investment Schemes	119	131
Collective Investment Schemes in Hedge Funds:		
CISs in Hedge Funds	15	14
Foreign Hedge Fund Schemes	6	6
Investment Providers (FSPs)		
Category II (Discretionary) FSPs	702	737
Category IIA (Hedge Fund Manager FSPs)	126	124
Category III (Administrative FSPs)	28	30

DESK-BASED SUPERVISION

The department receives and analyses a variety of statutory returns

Collective Investment Schemes		
	2019/20	2020/21
Capital Adequacy Reports	708	670
Mark to Market Valuation Reports	550	586
Quarterly Portfolio Holding Reports	6 254	6 633
Annual Financial Statements	54	52
Collective Investment Schemes in Hedge Funds		
Annual Financial Statements	15	14
Monthly Risk Reports	1 080	1 182
Quarterly Portfolio Holding Reports	1 031	894
Capital Adequacy Reports	180	168
Investment Providers – FSPs		
Compliance reports		
Category II	2	2
Category IIA, and		0
Category III	0	0
Financial statements		
Category II	679	574
Category IIA		105
Category III	21	22
Extension requests		
Category II	41	39
Category IIA		0
Category III	4	2
Irregularity reports		
Category II	19	12
Category IIA		7
Referrals for regulatory action		
Category II and IIA	4	0

ENFORCEMENT ACTIONS

Enforceable undertakings

Collective Investment Schemes in Securities		
Entity	Contravention	Remediation
Sanlam Collective Investments (RF) (Pty) Ltd (Sanlam)	Paragraph 3(1)(a)(i)(bb) of Board Notice 90 of 2014	Sanlam undertook to do the following: Insert a factual note in its Minimum Disclosure Document disclosing that the performance of the Fund during 1 December 2017 to 13 November 2020 was achieved due to non-compliance of BN 90. Ensure that the correct index as defined in BN 90 is disclosed in all marketing material distributed to investors. Ensure that all funds under its management are compliant with applicable provisions, in particular, that all relevant funds it administers, utilise an appropriate index as prescribed in BN 90.

On-site/Virtual engagements conducted

A number of virtual engagements were conducted at supervised institutions

Collective Investment Schemes	
Type of inspection	Manager
CISCA Compliance	Cloud Atlas
CISCA and FIC Compliance	Marriott
CISCA Compliance	IP Management
CISCA Compliance	Stabilitas
CISCA Compliance	Oasis
CISCA Compliance	NewFunds
CISCA Compliance	Fedgroup Participation Bonds
CISCA Compliance	Alusi
CISCA Compliance	Itransact
CISCA Compliance	Gryphon

Collective Investment Schemes in Hedge Funds	
Type of inspection	Manager
General Compliance	Sanlam Collective Investments (RF) (PTY) Ltd
General Compliance	Sanne Management Company (RF) (Pty) Ltd
General Compliance	Coronation Management Company (RF)(Pty) Ltd

Investment Providers FSPs

Investment Providers – FSPs		
Type of inspection	FSP Name	FSP No
FAIS Compliance	Private Client Portfolios (Pty) Ltd	39978
	Autus Fund Managers (Pty) Ltd	4221
	Autus Private Clients (Pty) Ltd	4766
	Bridge Fund Managers (Pty) Ltd	29834
	Pape Fund Managers (Pty) Ltd	46332
	Constellation Asset Management (Pty) Ltd	44852
	Private Client Portfolios (Pty) Ltd	39978
	Hollard Investment Managers (Pty) Ltd	32521
	Peregrine Administration Services (Pty) Ltd	546
	PW Harvey & Co. (Pty) Ltd	6024
	Genesis Trading and Portfolio Management (Pty) Ltd	45829
	Carnivore Capital (Pty) Ltd	644
FIC Compliance	Skybound Capital (Pty) Ltd	35733
	Anchor Capital (Pty) Ltd	39834

Stakeholder engagements

- 3 meetings with ASISA
- 4 meetings with Trustees
- 5 meetings with PA/SARB
- 4 meetings with FSAP
- 1 meeting with FATF

Name of stakeholder	Brief summary of engagement
ASISA	The objective is to foster stronger relationships and discuss current pertinent issues
Trustees	The objective is to foster stronger relationships and discuss current pertinent issues
Prudential Authority	The objective was to determine a supervisory approach of link insurers of investment providers
FATF	FATF conducted an assessment in 2019 on South Africa's Anti-Money and Terror Financing policies and implementation thereof
FSAP	FSAP is conducting an assessment on the South African financial sector
SARB	Yearly non-bank intermediation (shadow banking) monitoring exercise

Achievement of strategic objectives

Strategic objective	Performance indicator	Achievement 2019/20	Target	Achievement 2020/21	Reason for deviation
Collective Investment Schemes					
Conduct risk-based supervision to monitor and improve the financial investment environment	Percentage achievement of targets set out in risk-based supervision plans	93%	80%	84%	N/A
	Monitoring and analysis of returns	92%	80%	90%	N/A
Collective Investment Schemes in Hedge Funds					
Conduct risk-based supervision to monitor and improve the financial investment environment	Percentage achievement of targets set out in risk-based supervision plans	96%	80%	100%	N/A
	Monitoring and analysis of returns	98%	80%	100%	N/A
Investment Providers FSPs:					
Conduct risk-based supervision to monitor and improve the financial investment environment	Percentage achievement of targets set out in risk-based supervision plans relating to on-site visits	98%	80%	96%	N/A
	Percentage achievement of analysis of statutory returns	99%	80%	98%	N/A

FICA SUPERVISION

FICA Supervision is a relatively new department within the Conduct of Business Supervision Division (COB). The specific objective for the department is to give effect to the FSCA's role as supervisory body in terms of item 1 of schedule 2 to the FIC Act. The responsibility of supervising accountable institutions listed under items 5 and 12 of schedule 1 to the FIC Act is executed by conducting on-site and off-site supervision on a risk-based approach in line with the amendments to the FIC Act and international standards such as the Recommendations issued by the Financial Action Task Force.

Achievement of strategic objectives

Strategic objective	Performance indicator	Achievement 2020/2021
To build an effective and efficient organisation fully capacitated to deliver on its mandate.	Date of establishment of the new FICA Supervision Department	Successfully established the new FICA Supervision Department in August 2020. The process of recruiting relevant resources with capability and capacity in order to ensure that the department efficiently gives effect to its mandate, including giving effect to relevant MoUs between the FSCA and the PA as well as between the FSCA and the FIC respectively, is underway. Supervision in terms of FICA compliance is reliant on other line departments in COB in relation to conducting on-site inspections only. Other supervisory functions are conducted by the Department itself.
Improved awareness and guidance to ensure accountable institutions are aware of their responsibilities and implement effective controls to mitigate inherent ML/TF risks identified.	Demonstrate awareness created and guidance provided	FICA Supervision Department published 3 CPD-accredited webinars focused on (i) understanding ML/TF risk; (ii) explaining the responsibilities of accountable institutions; and (iii) enforcement. The Directive to provide information also emphasised the responsibilities of accountable institutions.

NUMBER OF SUPERVISED ENTITIES

Financial services providers and collective investment scheme managers

Number of accountable institutions as per the records of and supervised by the FSCA: 11 692*

*The number fluctuates due to lapses, withdrawals and newly approved financial institutions which are described as accountable institutions.

DESK-BASED ACTIVITIES

- Directive to provide information
- The directive was issued to 11 633 financial services providers and 59 collective investment scheme managers.

On-site Inspection conducted

Type of inspection	Number of inspections
Limited in scope: Understanding ML/TF risk, customer due diligence and reporting obligations.	36

Stakeholder engagements

Stakeholders	Level of Engagement	Number of Meetings Held
Financial Sector Regulators Forum (Prudential Authority (PA)	Share information and identify areas of mutual concern	2 Meetings held
Financial Intelligence Centre	Share information and identify areas of mutual concern	4 Meetings held
Financial Intelligence Centre Enforcement Forum (FEF) Forum	Share information and identify areas of mutual concern	4 Meetings held
Monitoring and Review Committee	Implementation of Memorandum of Understanding	3 Meetings held
National Risk Assessment Working Group	Development of the National Risk Assessment	3 Meetings held

ADMINISTRATIVE SANCTIONS

The FSCA issued 14 administrative sanctions in terms of the FIC Act during the financial year. A total of 13 sanctions were issued on FSPs and one on an authorised user of an exchange for failure to comply with the provisions of the FIC Act. The sanctions include financial penalties to the value of R1 116 980 of which R146 980 was suspended on various conditions. The sanctions were imposed for the following non-compliance with the FIC Act:

The duty in terms of the FIC Act that was not complied with	Number of sanctions issued for the failure
Section 42- failing to develop, document, maintain and implement a risk management and compliance programme in accordance with section 42(2)	11
Section 43- failing to provide ongoing training to employees on the FIC Act and the institution's risk management and compliance programme	9
Sections 20A to 21H- failure to conduct customer due diligence in accordance with its risk management and compliance programme	7
Section 42(3)- failing to make available its risk management and compliance programme to relevant employees	3
Section 28- failure to report cash threshold transactions to the Financial Intelligence Centre	2
Section 24(3)- failing to inform the Financial Intelligence Centre and Supervisory Body of the appointment of a third party to maintain records	2
Section 42A(1)- failure of the senior management to ensure compliance by the institution and its employees with the provisions of the FIC Act and its risk management and compliance programme	2
Section 42A(2)- failure to establish a compliance function	1
Section 43(B)(4)- failing to update registration details	1
Section 43A- failure to comply with Directive 2/2014: Registered persons with the Financial Intelligence Centre are not allowed to share their login credentials with staff members	3

MARKET INTEGRITY SUPERVISION DIVISION

MARKET INFRASTRUCTURES AND OTC MARKETS SUPERVISION

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

(i) JSE Limited ("JSE");

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

(iii) 4 Africa Exchange (Pty) Ltd ("4AX"),

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

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

Strate (Pty) Ltd ("Strate") and Granite Central Securities Depository (Pty) Ltd remain the only licensed Central Securities Depositories. In addition to its functions as a central securities depository, Strate together with JSE Clear (Pty) Ltd are licensed as Associated Clearing Houses. While the standards to licence both Trade Repositories and a Central Counterparties have been finalised and published, there is currently no licence issued for either of the two market infrastructures.

The South African financial markets were not immune to the impact of the Covid 19 pandemic which has been prevalent since the beginning of the financial year. Like international markets, there was a degree of volatility in the South African financial market that warranted close attention by the Authority.

The Authority received a number of requests for various concessions of leniency from the Market Infrastructures in order to enable the Market Infrastructures and their participants to comply with the applicable legislative requirements. In the main, the Authority adopted the view that markets should be allowed to function efficiently without external intervention. In the case of the South African financial markets, the fact that they withstood the volatility and uncertainty without major incidents, is a testament to the efficiency and effectiveness of the regulated environment within which markets operate.

Market Infrastructures heightened their focus on the following initiatives:

- Cyber security testing and awareness;
- Reviewing Business Continuity Plans; and
- Connectivity to enable remote working.

Over-the-Counter Derivative Providers (ODPs)

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

The licensing process for ODPs is still in progress. Whilst the initial applications were assessed by the Market Integrity Division, the bulk of the applications were transferred to the Licensing Division for assessment. The table below reflects this process that was undertaken in November 2019.

LICENSING OF ODP APPLICATIONS	
Number of applications received	52
Number of applications assessed	9
Number of applications approved	5
Number of applications declined	3
Application evaluations in progress	1
Transferred to Licensing Division	43

PERFORMANCE INFORMATION

Financial Markets Act Review

The FMA review is intended to address the gaps in the current FMA and to take cognisance of the developments in the domestic and international financial markets regulatory framework in the revised version. Further, the review seeks to align the domestic regulatory framework to international best practices given the cross-border nature of financial market activities.

Supervision of Market Infrastructures and OTC Derivatives Providers

Market Infrastructures

As a consequence of the restrictions resulting from the pandemic, supervisory inspections were conducted remotely. The inspections focused on the following risk themes:

- Ownership structures of the Market Infrastructures.
- Governance practices within the Market Infrastructures.
- Staff structures and human resource allocations at the Market Infrastructures.

For the financial year, the Authority conducted a total of 8 inspections on the Market Infrastructures based on the risk themes outlined above. The Market Infrastructures were given feedback on the inspections and timelines within which the shortcomings identified through the inspections had to be addressed. The Authority is engaging with the Market Infrastructures regarding the feedback received on the inspections and will take regulatory action where necessary. In addition to the inspections, the Authority conducted a total of 19 desktop reviews on the Market Infrastructures. These desktop reviews are used by the Authority to accelerate its knowledge base and have more insight into the Market Infrastructures.

OTC derivatives providers

The scope of the remote post licensing reviews covered governance, staff structure, financial matters, risk management and information technology, as well as compliance with the FMA conduct standard 2 of 2018. The Authority is engaging the ODPs Conduct Standard address the findings that were raised.

In an effort to promote, efficient and fair financial markets and related financial services and to ensure continuity of operations within the Market Integrity functional area, the Authority has successfully implemented a cross skilling initiative that has enabled a seamless execution of all supervisory functions across the Authority. This aligns with the FSCA objective of removing silos and encouraging collaboration across specialties.

Strengthening the efficiency and integrity of financial markets

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

- Reviewing the Memorandum of Understanding that was concluded in September 2018 to ensure that it gives full effect to cooperation and collaboration between the FSCA and the PA.
- The commencement of a process for the development of a regulatory framework for securities finance activities in the South African markets.
- The preparation of a second draft of the Conduct Standard for Exchanges which will be published in due course for public comments.
- The development of a draft short-selling reporting regime in which short sales are flagged by the authorised user and reported to the exchange concerned as well as to the FSCA.
- Participation in the Financial Markets Implementation Committee which meets occasionally to advise on policy matters.
- Review the Financial Markets Act, 2012 to ensure that the Financial Markets Act is up to date and addresses the new challenges.
- Active participation in relevant international and regional bodies and forums (e.g., IOSCO and CISNA) in order to keep abreast of international developments.

- The FSCA and the PA have reviewed Strate (Pty) Ltd's self-assessment against the CPSS-IOSCO Principles for Financial Markets Infrastructures (PFMIs). The next market infrastructure that will be reviewed is JSE Clear (Pty) Ltd.
- Participation in formal consultation forums such as the Market Conduct Regulatory Framework Steering Committee (MCRF SteerCo), Intergovernmental FinTech Work Group (IFWG), FSCA and PA Operational meetings, as well as regular (usually quarterly) industry association meetings with specific industry associations.

Key Authority's performance

Strategic objectives	Performance indicator	Achievements 2019/20	Target 2020/21	Achievements 2020/21
Improved market conduct through risk-based and pro-active supervision of financial institutions.	Number of on-site reviews	7 reviews	Conduct 8 on-site visits for Market Infrastructures and SROs by 31/3/2021	Achieved- conducted 8 supervisory inspections
	Number of desktop reviews conducted for Market Infrastructures and SROs	N/A – new initiative	Conduct 7 desktop reviews for Market Infrastructures and SROs by 31/3/2021	Achieved- conducted 19 desktop reviews
Improved regulation and supervision processes to strengthen the efficiency and integrity of our financial markets.	Number of post licensing reviews conducted for ODPs	N/A – new initiative	Conduct 2 post licensing reviews for ODPs by 31/3/2021	Achieved- Conducted 3 post licensing reviews for ODPs

RETIREMENT FUNDS SUPERVISION DIVISION

PURPOSE

Our mission is to promote a safe and stable environment for members of retirement funds so that the obligations of all stakeholders are met when due. The Retirement Funds Supervision Division of the FSCA is mandated by the Pension Funds Adjudicator (PFA), 1956 (Act No.24 of 1956) to register, license and supervise retirement funds and beneficiary funds. There are, however, a few funds that are not subject to regulation and supervision in terms of the PFA as they were established in terms of specific provisions in other statutes. These funds include the Government Employees Pension Fund, Associated Institutions Pension Fund and the Transnet Pension Fund. There are over 5 000 registered retirement funds (with approximately 30% of retirement funds regularly receiving contributions and/or paying benefits). The combined value of their assets is over R4 trillion.

STRATEGIC OBJECTIVES

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

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

DEPARTMENTS

The division consists of four departments responsible for the following:

<table>
<tr><td>Conduct Supervision</td><td>This department is responsible for the supervision of retirement funds, including oversight of compliance with fund rules, conducting supervisory on-site inspections of funds and assisting with oversight of conduct of trustees and other aspects of fund governance.
Two fund inspection teams were established for volume and span of control reasons. These teams are responsible for conducting supervisory on-site inspections of funds and for analysing and monitoring market conduct returns submitted by funds. The teams will apply a risk-based approach to supervision, taking into account the nature, scale and complexity of funds overseen.
Additional responsibilities of the teams include:
• Assisting with implementation of the FSCA's project to facilitate the payment of unclaimed retirement fund benefits to members and beneficiaries and overseeing the conduct of the applicable retirement funds in relation to their handling of unclaimed benefits.
• Dealing with complaints relating to the conduct of retirement funds, including complaints received from whistle-blowers.
• Overseeing compliance by the funds and employers concerned with section 13A of the Pension Funds Act in relation to contribution payments.
• Dealing with and responding appropriately to reportable irregularities in relation to fund statutory returns, from the perspective of identifying and mitigating conduct risks.
The Entities in Distress and Administrative Action team deals with retirement funds that find themselves in distressed positions and related administrative processes. In particular, it deals with interventions in the management of a fund as contemplated in section 26 of the Pension Funds Act, processes to place funds under statutory management or curatorship and related enforcement actions.</td></tr>
<tr><td>Prudential Supervision</td><td>This department established four teams and is responsible for:
Transfers and Terminations
This team is accountable for the oversight of retirement fund conversions, amalgamations, transfers and liquidations.
Investment and Fund Performance
This team is accountable for the oversight of the conduct and performance of funds in relation to their investment policies and processes. This will include a focus on monitoring funds' compliance with the investment allocation requirements of Regulation 28 to the Pension Funds Act, through analysis of quarterly Regulation 28 asset allocation reports.
Financial Statements
This team is accountable for analysing and monitoring annual financial returns submitted by retirement funds, with a view to overseeing the ongoing financial soundness of retirement funds.
Special Projects
This team is accountable for various special projects relating to the prudential supervision of retirement funds including basic research, data compilation and analytics, costs and charging structures.</td></tr>
</table>

Reviews and Authorisations	This department established three teams and is responsible for the following: • Registering retirement funds. • Approvals or rejection of rule amendments, revisions and consolidations to the rules of registered funds in terms of section 12 of the Pension Fund Act. • Receipt and consideration of applications for the termination of participating employers and cancellation of the registration of funds that have ceased to exist as contemplated in section 27 of the Pension Fund Act (PFA). • Consideration and approval of individual fund exemptions in terms of the Pension Fund Act (PFA). • Consideration and approval of extension of periods in terms of the Financial Sector Regulation Act (FSR ACT), 2017 (Act No.9 of 2017). • Implementation of section 8(5)(2) of the Pension Fund Act (PFA) with regards to principal officers. • Implementation of Pension Fund Act (PFA) Determinations, where applicable.
Fund Governance and Trustee Conduct	The Fund Governance and Trustee Conduct Department is a newly established department, which came into effect on 1 September 2019. The department is responsible for: • Overseeing the governance and conduct of retirement funds and coordinating a Retirement Funds Conference bi-annually. • Strategic monitoring of trustee training as well as implementing and overseeing the FSCA's "Trustee Training Toolkit" and related trustee training matters. • Overseeing of the conduct of trustees especially in relation to their obligations to deliver on the six Treating Customers Fairly (TCF) outcomes. This includes but is not limited to oversight of communications to members and compliance with the default regulations. • Overseeing the processing and evaluation of default regulation exemption and extension applications. • Overseeing trustees' compliance with the provisions of the Pension Funds Act, other relevant legislation, Regulations to the Pension Funds Act, Directives and Conduct Standards. • Overseeing the processing and evaluation of default regulation exemption and extension applications. • Overseeing trustees' compliance with the provisions of the Pension Funds Act, other relevant legislation, Regulations to the Pension Funds Act, Directives and Conduct Standards. • Overseeing and/or drafting of governance conduct standard for retirement funds. Drafting and strategic monitoring of fund governance returns. Proposing and drafting Guidance Notices and Conduct Standards in terms of the FSR Act. • Evaluating, considering and implementing appropriate sanctions for trustees in cases where trustee conduct issues are detected. • Assisting the Retirement Funds Supervision Division with the implementation of appropriate enforcement actions provided for in Chapter 10 of the FSR Act. • Providing support to the Retirement Funds Supervision Division in their work by providing opinions and guidance on matters. • Providing support to the Retirement Funds Supervision Division with the presentation of cases to the Regulatory Action Forum. • Providing support where required to the Office of General Counsel in litigation matters affecting the Retirement Funds Supervision Division. • Providing the Retirement Funds Supervision Division's inputs in respect of various legislative enactments flowing from the Twin Peaks regulation, sub-ordinate legislation and guidance for retirement funds.

PERFORMANCE

SERVICE DELIVERY OBJECTIVES, INDICATORS AND OUTPUTS

The division's service delivery standards are set out in a Service Level Commitment (SLC) and the division's business plan. The division reports quarterly to the Executive Committee (EXCO) on its adherence to the business plan and its contribution towards the implementation of the FSCA's Strategic Plan.

Key departmental performance

Strategic objective	Performance indicators	Estimated 2020/21 performance	Target for 2019/20	Achievement 2020-2021	YTD actual
Promote inclusion and transformation in the industries regulated by the FSCA	Number of reports on training provided to trustees on the Trustee Tool Kit	Promote the Trustee Training Tool Kit training amongst trustees and report quarterly on the training (4 reports)	Promote the Trustee Training Tool Kit training amongst trustees and report quarterly on the training (4 reports)	4 reports	4 reports
Conduct risk- based supervision to monitor and improve the financial investment environment	On-site inspections Percentage achievement of targets set out in risk-based supervision plan	Achieved 100% of the targets set out in risk-based supervision plans	Achieve 80% of the targets set out in risk-based supervision plans	80% achievement of targets	100% achieved
	Off-site inspections: Percentage achievement of analysis of the annual financial statements	Achieved 76% of the target set for analysing the annual financial statements within set timelines	Achieve 80% of the target set on analysis of the annual financial statements	80% achievement of targets	Target not met 76% achieved
	Percentage achievement of rule amendments, revised rules, special rules, etc.	Achieved 92% of the target set by analysing various rules	Achieve 80% of the target set for the analysis of rules	80% achievement of targets	Target met 92% achieved
	Percentage achievement of section 26 board appointments	Achieved 99.28% of the target set for section 26 board appointments	Achieve 80% of the target set for section 26 board appointments	80% achievement of targets	Target met 99.28% achieved
	Percentage achievement of complaints handling	Achieved 88.55% of the target set for complaints	Achieve 80% of the target set for complaints	80% achievement of targets	Target met 88.55% achieved
	Percentage achievement for overseeing liquidations	Achieved 78.85% of target set for liquidations	Achieve 80% of the target set for liquidations	80% achievement of targets	Target not met 78.85% achieved
	PE termination	Achieved 45.88% of target set for partial terminations	Achieve 80% of the target set for partial terminations	80% achievement of targets	Target not met 45.88% achieved
2. Enforcement of Legislation	Percentage compliance with timelines set out in the division's SLC	Achieved 82.53% overall turnaround times set in the SLC	80% achievement of SLC timelines	100% achieved	82.53% cumulative targets met for the division

Strategy to address areas of under-performance

- The division will reprioritise focus areas and resources, modernise processes and consider recruitment in the new financial year.
- PE Terminations - Backlog was created due to an influx of cancellation applications after the Cancellation Guidance Notice was issued to the industry during December 2020.
- Extensions - Backlog which was created due to a high influx of extension applications as a result of Covid-19 challenges has been cleared following staff recall to office, although done out of SLC targets. Changes to delegations have been implemented.
- Admin. Changes - Backlog which was created due to Covid-19 challenges has been cleared following staff recall to office, although done out of SLC targets. System issues regarding SLC data have been resolved.
- Section 14 – Backlog which was created due to a high influx of cases as a result of Covid-19 challenges has been cleared following staff recall to office, although done out of SLC targets. Two interns were appointed to assist the transfers team and two vacancies are being filled. There is a delay in implementing systems changes (auto-allocator). Changes to delegations have been implemented.
- Section 14 Extensions - Backlog which was created due to Covid-19 challenges has been cleared following staff recall to office, although done out of SLC targets. High influx of SMMEs liquidating causing high influx of partial liquidation cases on umbrella funds. Changes to delegations have been implemented.

STAKEHOLDER ENGAGEMENTS

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

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

CONDUCT SUPERVISION MATTERS

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

Acting under section 25 of the PFA, read together with section 208 of the FSR ACT, the division's current risk-based supervisory plan, 208 on-site inspections were conducted on funds. Significant supervisory issues were identified during the conduct of these on-site inspections in respect of the following:

- Vacancies on boards were not filled within 90 days.
- Failure by boards members to complete the Trustee Training Toolkit.
- Failure by boards to monitor compliance with provisions of the PFA, specifically section 13A of the PFA and Regulation 33.
- Failure by boards and principal officers to monitor compliance with Directive PF No. 8.
- Expenses and remuneration of board members are high.
- Funds are being managed in terms of unregistered rules.
- Failure by boards to timeously submit annual financial statements and valuation reports.
- Failure by principal officers to comply with their fiduciary duties in terms of applicable legislation.

DIRECTIVE

The Financial Sector Conduct Authority has, in terms of section 144 of the Financial Sector Regulation Act, 2017, issued a Directive to the Mineworkers Provident Fund, directing the fund to reinstate a board member who was removed from the board for whistleblowing to the FSCA.

ENFORCEABLE UNDERTAKINGS

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

The enforceable undertakings given and accepted relate to:

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

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

STATUTORY MANAGER APPOINTMENTS

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

FUNDS UNDER CURATORSHIP

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

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

SPECIAL SUPERVISORY MATTERS

To address some specific supervisory challenges, the department has implemented the following:

The Conduct Supervision Department has been structured into dedicated teams who specifically deal with, inter alia, supervision and monitoring of high impact funds, monitor reportable irregularities and whistle-blowing reports, assist in the appointment and supervision of boards appointed in terms of section

26(2) of the PFA and monitor funds under statutory management and curatorship, i.e., distressed entities. This assists the department to fulfil the FSCA's approach of pro-active, pre-emptive, intrusive and intensive regulation.

Developed new processes for the enforcement of compliance with the provisions of section 13A of the Act (non-payment or late payment of contributions and failure to timeously submit contribution schedules to retirement funds) and is developing a supervisory process that will be more intrusive and based on outcomes which result in the ultimate benefit for members. This process identifies high impact retirement funds for a desktop review whereby fund information is requested and analysed. Where serious concerns are identified via the desktop review analysis, these are addressed through a focused on-site inspection to deal with the identified issues. This process will result in the effective utilisation of resources as well as shorter and more focused inspections, as well as costs saving for both the division and the fund concerned and administrative penalties.

Several funds were also identified for terminating their curatorship, viz. Bophelo Beneficiary Fund, Cadac Pension Fund and the South African Commercial National Provident Fund.

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

REVIEWS AND AUTHORISATION MATTERS

The Reviews & Authorisation Department processed a large number of cases relating to the impact of the State of Disaster presented by the Covid-19 pandemic.

PRUDENTIAL SUPERVISION MATTERS

The Prudential department is working in collaboration with the Regulatory Framework department in finalising various standards such as the derivatives, securities lending transactions and hedge funds standard. Three new draft standards on the accounting framework for retirement funds and revised annual financial statements will be published for public comment as well as the draft standard on cashflow statements; the updated Regulation 28 quarterly asset allocation reports and draft liquidations standard are currently being prepared.

Penalties have been issued for the late and non-existent submission of annual financial statements.

The department is also assessing costs in the industry with the aim of publishing average costs across various types of funds.

FUND GOVERNANCE AND TRUSTEE CONDUCT MATTERS

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

LEGISLATIVE INPUT

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

GOVERNANCE RETURN (WORK IN PROGRESS)

A draft Governance Conduct Standard has been developed, the draft of a governance return is in process, and will be incorporated in the conduct of business return in collaboration with other departments in the division.

LITIGATION

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

FINANCIAL SERVICES TRIBUNAL MATTERS

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

POLICY AND REGULATION MATTERS

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

GUIDANCE NOTES

Guidance Notice 2 of 2020: Indicated what was expected of boards of retirement funds if they consider releasing a portion of the fund's assets backing unpaid surplus liabilities.

COMMUNICATIONS

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

- FSCA Communication 21 of 2020 (RF): Impact of Covid-19 on compliance with pension fund valuation submission requirements.
- FSCA Communication 28 of 2020 (RF): Publication of Draft Conduct Standard on requirements related to the payment of pension fund contributions.
- FSCA Communication 30 of 2020 (RF): Publication of Draft Conduct Standard of 2020 – Conduct Standard on conditions for living annuities in an annuity strategy.
- FSCA Communication 31 of 2020 (RF): Publication of Draft Conduct Standard on communication of benefit projections to members of pension funds.
- FSCA Communication 32 of 2020 (RF): Publication of Draft Conduct Standard on conditions for investment in derivative instruments for pension funds.
- FSCA Communication 33 of 2020 (RF): Assumptions for the determination of minimum individual reserves of members of defined benefit categories of pension funds.
- FSCA Communication 41 of 2020 (RF): Default Regulations: Non-compliance with Regulations 38(1)(b)(ii) and 38(1)(e)(i) of the Pension Funds Act, 1956 by retirement funds.
- FSCA Communication 42 of 2020 (RF): Publication of final Conduct Standard for minimum skills and training requirements for board members of pension funds.
- FSCA Communication 45 of 2020 (RF): Boards of retirement funds: Expiration of term of office and Covid-19.
- 2018: Prohibition on the acceptance of gratification - The role and independence of principal officers..
- FSCA Communication 49 of 2020 (RF): Publication of Draft Conduct Standard prescribing conditions for securities lending for pension funds.
- FSCA Communication 51 OF 2020 (RF): Publication of Draft Conduct Standard of 2020 – Conduct Standard prescribing conditions for investments in hedge funds.
- FSCA Communication 52 of 2020 (RF): Publication of FSCA Conduct Standard 5 of 2020 (RF) – conditions for smoothed bonus policies to form part of default investment portfolios.
- FSCA Communication 56 of 2020 (RF): Supervisory concerns about industry practices related to submission of statutory returns.
- FSCA Communication 57 of 2020 (RF): Application forms for extensions in terms of section 279 of the Financial Sector Regulation Act, 2017.
- FSCA Communication 4 of 2021 (RF): Exemption of funds from the requirements of Regulation 24(a)(iv) of the Pension Funds Act, 1956 relating to the submission of Covid-19 related rule amendments.

INFORMATION REQUESTS

- FSCA Information Request 2 of 2020 (RF): Request for information on the impact of the Covid-19 pandemic on contributions for retirement savings.
- FSCA Information Request 3 of 2020 (RF): Request for information related to participating employers under umbrella funds.
- FSCA Information Request 5 of 2020 (RF): Request for information related to cancellation of pension funds.
- FSCA Information Request 6 of 2020 (RF): Request for information related to pending transfers in term of section 14 of the Pension Funds Act, 1956.

UNCLAIMED BENEFIT MATTERS

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

INTERNATIONAL RELATIONS

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

OUTLOOK

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

ENHANCING GOVERNANCE AND TRUSTEE CONDUCT

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

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

UNCLAIMED BENEFITS

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

A dedicated governance conduct standard for the retirement industry, which incorporates PF Circular 130, is currently being developed.

TERMINATION OF FUNDS

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

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

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

SUPERVISION

The following supervisory activities took place during the period under review

ACTIVITY	NUMBER
Registrations of new funds	15
Umbrella schemes	
Recording new participating employers and registration of revised special rules	6 853
Recording of termination of participation of employers	755
Approving rule amendments, revised or consolidated rules	749
Approving schemes to transfer assets and/or liabilities between funds and other entities	2 060
Supervising fund liquidation: • Liquidation exemption section 28(17) completed • Liquidation section 28(15)(a) and (b)	 450 1 606
On-site visits	208
Complaints	39

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

RETIREMENT FUNDS INDUSTRY STATISTICAL OVERVIEW

As at 31 March 2021, there were 5 090 (31 March 2020: 5 124) registered retirement funds in South Africa of which 1 449 (31 March 2020: 1 452) funds are active (a fund with members for whom it receives contributions and/or pays benefits).

Regulated entities supervised at 31 March 2021

Retirement funds	
Privately administered (with assets other than policies of insurance)	2 946
Wholly underwritten (only assets being policies of insurance)	2 144
Total	**5 090**

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

The following statistics are the latest available for retirement funds

RETIREMENT FUNDS: FINANCIAL YEAR ENDING 31 DECEMBER 2019						
Financial year ending	2017	Change %	2018	Change %	2019	Change %
Number of funds	5 158	(0.3)	5 124	(0.7)	5 140	0.3
Membership ('000)	16 946	1.8	17 522	3.4	17 610	0.3
Contributions (R'm)	238 520	5.1	257 523 (Note 1)	7.3	271 050	5.3
Benefits paid (R'm)	314 603	(3.5)	367 078 (Note 1)	13.8	331 786	(9.6)
Assets (R'm)	4 262 395	2.8	4 490 617	5.4	4 632 304	3.2

Note 1: Some funds submitted their 2018 returns late and have been included in this table.

Retirement funds: Number of funds by administrator at 31 March 2021

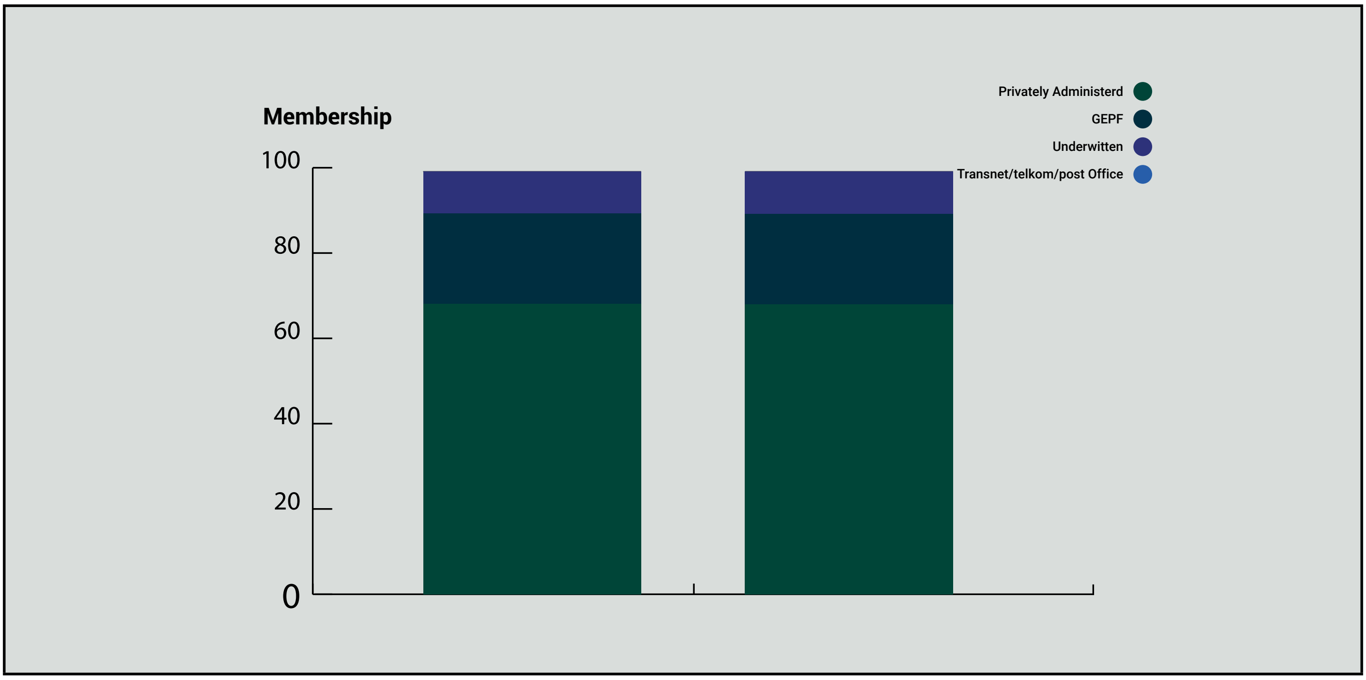
Administrator	Active funds*	Other funds	Total funds
Liberty Group	107	991	1 098
MMI Group	48	740	788
Alexander Forbes Financial Services	265	481	746
Sanlam Life Insurance**	216	406	622
Old Mutual Life Assurance Company (South Africa)	24	158	1 824
NBC Fund Administration Services	73	59	132
NMG Consultants and Actuaries Administrators	55	64	119
Own administrator	40	62	102
All other administrators	604	663	1 267
Total	**1 432**	**3 624**	**6 698**

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

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

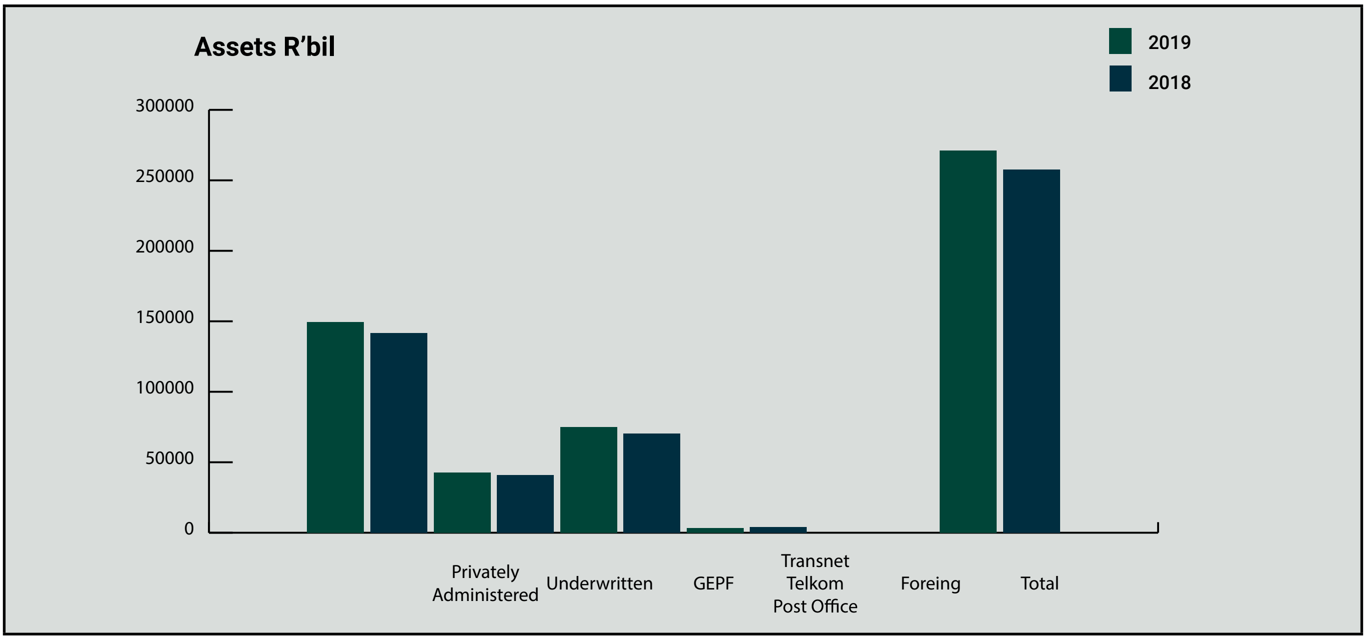
MEMBERSHIP (%)

Total membership of retirement funds in South Africa at 31 December 2019 stood at 17 610 098, of which 11 715 562 were active members and 5 894 536 were pensioners, deferred pensioners, dependents and unclaimed benefit members. Some double counting is unavoidable, as some individuals are members of more than one fund.



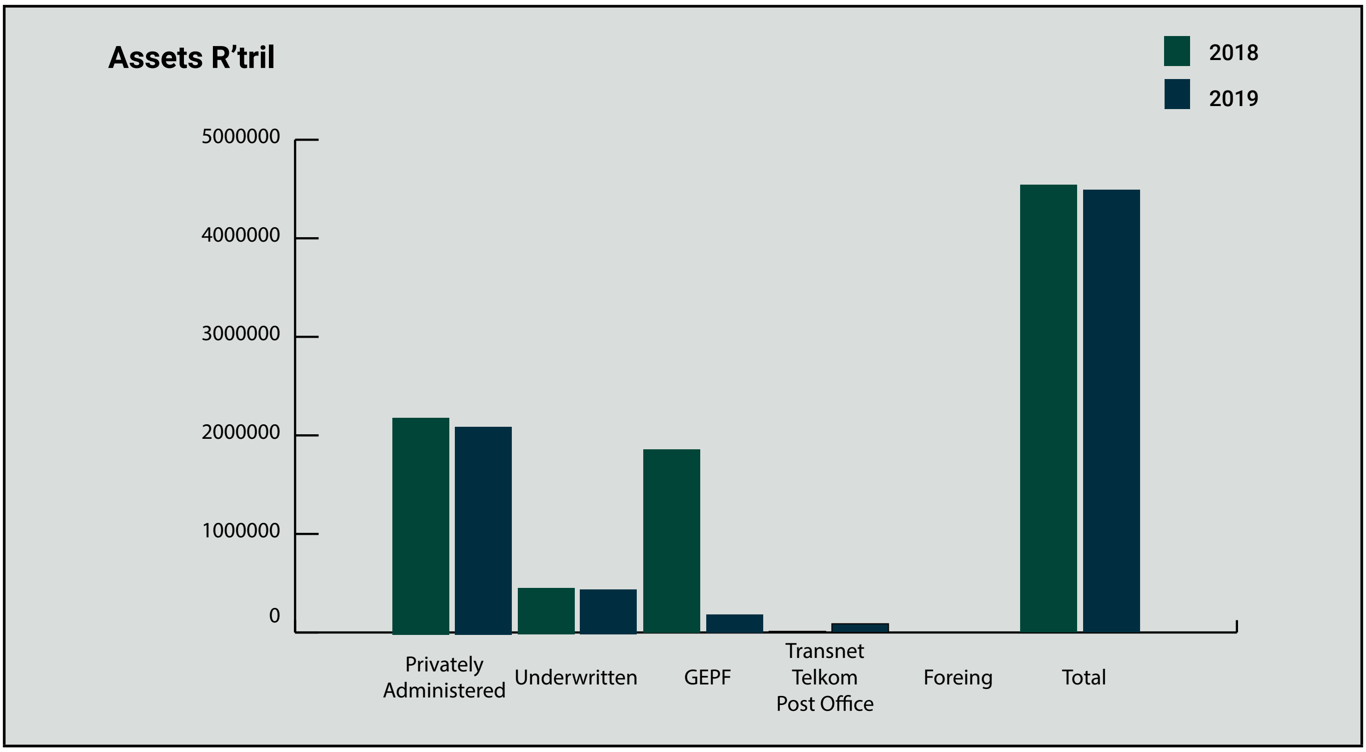
Contributions

Total contributions received by retirement funds in South Africa increased by 5.5% from R257 billion in 2018 to R271 billion in 2019.



ASSETS

Retirement funds industry assets increased by 4.6%, from R4.4 trillion in 2018 to R4.6 trillion in 2019. The net assets of privately administered funds increased by 3.65% from R2.11 trillion in 2018 to R2.19 trillion in 2019.



Unclaimed benefits

The aggregate value of unclaimed benefits reported by retirement funds regulated and supervised under the PFA as at 31 March 2021 is as follows

	Number of funds	Aggregate amount of unclaimed benefits R'bil	% of total UB Assets	Number of beneficiaries for whom unclaimed benefits are held	% of total UB members
Occupational retirement funds (both stand-alone and umbrella, under-written and not)	1 623	37 235	78.7	3 827 308	79.6
Beneficiary funds	8	118	0.2	1 916	0
Unclaimed benefits funds	49	9 995	21.1	977 276	20.4
Total	1 680	47 348		4 806 500	

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

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

SPECIALIST SUPPORT DIVISION

PURPOSE

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

STRATEGIC OBJECTIVES

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

DEPARTMENTS

The division comprises five departments. During the previous reporting period, the departments were established, and started recruiting suitably qualified staff. Over the last year, the divisions have been establishing themselves to strengthen the support they can provide.

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

DEPARTMENT		RESPONSIBILITIES
3	Business Model and Product Analysis	The department provides support to other FSCA divisions, notably the COB Supervision Division, Licensing Division Market Infrastructure and Enforcement in analysing business models and products of specific financial institutions as well as to support thematic supervisory reviews. Furthermore, the department provides expert analysis of specific business models (including distribution models) and financial products. The aim is to understand details and risks of identified trends and practices. Analysis of financial products, its features and pricing will assist in creating conduct standards/frameworks that promotes the fair treatment of financial customers and their interest. Business Models articulates logic, provides data and other evidence on how a business creates and delivers value to customers and outlines the architecture of revenues, costs and profits associated with the delivery of value to clients.
	Disclosure, Advertising and Market Analysis	The department is tasked with ongoing scanning and analysis of media campaigns (including social and online), and ongoing monitoring of new advertising and marketing approaches. The department also provides support to the other FSCA divisions, notably the COB Supervision Division, in reviewing the disclosure, advertising and marketing strategies of financial institutions as well as to support thematic reviews in this area. Furthermore, it conducts research on local and international regulatory and supervisory approaches relating to disclosure, advertising and marketing, and compares the marketing material and financial products to determine whether unreasonable expectations are being created, and also assesses the relevant aspects of treating customers fairly.
	Supervisory Framework	To provide support to supervision functions through ongoing review and development of the FSCA's supervisory framework – comprising approaches to supervision and supervision methodologies. The department is also required to carry out ongoing research and monitoring of local and international supervisory standards and approaches. This department is also accountable for the current development work on the FAIS competency framework and the Trustee Training Toolkit for retirement fund trustees, both of which are expected to continue evolving, as well as future competency frameworks that may be required as the CoFI Bill develops.

PERFORMANCE SERVICE DELIVERY OBJECTIVES, INDICATORS AND OUTPUTS

ACTUARIAL SERVICES DEPARTMENT

The key objectives of the Actuarial Services Department for the year were to reduce the number of cases requiring consideration, as well as to reduce the time taken to respond on reports submitted. The emphasis was on funds reflecting a deficit position or funds dealing with surplus apportionment decisions or transfers.

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

DISCLOSURE, ADVERTISING AND MARKET ANALYSIS

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

- Assisted in the drafting of the FinCoNet Report on Financial Advertising.
- Provided input into the draft Conduct Standard for Advertising, Marketing and Information Disclosure of CISs.
- Provided input into the draft Insurance Policyholder Protection Rules (PPRs).
- Provided input into the guiding principles of section 6 (Advertising) of the Conduct Standard for Banks.
- Established an online Financial Products Information Hub to facilitate the centralisation of pertinent product information.
- Participated in the Financial Sector Harmonisation Plan workstream on Advertising, Disclosure and Complaints Management.
- Conducted on-going media scanning, resulting in:
  - » submission of seven referral memoranda to the relevant FSCA departments relating to the identified financial advertising conduct issues.

- Amongst other reports, the department produced a report outlining the trends identified regarding the:
  - » conduct risks relating to marketing, advertising and disclosure approaches of regulated financial entities in the Insurance, Banking and Collective Investment Schemes industries.

SUPERVISORY FRAMEWORK DEPARTMENT

The Supervisory Framework Department is responsible for ensuring that the FSCA's supervisory and competency frameworks support the FSCA's objectives and strategic priorities by:

(a) developing and maintaining a supervisory framework that is outcomes-based, pre-emptive and pro-active, risk-based and proportional, intensive and intrusive, transparent and consultative, comprehensive and consistent and a credible deterrent; and

(b) supporting a competency framework that ensures that financial customers deal with financial services providers that have adequate, appropriate and relevant skills, knowledge and expertise.

RISK-BASED SUPERVISORY FRAMEWORK

The FSCA has adopted a risk-based approach to supervision which approach seeks to identify emerging and overarching areas of risks and to apply appropriate resources to those risks. This forward-looking approach supports early intervention by supervisors and further allows them to assess the effectiveness of their interventions and to adjust, if necessary. During the period under review, the Supervisory Framework Department, with the support of the World Bank, worked on formalising and documenting a Risk-based Supervisory Framework that will guide the FSCA's monitoring of financial institutions, analysis, prioritisation, risk mitigation, enforcement of legislation and monitoring of outcomes to consumers. It is envisaged that the work on the Framework will be completed during the next reporting period.

UNCLAIMED FINANCIAL ASSETS

Unclaimed financial assets are a global challenge for regulators. The impact of unclaimed assets in South Africa is particularly severe as it disproportionately impacts the poor and vulnerable. It is further not limited to unclaimed retirement benefits. Sector responses by the FSCA and financial institutions further differ considerable and while work on unclaimed benefits in the retirement industry is relatively well progressed, other sectors lag.

The FSCA, given the impact on customers, intends to develop an unclaimed assets framework to ensure a coordinated approach to unclaimed assets across all sectors in the financial industry. In support thereof, the Supervisory Framework Department has prepared a draft Discussion Paper on 'Reducing Unclaimed Assets in South Africa'. The purpose of the Discussion Paper is to establish the current status and extent of unclaimed assets, the current approaches to identification, managing and reduction of unclaimed assets. The Discussion Paper further sets out the FSCA's recommendations regarding:

(a) a common understanding of dormant and unclaimed financial assets, with criteria, across the financial sector for the different industry segments under review;

(b) a supervisory approach and reporting framework in respect of dormant and unclaimed assets going forward;

(c) responsibilities of financial institutions relating to the management, record keeping and tracing of persons entitled to dormant and unclaimed assets, and consider suitable regulatory requirements in this regard, including in relation to permissible fees and charges; and

(d) purpose(s) for which such unclaimed assets may be used where it becomes apparent that the person entitled to the unclaimed assets may not ever be traced and where such unclaimed assets remain unclaimed for a determined period of time.

The Discussion Paper will be published for public comment during the first half of the next financial year.

FSCA Emerging and Overarching Risk Committee

The Department supports the work of the FSCA's Emerging and Overarching Risk Committee (EOR Committee) that is responsible for the prioritisation and monitoring of identified emerging and overarching risks and directing appropriate resources to those risks. During the reporting period, the department, with the assistance of the World Bank, commenced with the development of a framework for the reporting, assessment, monitoring and prioritisation of risk mitigation measures at a holistic and overarching level. This work will continue over the medium-term.

TRUSTEE TRAINING TOOLKIT RE-DEVELOPMENT PROJECT

Board members of retirement funds are required to complete the FSCA's Trustee Training Toolkit that assist board members in obtaining a better understanding of their role and function. A project to re-develop the current Trustee Training Toolkit commenced during the reporting period and the aim of the project is to expand on some of the content covered in the training and enhance the learning experience. The project consists of two phases:

Phase 1 – This phase consisted of reviewing and updating the learning content, assessment questions and an enhancement of the learner registration process. This phase was completed at the end of September 2020.

Phase 2 – This phase consists of the complete re-development of the learning content, assessment questions, learning activities and the enhancement of the e-learning platform. The planning and preparation for this phase was completed in the reporting period.

QUALIFICATION RECOGNITION

Qualifications are recognised in accordance with section 24 of the Determination of Fit and Proper Requirements for Financial Services Providers, 2017 (Board Notice 194 of 2017). During the reporting period, a total of 228 qualifications were recognised.

COMPETENCY SUPPORT

The department provided on-going support and guidance to the internal FSCA divisions insofar as competency requirements are concerned. The department further participated in industry webinars presented by the FSCA for CPD purposes and participates in the Financial Sector Harmonisation Project relating to the harmonisation of fit and proper requirements across the various sectors.

BUSINESS MODELS AND PRODUCT ANALYSIS

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

- Conducted analysis and assessments of quantitative aspects for OTC derivatives licensing including market risk, financial instrument valuation, business model analysis, operational risk and working capital.
- Assessment on the quantitative requirements of Trade Repositories and Central Counterparty's (CCP's) and the licence application of entities.
- Assessment of the margining requirements of OTC derivative providers.
- Banking project aimed at extending the work of the Promontory Report on the comparison of banking products in South Africa.
- Provided training to the Hedge Funds department on the Market Risks Aspects of Board Notice 52 and assisted with the breach management of hedge funds during the Covid-19 related market volatility.
- Provided subject matter expert analysis on several projects that formed part of the Sandbox and Regulatory Guidance Unit.
- Conducted research on the liquidity of dual listed stocks in stressed financial markets.
- Conducted research on drought and flood risk for the bench marking and scenario analysis of climate risk.
- Investigated the use of non-cash collateral for CCP.
- Conducted research on the increase of credit exposure to banks as a result of ODP regulation.

DATA ANALYSIS

Delivering market conduct quality services through deep insights and business decisions through analysis of the data collected from supervised institutions.

- Set-up of the Analytics Hub and Spoke
  The Data Analysis Department successfully set-up the Analytics Hub and Spoke Programme. The analytics delivery model was outlined and the roles and responsibilities of the hub, which is made-up of the Data Analysis Department and Spoke and includes other FSCA divisions were defined. In addition, the FSCA divisions were engaged and trained on the importance of using analytics for strategic decision-making and the process of how to craft key analytics needs. Once training on how key analytics needs was crafted and concluded, the divisions prioritised, finalised and shortlisted their specific key analytics needs that seeks to address their departmental pain points that could be resolved by the use of data and analytics. Furthermore, thorough stakeholder engagements took place to define and derive the analytics solution that would be deployed to assist the divisions become pro-active, pre-emptive, intrusive and intensive in their supervisory roles.

- Banking Fees Comparison Model
  A model that will assist banking clients to compare fees of the different banks to inform their decision-making when it comes to which bank and product to choose, based on the costs. The model has bearing on the country's financial sector as assessed by the Financial Sector Assessment Programme (FSAP).

  - Anomaly detection model on funds under management

  - A model built to detect any anomalies made during the submission of the funds under management by the asset managers.

- Support to other FSCA divisions, in particular, the supervision divisions, in analysing data submitted through market conduct statutory returns or other ad hoc data sets, in order to monitor market conduct risk indicators

  - Micro and Access Product Providers Department – trend analysis and deep-insight report with recommendations that would guide legislation on how to regulate and supervise micro-insurers.

  - Investment Providers Department – analytics based on the impact of supervised entities assessment questionnaire.

  - Business and Licensing Centre Division – trend analysis on the funds under management which has a bearing on the collection of levies from the asset managers.

- Assists the supervision divisions in the design of statutory returns or other information requests, to ensure that they will yield meaningful data.

  - Financial Administrators and Intermediaries Department – how to craft an information request that will yield meaningful data.

  - FICA Department – information request on the needs analysis and inspection data for analytics approaches.

  - Investment Providers Department – impact of Covid-19 on the operational and financial efficiency of the supervised institutions assessment survey.

  - Office of General Counsel – Republic of South Africa Securities Sector Risk Assessment Survey that seeks to measure Anti-Monetary Laundering (AML) and Combating the Financing of Terrorism (CFT). The outcome of the analytics will contribute towards the report that will be published by Financial Action Task Force (FATF).

ENFORCEMENT DIVISION

The main objective of Enforcement Division is to deal with all complaints or cases of alleged contraventions of a sector law. It is our responsibility to investigate any reasonably suspected contraventions of any financial sector law and to see the cases through until the appropriate regulatory and/or enforcement actions are completed, if any. In addition, it is also the responsibility of the division to investigate and deal with unlicenced persons who provide a financial service, financial product or a market infrastructure.

Investigations by the Enforcement Division are conducted in terms of extensive investigation powers as conferred in sections 135, 136, 137 and 138 of the Financial Sector Regulation Act, 9 of 2017 (FSR Act).

During the review period, the division finalised 32 investigations in respect of contraventions of Financial Markets Act and 390[9] in respect of various financial sector laws. In some of these cases, administrative penalties were levied. The penalties amounted to R266 500 000 (Financial Markets Act) plus R63 878 810 for other financial sector law violations. In some cases, there were ensuing withdrawal of licences and debarment of individuals. The total penalties are in respect of 13 enforcement matters completed during the period.

The division maintains inter-agency collaborations with the Reserve Bank, Financial Intelligence Centre (FIC) and the Asset Forfeiture Unit (AFU). This has led the division to be more effective in enforcing compliance. The division has also maintained excellent relationships and collaborated with foreign regulators when asked for assistance, in conformity with bilateral or multilateral cooperation agreements.

The most impactful investigations by our division were:

MTI[10]- this was the world's biggest crypto scam of 2021, according to the 2021 Crypto Crime Report by Chainalysis. The division conducted a full investigation into possible contraventions of financial sector laws by MTI. Investigation techniques employed included, inter alia, utilising several external forensic information technology firms; obtaining information from entities in foreign jurisdictions and obtaining several search and seizure warrants from different divisions of the High Courts. These warrants were executed in three different provinces simultaneously. Enforcement action against MTI is underway and the division is assisting the NPA with their criminal case. Despite the numbers of persons involved from all over the world and the large amounts of value which appears to have been lost, we proactively and speedily worked to reduce the size and loss to many potential investors.

9 Made up of seven full investigations plus 383 preliminary assessment investigations.

10 Mirror Trading International (Pty) Ltd and Mr. Cornelius Johannes Steynberg.

JP Markets[11]- the case related to over-the-counter derivative (ODP) business. JP Markets was conducting without being authorised to do so. Essentially, issuing derivative instruments. Working with the FIC and the AFU, the division managed to safeguard an amount of R258 million across several bank accounts of JP Markets. The Authority also brought an urgent statutory application for the successful liquidation application of JP Markets. It was the first time that the Authority used its powers to apply for liquidation in terms of the FAIS legislation. Enforcement action against the company and its Chief Executive Officer (CEO) is underway.

The most significant of the enforcement actions taken by the division were:

Steinhoff - against Mr Markus Jooste and three others for around R241 million for insider trading and related breaches in Steinhoff International Holdings N.V. shares.

Tongaat - against Tongaat Hulett Limited whereby an administrative penalty of R118 million was imposed on Tongaat under section 81 of the Financial Markets Act (FMA) 2012 (false and misleading statements). Noting Tongaat's current financial position and to avoid penalising innocent Tongaat shareholders further, the FSCA has resolved, under section 173 of the FSR 2017, to remit a portion of the administrative penalty, resulting in Tongaat paying a penalty of R20 million.

We are constantly finding ways to speed up the administrative and investigative processes without negatively affecting the rights of investigated parties to a fair process which we undertake to execute in an unbiased and independent manner.

CORPORATE SERVICES DIVISION

PURPOSE

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

The Human Resources report is presented in Part D of this annual report. The Facilities and Security Department is responsible for the provision of integrated

11 JP Markets (Pty) Ltd

facilities management services to maintain, improve and adapt the FSCA's work environment, including managing and coordinating the best use of space, building services and infrastructure, people and the provision of a range of supplies and services – more information in this regard can be found in Part C of this annual report.

STRATEGIC OBJECTIVES

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

DEPARTMENTS

The division consists of three departments as outlined below

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

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

PERFORMANCE

COMMUNICATION AND LANGUAGE SERVICES DEPARTMENT

The department played a pivotal role in building a positive image and reputation for the FSCA by forging strategic relationships between the Authority and its internal and external stakeholders, and by continuously assisting to drive the vision and mandate of the FSCA.

The department, through its language services function, is also responsible for the implementation of the FSCA's Language Policy. This includes monitoring the use of all official languages by the FSCA in the Authority's interaction with employees, the industry and members of the public.

Some of the key highlights of the department include successfully launching the FSCA as the country's first dedicated market conduct regulator, and optimally using the organisation's communication touch points to build the brand. Our initiatives and platforms include:

- Media roundtables
- Media releases
- Broadcast interviews
- Social media
- Client management system
- Website
- Language services

Service delivery year to date/objectives

- During the review period, the department responded to 263 media queries, and issued a total of 132 media releases related to the work of the FSCA. There were also three media roundtable discussions held. These aimed to give members of the media the opportunity to interact with the Authority regarding any regulatory developments.

- The department created social media platforms for the FSCA to interact more directly with consumers and industry players.
- A consumer-focused radio campaign was launched to create awareness about the new Authority.
- The FSCA website had over 3 921 434 pageviews and 537 921 new users during this reporting period.
- The FSCA Facebook page saw an increase of 320% in followers to 11 081. There were over 500 000 engagements on the page.
- The FSCA Twitter page also enjoyed massive growth in its followers of 230% to a total of 5 958 followers. The page had impressions of 640 000 in the period under review.
- The FSCA LinkedIn page has over 25 906 followers and over 300 000 impressions.
- The following events, campaigns and interviews were posted on our social media pages:
  - FSCA brand campaigns
  - The virtual launch of the Conduct Standard for Banks
  - The FSCAMyMoney Learning Series
  - FSCA media interviews and roundtables.
- A total of 6 858 queries were received from the client management system (emails, faxes, walk-ins) during the period, recording a decrease of 1 360 queries when compared to 8 218 in the previous year. Queries responded to were mostly FAIS related (4 227), followed by queries related to retirement funds (1 696).
- Translation, interpreting and editing services were provided to the organisation. This included the provision of South African Sign Language interpretation internally and for the Money Smart Week South Africa 2021 campaign. Also included were transcription services for the investigation and enforcement reports, interpreting services for the Financial Services Tribunal and lastly, the translation of 14 key Consumer Education resources to reflect legislative and branding changes of the FSCA. The resources were translated into all official languages.

Security and Facilities Business Unit

The Security and Facilities Business Unit oversaw the operations of the two buildings in the Riverwalk Office Park, as well as the maintenance and upgrades of existing buildings and equipment. The Facilities Business Unit ensured that the FSCA had a suitable, safe and secure working environment for its employees, visitors and their activities, specifically in response to the Covid-19 pandemic.

INFORMATION COMMUNICATION AND TECHNOLOGY DIVISION

PURPOSE

The Information and Communication Technology (ICT) Division has established itself as a strategic partner to the Financial Sector Conduct Authority Business Divisions and has committed itself to establishing a technological and digital environment that is responsive to the business of the FSCA.

STRATEGIC OBJECTIVE

In carrying out its mandate, the FSCA engages financial services providers intensively to ensure the market is functioning as it should and that consumers of its services are protected. This is done through various tools of information collection and analysis.

The ICT Division adopted a Data Driven Digital (DDD) Strategy to support the enablement and achievement of the FSCA's business objectives.

The DDD strategy was adopted with a vision to transform the FSCA into a next generation, insight-driven regulator. Through this transformation, the FSCA will be in a position to leverage the value of data it collects, complement it with non-traditional data to support evidence-driven business decision-making. We began implementing the first year of our DDD strategic plan in 2019/20 with a focus to establish the right foundation for a data driven organisation. This gave birth to the adoption of the following:

- Information Strategy that informs how information and data will be managed in the FSCA;
- Cyber Security strategy for effective cyber security risk management and cyber resilience;
- Cloud strategy to direct a cloud presence that will improve efficiency without compromising the organisation's data sovereignty.

In this financial year under review, focus was on embedding the information governance structures and data management approach; establishing an enterprise Business Intelligence platform to enable business to start tapping into the value of its data and also commencing with the implementation of IRS. With the emergence of Covid-19, our focus further shifted into accelerating the improvement of the digital office for the FSCA worker, an intervention that has allowed the business to continue being operational under the circumstance. Improving the FSCA's cyber resilience remained a key focus for the year, especially given the change in the threat landscape brought about by Covid-19.

SERVICE DELIVERY OBJECTIVES, INDICATORS AND OUTPUTS

The challenges brought about by the effects of the Covid-19 pandemic affected the delivery of some of the strategic initiatives during the 2020/21 financial year. This resulted in the implementation date for a number of planned initiatives to be deferred to the next financial year. The team kept its focus during this time and the following targets were achieved as planned:

- Business Intelligence and Analytics platform was deployed and already assisting business in making sense of the management information and reports from the information the FSCA has collected to date;
- About 20 data sets have been created and multiple relational references have been established, giving the FSCA the reporting power that it never had before;
- Through the Enterprise Information Management Programme, we successfully implemented information governance structures that were instrumental in the adoption of an Information Management Policy that guides how information is handled;
- Implementation of the Protection of Personal Information Act (PoPIA) controls to ensure compliance by 1 July 2021;
- Provide FSCA staff with the ability to work from anywhere, anytime using any device through the deployment of the Microsoft Teams collaboration platform;
- Implemented the e-signature solution to enable secure signing of documents; and
- Successfully implemented Microsoft One Drive to enable large file sharing.

The focus in the current financial year will be to implement the year three strategic projects and complete the implementation of projects that were impacted by the pandemic related lockdown.

Key departmental performance

Strategic objective	Performance indicator	Achievement 2019/20	Target 2020/21	Achievement 2020/21	Reason for deviation
Building new Organisation	Implementation of projects as set out in the project list (including release calendar, excluding IRS and ERP projects)	Achieved 96% implementation	90% implementation of all approved projects with business sign-off	93.5% achieved	N/A
	Achievement of SLCs as communicated and expected by the FSCA user	Achieved 95.78% of SLCs	90% of ICT SLCs met	95.47% of SLCs achieved	N/A

CHANGES TO PLANNED TARGETS

IRS – the target was to commence with the implementation of the IRS project, however, due to Covid-19, the sourcing process was not concluded as planned within the period under review.

ERP – although the project was aimed for Go-live to be implemented before the end of the reporting cycle, the project implementation approach was altered and Go-live is envisaged within the first quarter of the next financial year.

OFFICE OF GENERAL COUNSEL

PURPOSE

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

SERVICE DELIVERY OBJECTIVES

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

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

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

(iv) To contribute institutional support services to the Financial Services Tribunal (the Tribunal) established in accordance with section 219 of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017).

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

The OGC executes on its objectives via five specialised units, comprising:

The Litigation Unit – which manages High Court litigations and represents the FSCA in applications before the Tribunal; the Legislative Review Unit – which supports the achievement of the objective in paragraph (ii) above; the Corporate Legal Services Unit – which is the advisory unit to the FSCA as a corporate body; the Specialist AML/CFT Advisory Unit – which supports the achievement of the objective set out in paragraph (v) above; and the Tribunal Secretariat and Liaison Unit, which manages processes for the placing of applications before the Tribunal and provides Secretariat support to the Tribunal as a transitional requirement contained in the Ministerial Regulations of 29 March 2018, made in terms of the FSR Act.

SERVICE DELIVERY OUTPUTS

OGC has substantially achieved its objectives and targets for the year. Highlights during the period under review included:

LITIGATION

OGC provided ongoing legal support to the FSCA in the curatorship matters of various institutions including Cadac Pension Fund, Corporate Money Managers, Rockland Asset Management, Municipal Councillors Pension Fund and Insure Group Managers Limited. The South African Commercial, Catering and Allied Workers' Union (SACCAWU) National Provident Fund curatorship was terminated during October 2020. An application for the cancellation of the appointment of the Rockland curator, alternatively the appointment of a replacement curator, was successfully opposed by the FSCA. Leave was subsequently granted to the applicant to appeal to the Western Cape High Court.

During October 2019, the FSCA obtained warrants to carry out a search and seizure at the premises of Sekunjalo Investments Holdings (Pty) Ltd, African Equity Empowerment Investments Limited and other entities as part of the FSCA's investigation of suspicious prohibited trading practices in shares of Ayo Technology Solution Ltd. Two applications to set the warrants aside were subsequently received. The applications were enrolled for hearing on 10 March 2021 but was settled on 8 March 2021 when the applicants agreed to a consent order that provided a mechanism for the documentation seized under the warrants to be accessed. The applicants agreed to pay the FSCA's costs.

Judgments were delivered by the Supreme Court of Appeal on 2 November 2020 in the appeal matters by Hortors Pension Fund, Southern Sun Group Retirement Fund and Free State Municipal Pension Fund concerning the validity of Regulation 35(4) of the Pension Funds regulations. The appeals were upheld, and Regulation 35(4) was declared invalid and unenforceable in that it exceeded the Minister's powers under the Pension Funds Act. No order was made with regards to costs.

On 28 March 2019, the Public Protector issued Report No. 46 of 2018/19 entitled "***Report on an investigation into allegations of maladministration, abuse of power and improper conduct by the former Executive Officer of the Financial Services Board, Adv DP Tshidi, as well as systemic corporate governance deficiencies at the Financial Services Board***." The Public Protector made various findings against the former Executive Officer (EO) of the FSB and directed certain remedial action to be implemented by the FSCA. The FSCA and former EO launched an application to review the report during June 2019. The matter was heard on 21 September 2020. On 10 October 2020 judgment was handed down and the Public Protector's report was reviewed, set aside and declared constitutionally invalid for lack of jurisdiction.

Successful applications were made for the confirmation of the appointments of statutory managers in terms of the provisions of section 5A of the Financial Institutions (Protection of Funds) Act, 2001 for the Private Security Sector Provident Fund and Amplats Group Provident Fund. A further application for the confirmation of the appointment of a statutory manager for Hospitality and General Provident Fund will be heard during the next review period.

During July 2020, the FSCA launched an urgent application for the liquidation of JP Markets SA (Pty) Ltd. after its authorisation as an FSP was provisionally suspended and investigators established that JP Markets was conducting the business of an over-the-counter derivative product provider without having been authorised under the Financial Markets Act. The urgent liquidation application was heard on 25 August 2020. Judgment was handed down in favour of the FSCA, i.e., a final order of liquidation was granted on 6 September 2020. JP Markets lodged an application for leave to appeal on 14 September 2020 which was granted on 6 April 2021. In the meantime, an urgent application by affected parties to place JP Markets under business rescue in terms of the provisions of the Companies Act was dismissed with costs on 4 March 2021.

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

THE FINANCIAL SERVICES TRIBUNAL

The Tribunal hears applications for the reconsideration of decisions by decision-makers as defined in section 218 of the FSR Act. During the period under review, a total of 287 applications for reconsideration of decisions and 159 applications for leave to reconsider FAIS Ombud summary dismissal decisions were lodged with the Tribunal. One hundred and seventy-five decisions and 31 consent orders in relation to applications for reconsideration were published on the FSCA website. Rulings in relation to all applications for leave to reconsider summary dismissal decisions by the FAIS Ombud were handed down. Six decisions of the Tribunal were taken on review to the High Court.

LEGISLATION

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

Financial Sector Regulation Act, 2017

Chapter 14 of the Act which establishes the Ombud Council became effective on 1 November 2020 in terms of an amendment to the Commencement Notice, which was published on 29 May 2020. The Financial Services Ombud Schemes Act, 2004 is set to be repealed on 31 May 2021. The commencement date of Chapter 16 of the Act, which regulates the fees, levies and finances of financial sector bodies has been deferred to 1 April 2022. Amendments to the Financial Sector Regulations, 2018 were published on 5 August 2020. The Regulations amended provisions pertaining to the Transitional Management Committee of the Financial Sector Conduct Authority and for a streamlined process for the appointment of the Commissioner and Deputy Commissioners.

Conduct of Financial Institutions (CoFI) Bill

The CoFI Bill provides for a comprehensive market conduct framework to ensure a consistent and complete approach to governing the Conduct of Financial Institutions (CoFI) Bill across the financial sector. The Bill also provides for the repeal of a number of financial sector laws and consequential amendments to the Financial Sector Regulation Act. A revised draft of the Bill was finalised and published on 29 September 2020 for a second round of public comments until 30 October 2020.

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

The Levies Bill is to provide for the imposition and collection of levies for the benefit of financial sector bodies. A revised draft Bill was published on 2 March 2021 for a second round of public comments until 30 March 2021.

The Financial Sector Levies (Administration) Bill is set to amend Chapter 16 of the Financial Sector Regulation Act, to appropriately provide for the administration of levies imposed in terms of the levies Act, 2019; and to amend Schedule 5 of the Public Finance Management Act, 1999. The draft Financial Sector Levies (Administration) Bill has not yet been released.

Financial Intelligence Centre Act, 2001

AMENDMENTS ARE PROPOSED TO

- Schedule 1 of the Act to update the list of accountable institutions to include crypto asset exchanges, high value goods dealers, credit providers, co-operative banks and trust and company services providers as well as to reflect changes to the relevant legislation.
- Schedule 2 to update the list of supervisory bodies to reflect the changes to the regulatory landscape introduced by the FSR Act. Draft amendments to the Schedules were published on 19 June 2020. Comments were due within 60 days of publication of the Notice.

SUBORDINATE LEGISLATION

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

FINANCIAL ACTION TASK FORCE MUTUAL EVALUATION

The Financial Action Task Force (FATF) is an inter-governmental body established in 1989 and currently comprises 37 member jurisdictions and two regional organisations, representing most major financial centres from around the globe. South Africa is currently the only member from Africa. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. The FATF monitors the progress of its members, through peer reviews, in implementing necessary measures, reviews money laundering and terrorist financing techniques and countermeasures and promotes the adoption and implementation of appropriate measures globally. The FATF's mutual evaluation of South Africa started in 2019. During the review period, draft reports were issued by the assessors and virtual discussions took place from 7 to 11 December 2020 where South Africa's input on the draft reports were discussed.

The OGC is responsible for coordinating the FSCA's response to the mutual evaluation as well as providing comments and motivations on the draft reports issued by the FATF assessors. The responses relate to the technical compliance assessment as well as the effectiveness assessment. The OGC is also responsible for preparing and coordinating the responses from the private sector i.e., Financial Services Providers, CIS Managers and Authorised Users of an Exchange to the mutual evaluation. In addition, the OGC also represents the FSCA in various AML/CFT forums that were critical for purposes of the mutual evaluation, i.e., Interdepartmental Committee on AML/CFT, Interdepartmental Working Group Mutual Evaluation, Interdepartmental Working Group National Risk Assessment and National Risk Assessment Drafting Committee.

The FATF assessors have now issued a final draft report which will be discussed at the FATF's June 2021 plenary.

The FSCA has already started to address some of the gaps identified during the mutual evaluation. A task team was formed under the guidance of the OGC to address the gaps identified. It is very important to address these gaps as it may have severe economic consequences for South Africa.

STAKEHOLDER MANAGEMENT

Members of the OGC have been appointed as Authorised Officers by the Financial Intelligence Centre (FIC). This means that they are authorised to receive and request confidential information from the FIC. The FIC receives information via suspicious and unusual transaction reports and information from other sources. During the review period, the FIC made 33 proactive referrals to the FSCA to investigate. These proactive reports alert the FSCA to possible contraventions of the laws that it regulates and enables the FSCA to initiate investigations into the matters and to act on contraventions timeously and appropriately. In return, the FSCA also requested information on six matters that it investigated. The FIC also assists the FSCA in the freezing of bank accounts where proceeds of crime are identified. Members of the OGC also represents the FSCA at the Interdepartmental Committee on Illicit Flow of Funds.

FIC ACT SANCTIONS

As a supervisory body in terms of the FIC Act, the FSCA may issue administrative sanctions against non-compliant entities supervised by it. A total of 14 sanctions were issued by the FSCA in terms of the FIC Act under the guidance and direction of OGC.

ORGANISATIONAL ENVIRONMENT

For the first three years, it was necessary for the FSCA to have a level of internal focus while it built a new organisation that is appropriately structured and adequately resourced and skilled to achieve its expanded mandate.

Three of the Divisional Executives have since gone on retirement and their responsibilities have been adequately shared among the other Divisional Executives. Good progress was made towards filling other vacant positions. The FSCA continued with its regulatory and supervisory mandate ensuring that service delivery and embedding its new functional business operational structure remains on track.

Risks/Challenges or Gaps Identified	Mitigation Strategies Adopted
The positions of the Commissioner and Deputy Commissioners are vacant	The NT is charged with recruiting the Commissioner and Deputy Commissioners.
Loss of key staff and resultant loss of skills	Increased communication with staff and adoption of change management principles to address staff concerns
Lack of expertise in the regulation of conduct in the retail banking sector	Measures are in place to recruit the appropriate skills

STAKEHOLDER MANAGEMENT

Effective Stakeholder Management plays a critical role in the execution of the FSCA's mandate. Through the strategic management of relationships between the FSCA and its internal and external stakeholders, the Authority will be able to achieve an efficient financial sector that treats customers fairly. A critical component of our engagement plan is keeping our stakeholders abreast of developments as we transition into a dedicated market conduct authority.

Through the strategic management of relationships between the FSCA and its internal and external stakeholders, we continued to keep the lines of communication open between the Authority, industry and financial customers, ensuring that they are kept abreast of developments in our work as a dedicated market conduct authority.

The FSCA, through the Communication and Language Service Department's overall Integrated Communications and Language Strategy, deployed various communication channels and platforms to disseminate key messages about the work of the Authority. This included hosting consultative engagements with customers, media and the financial sector industry; establishing a social media presence and producing publications such as the FSCA e-Newsletter and Our Voice. These efforts were intended to keep stakeholders informed, build confidence and ensure stakeholder buy-in of regulatory reforms.

The activities below highlight some of the initiatives undertaken in the period under review.

- **FSCA e-Newsletter (External Publication)**

The FSCA e-Newsletter is a quarterly publication which provides the financial services industry with an update on regulatory developments. The fourth quarter edition was published on 3 March 2021.

- **Digital and Social Media**

The FSCA's social media platforms in the fourth quarter performed well. As the Fintech department continued publishing research and insights, there were posts on the Suptech report and Intergovernmental Fintech Working Group (IFWG)'s Project Khokha 2. Consumer education and public awareness were the platforms used by the FSCA in helping consumers access their unclaimed benefits. This was a pillar of this quarter's social media content. Money Smart Week also provided content with various initiatives posted and streamed. There were also strong online reactions to the consultative process for a 'Conduct Standard' on disclosures in stock markets, the closure of the Mirror Trade International (MTI) matter. Some key metrics on the social media pages are:

- The Facebook page gained **522** followers on the platform. It also had over **26 792** post engagements (posts that are seen or engaged with by users). An increase of over 100% from the previous quarter.
- The FSCA Twitter page gained 373 new followers, totalling **5 803,** while having over **122 900** post impressions in the reporting period.
- LinkedIn gained **732** new followers and **142 500** post impressions from the previous quarter.

Risks/Challenges or Gaps Identified	Mitigation Strategies Adopted
The main risk remains in the proactive dissemination of information in a changing environment that includes the Covid-19 pandemic. As such, regular communication is vital in managing this risk to ensure that there is no immature dissemination of communication which may cause confusion in the market.	The FSCA continuously engages with all stakeholders, including the public to ensure that all changes are communicated timeously and accurately. The FSCA's virtual media interviews, media engagements, thought leadership industry workshops, social media engagements and press releases are some of the vehicles through which the FSCA's communications initiatives are employed to manage this risk.

INFORMATION AND COMMUNICATION TECHNOLOGY

- In support of the Regulatory strategy, we adopted the Data Driven Digital (DDD) Strategy with a vision to transform the FSCA into a next generation, insight-driven digital regulator. The FSCA would leverage the value of data it collects and complements it with non-traditional data to effect evidence-driven decision-making.
- We began implementing the first year of our DDD strategic plan in 2019/20 with a focus on establishing the right foundation for a data driven organisation. This resulted in the adoption of an Information Strategy that would inform how information and data will be managed in the FSCA. Further technical strategies were also adopted. The Cyber Security Strategy as well as the Cloud Strategy were defined to direct a path on building a cyber security resilient organisation and a cloud presence that would not compromise our data sovereignty.
- We have made strides in our cyber security resilience initiative by partnering with a 24/7 Cyber Security Operations Centre that would offer intelligent threat management and entrench our cyber security response plans. Other tactical means have been deployed to enhance every level of defence of the security union.
- Through our Digital Transformation Programme; the Business Intelligence and Analytics platform

have been deployed and already assisting business in making sense of the management information and reports that the FSCA has collected to date. Twenty data sets have been created and multiple relational references have been established, giving the FSCA the reporting power that it never had before.

- Through our Enterprise Information Management Programme, we have successfully implemented information governance structures that have been instrumental in the adoption of an Information Management Policy that guides how information is handled, as well as the implementation of the Protection of Personal Information Act (PoPIA) controls to ensure compliance by 1 July 2021.
- Through our Digital Office Programme, we have been able to provide FSCA staff with the ability to work from anywhere, anytime using any device through the deployment of Microsoft Teams collaboration platform; e-signature solution and a Microsoft One Drive to enable large file sharing. It is through this initiative that the organisation was able to remain afloat during the Covid-19 pandemic.

Data and Analytics

Through the Business Digital strategy, the ICT aims to deliver market conduct quality services through deep insights and business decisions that arise from the analysis of consumer/customer data, embedded culture of business insight and analytical decisions supported by Artificial Intelligence, Machine Learning, Natural Language Processing capabilities and tools. Following the ICT strategic planning held earlier in the year to review the Data Driven Digital (DDD) Strategy in line with its year two planned implementation plan, the following key programmes were still confirmed to be relevant for the pursuit of the DDD Strategy, with a slight adjustment to the Digital Transformation Programme to reflect business stream activities:

- Digital Optimisation - to digitise core and support processes of the business through provision of simple, integrated, seamless services supported by strong ICT capabilities to achieve operational efficiency.
- Digital Transformation - to embed a culture of business insight and analytical decisions supported by evidence from advance analysis of consumer and customer data.
- Technology Optimisation - to optimise the IT technical environment to support the digital organisation and its transformation.
- Cyber Security - to ensure a cyber resilient digital platform for the FSCA through a multi-level defense mechanism.
- Digital Office - to take advantage of current and emerging technologies to achieve holistic customer experience of all FSCA stakeholders and ensure consistency.

With input from many across the business and in particular Licensing and Business Centre, ICT supports the operationalisation of the Business Centre through business process redesign and rationalisation of the complaints and queries for a more transparent and efficient complaints and query management, as well as embarking on a Customer Experience Programme, and Market Abuse to realise the objectives of the Data and Analytics vision by tapping into third party data sources for a more holistic approach in managing conduct risks. This is over and above the continued effort to deliver other the DDD Strategy targets.

Digital Optimisation Programme

- As the FSCA continues its programme of replacing its core business applications within the core line of business and support businesses by automating and digitising business processes and electronic capabilities, it continues to closely monitor the performance of the Enterprise Resources Planning (ERP) project, it continues to closely monitor the new Enterprise Resources Planning (ERP) deployment approach (phased) which was approved by the Executive Committee (EXCO). The project has been split into three phases and the detailed planning of the new approach is still in progress.
- The ERP Project Phase I is in the testing phase and the Solution Acceptance milestone is planned for 30 April 2021.

- The Complaints Management System has been operationalised.
- The PA/FSCA information exchange – manual operation established.
- The Integrated Regulatory Systems (IRS) Terms of Reference (TOR) has been updated with internal auditors and received legal review and is ready to be published.

Digital Transformation Programme

- The Self-Service Use Cases for the following business processes have been tested and accepted by the Business Unit: CIS Investment Providers BIA Data Requirement Specification, 13B Administrator BIA Data Requirement Specification, Licensing and Business Centre, Online Complaints, Sectorial Complaints, EB Exam Results, FAIS Extensions and FAIS Contraventions.
- Technical Stream continues to focus on building the Self-Service Use Cases for other Business Units.
- Hub and Spoke Operationalisation: Initial sessions were held with the business divisions. Sessions still need to be held with the Finance and Risk divisions.

Technology Optimisation Programme

Bid evaluations for the acquisition of a software integration platform have been completed. This capability will enable the FSCA to integrate all its diverse IT systems through an organised and formalised platform. The integration platform is part of the recommendation from the optimal target landscape.

Cyber Security Programme

The initiatives listed below are part of the cyber security strategy implementation plan initiatives which focuses on cyber security risk management and resilience planned for implementation in the current financial year. Supply chain process related delays were encountered on the implementation of the cyber security strategic projects.

- Manage Security Operation Centre Services (MSOC) (which includes cyber security incident simulation). The initial plan was to have this service implemented by the end of the current financial year, however, the supply chain process related delays resulted in the need to move the implementation date to Q1 of the FY2021/22.
- Employee Password Self-Service – Similarly, the initial plan was to have this project implemented by the end of the current financial year, however, the supply chain process related delays resulted in the need to move the implementation date to Q1 of the FY2021/22.

Digital Office Programme

Completed Teams Functionality:

- Teams Calls, Chat, Calendar, Teams Creation with Files and Wiki, Planner, Task (from Planner and To Do), recordings onto stream.

TOP RISKS THAT MAY AFFECT ACHIEVING THE DIVISION'S OBJECTIVES

As we continue to identify and manage emerging risks, we review and update the operational risk register on a quarterly basis to always maintain the correct posture of our risk landscape. The following strategic risks are constantly being monitored for tracking and implementation of the necessary controls.

Risks/Challenges or Gaps Identified	Mitigation Strategies Adopted
Cyber Risk - The risk of financial and data loss as a result of unauthorised and illegal access to the FSCA ICT infrastructure. There are planned controls for implementation over the current period into the next financial year, over and above existing controls.	Managed Security Operations Center (CSOC) services – planned for completion by the 31 March 2021. Implement employee password self-service – The project is in the contracting phase with a planned implementation date of 30 September 2021. Identity driven security – planned for completion by 31 March 2022. Data centric security – planned for completion by 31 March 2022. Proactive threat management – a continuous and yearly mitigation control.
ICT projects risk – Potential failure of strategic ICT projects (IRS). There are controls planned for implementation over the current period into the next financial year, over and above existing controls.	Establish proper governance over the project and timely project reporting during the implementation – planned for completion by 31 March 2022. Post-implementation maintenance – planned for completion by 31 March 2022.

KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

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

PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

Strategic outcome	Achievement to date towards 3-year targets
1. Building a new organisation	
This strategic priority will ensure that there is effective and seamless transition of operations from the FSB to the FSCA with minimum disruption to regulatory oversight and service delivery	The new functional activity-based operational structure for the FSCA was implemented on 1 October 2018 and the new divisions assumed their respective responsibilities in the new structure under the leadership of the TMC. All Divisional Executives and Heads of Department (HODs) posts have been filled and good progress has been made towards filling other vacant positions. This is particularly important in relation to new activities being regulated by the FSCA, like in relation to banking. The FSCA will continue to operationalise the new structure over the medium-term, being mindful of potential financial resourcing limitations. Key outstanding vacant positions relate to the Commissioner and Deputy Commissioners, who are all appointed by the Minister of Finance. To be pro-active, outcomes-focused and risk-based, the FSCA is embedding a culture of being pro-active, pre-emptive, intensive and intrusive across the organisation, and is establishing processes to identify and respond to market conduct that poses key risks or threats to consumers' interests, acting upon these in an intensive and intrusive manner. The FSCA has continued with its regulatory and supervisory mandate in ensuring that service delivery and embedding its functional business operational structure remains on track. As part of building the new organisation, the Human Resource (HR) Department focused on talent acquisition, learning and development and organisation development interventions aimed at instilling employee behaviours that support a transformative culture that is proactive, pre-emptive and risk-based. All key and critical roles at HOD and specialist levels were filled. In addition, the revised Talent Management Strategy and framework has been implemented. The talent management framework enables the FSCA to proactively nurture talent to ensure a sustainable supply of talent that will allow the organisation to deliver on its new mandate. A new competency framework that supports the new technical and behavioural competencies required to deliver on the new mandate was developed and implemented. All job profiles were reviewed to align to the new competency profile. Various cultural transformation change initiatives were implemented, including values cascading sessions aimed at embedding the new values of the FSCA. Change management support is provided for all the projects that are aimed at achieving the FSCA strategic objectives. In order to embed the risk-based model of supervision, the FSCA in partnership with the Toronto Centre implemented a risk-based supervision training that was attended by all supervisory divisions. Building banking skills continue to be a focus area and to this effect a banking learnership has been implemented to equip employees with the necessary skills. The first cohort gained experiential learning at the major banks and the programme is in its second year of delivery.
	Behavioural economics training was rolled out to our research departments and refresher courses will be rolled out as and when necessary. An Executive Coaching Programme was introduced at different levels of management. The Senior Leadership Development Programme was introduced to build leadership bench strength. Talent Council and Talent Management forums were established to supplement all other initiatives aimed at building leadership pipelines. Team effectiveness sessions were held to enhance team cohesion, morale and improve effectiveness of teams. To enhance the Employee Value Proposition of the FSCA and to ensure attraction and retention of talent, the HR Department undertook a benchmark of its Reward Framework and following that exercise, a revised Remuneration Charter was approved and communicated to staff.

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

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

Strategic outcome	Achievement to date towards 3-year targets
4. Informed financial customers	
This strategic priority aims to promote financial education to customers of financial services and products by way of focused financial literacy interventions using media, workshops, exhibitions and other resources.	The Covid-19 pandemic and the accompanying lockdown measures in South Africa, necessitated that the FSCA suspend all face-to-face consumer activities for 2020/21. However, the Consumer Education Department (CED) continued their interaction with consumers via digital platforms and radio interviews. A total of 90 online and media activities were implemented reaching about 1 303 consumers through webinars and approximately 8 258 000 listeners via radio interviews. A total of 16 006 consumers visited www.fscamymoney.co.za website, while 1 792 857 consumers engaged with our social media posts across all platforms. The CED also engaged with 16 stakeholders towards achieving our targets. The most significant stakeholder engagement was the FSCA's interaction on the National Consumer Financial Education Committee (NCFEC) and it's Money Smart Week South Africa's (MSWSA) Steering Committee and sub-committees. The committees successfully coordinated the MSWSA event that was held on 22 to 28 March 2021 and was implemented through activities on the digital platform www.mswsa.co.za, social media, as well as various traditional media platforms such as radio, television and print. Funding for Public Relations and Marketing, reverse billing of data, and monitoring and evaluation was provided through the FSCA's Discretionary Fund. The statistics below highlights the event's successes: + 17 500 South Africans logged onto www.mswsa.co.za +83 300 video downloads i.e., video play button pressed an average of 11 900/day ± 63 330 079 persons reached with combined public relations efforts +2 500 000 social media reach ±4 331 000 listenership on community radio The FSCA through the Communication and Language Service department's overall Integrated Communications and Language Strategy deployed various communication channels and platforms to disseminate key messages about the work of the Authority. This included hosting consultative engagements with the media, customers and the financial sector industry; establishing a social media presence; and producing publications such as the FSCA e-Newsletter and Our Voice internal publication. These efforts were intended to keep stakeholders informed, build confidence; strengthen the new organisation and ensure stakeholder buy-in of regulatory reforms. The FSCA has an established presence on social media (Twitter, Facebook, LinkedIn and YouTube), with over 11 000 followers on Facebook, almost 6 000 followers on Twitter, and nearly 26 000 followers on LinkedIn. These numbers continue to grow month on month. The social media pages have become the go-to-resource for FSCA regulatory updates, thought-leadership, industry and FSP warnings, consumer-education campaigns as well as FAIS webinars and general video content.

Strategic outcome	Achievement to date towards 3-year targets
5. Strengthening the efficiency and integrity of our financial markets	
This strategic priority aims to strengthen oversight of financial market efficiency and integrity by the evolving market infrastructure landscape.	As part of South Africa's commitment to adhere to global financial standards and the increasing need for the protection of investors and consumers of financial products, the FSCA continues to focus on key areas such as formulating frameworks for the regulation of benchmarks and securities financing transactions (SFTs) in the South African capital markets. Work surrounding the development of a reporting and disclosure framework for short-sales is continuing and it is envisaged that a final Position Paper on the proposed framework will be published during the second half of 2021. The FSCA is also in the process of finalising a Conduct Standard for Exchanges which is aimed at addressing market fragmentation that emanates as a result of a multiple exchange environment. The FSCA also finalised the licensing framework for local central counterparty (CCP) licence applications. Work pertaining to the licensing of external market infrastructures (including external CCPs) is still underway. The FSCA is also working on a number of policy projects in conjunction with the Prudential Authority, including the development of a regulatory framework for central clearing in South Africa, a Joint Standard dealing with minimum requirements for recovery plans of market infrastructures, a Guidance Notice relating to governance requirements for market infrastructures and implementation of the Joint Standard on margin requirements for non-centrally cleared over-the-counter derivative transactions. Following the publication of the final Financial Markets Review Report on 3 March 2020, the National Treasury published a Discussion Paper: Building competitive financial markets for innovation and growth was published on 19 March 2020. Treasury established a working group consisting of representatives of the FSCA, PA and the SARB to draft the revised financial markets legislation.
6. Understanding new ways of doing business and disruptive technologies	
This strategic priority focuses on the constant evolvement and new technologies within the financial service by creating opportunities to improve efficiencies, reach more customers and drive inclusion.	In light of FSCA's efforts to proactively monitor and regulate fintech activity, the Fintech department was established to focus on five key strategic areas including: Providing regulatory guidance to Fintechs. Testing new Fintech innovations in a Sandbox. Conducting research on latest Fintech developments in order to influence policy change. Providing subject matter expertise within FSCA and to external stakeholders. Engaging with the Fintech ecosystem (incubators, venture capitals, academics, incumbents). To this end, several key milestones were achieved over the past financial year. In March 2020, the Fintech innovation hub was officially launched to the public. Owing to Covid-19, the launch was done digitally, through press releases and live video streams addressing various public questions on the how the hub will work. The launch was met with a positive response and cited as "much needed" and "timely" by the Fintech ecosystem. Since the launch of the innovation hub, it has already engaged over 50 Fintech firms, and is in the process of accepting and reviewing applications from Fintechs to participate in the Regulatory Sandbox, showing signs of healthy demand from the marketplace. In May 2020, the Sandbox was officially launched to the public with 52 applications received to enter into the Sandbox from banks, insurers, and start-ups alike. In July 2020, the FSCA concluded draft research material on Digital Platforms and Non-Traditional Data. The FSCA held workshops with IFWG regulators where regulators had the opportunity to engage with the proposal and make suggestions. In November 2020, the FSCA Fintech department published its Non-Traditional Data reports as part of IFWG's policy accelerator research into emerging trends in Fintech. In December 2020, the FSCA Fintech department published the Open Finance Research report for public comment, with a closing date of 28th February, 2020. In January 2021, the FSCA Fintech department published the Suptech report as part of the IFWG's policy accelerator research into emerging trends in Fintech. In March 2021, the FSCA concluded the very first Sandbox case of the IFWG innovation hub on Lending Crowd-Funding. Key outcomes of the testing were that lending-based crowd-funders will have to be licensed by the NCR, the PA, and the FSCA. A key finding from the recommendation from the Sandbox testing is that amendments will also need to me made to FAIS to cater for crowd-funders going forward. Over the next three years, the FSCA's Fintech department will be focused on guiding even more Fintechs on regulatory matters, conducting Sandbox tests by introducing further cohorts, and carrying out research focused Open Finance, Alternative Finance, Digital Financial Inclusion, Suptech and Digital Banking. The department will also host a number of industry workshops and Hackathons as a means to drive collaboration between regulators and the Fintech ecosystem and to equip regulators with market intelligence and digital capabilities required to effectively and proactively regulate fast changing Fintech innovations.

INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

The table below sets out the outcomes/strategic objectives, performance indicators and planned targets as specified in the FSCA's Annual Performance Plan (APP) for 2020/21, and actual performance for the year. The FSCA comprises seven core divisions that are directly responsible for implementing its legislative mandate, namely, the supervision of market conduct in the financial

The achievements for 2020/21, as reported, should be read in the context of the FSCA establishing itself as a new regulator of market conduct of the financial sector, while managing the smooth transition from the existing business of the FSB to the expanded mandate of the FSCA.

1. PROGRAMME: ADMINISTRATION

Purpose: Provide support to core operating divisions of the FSCA

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target	*Actual Achievement 2020/21	Reason for Variance
A modern or A modern organisation that is financially sustainable and efficient. A modern organisation that is financially sustainable and efficient.	External audit report	Clean audit opinion (AGSA)	Obtained AGSA clean audit opinion	Obtained AGSA clean audit opinion	Obtain AGSA clean audit opinion	**Achieved –** Obtained AGSA clean audit opinion	N/A
	Management Accounts report.	Percentage suppliers' invoices paid within 30 days	Pay 92% of valid suppliers' invoices within 30 days	Pay 100% of valid suppliers' invoices within 30 days	Pay 100% of valid suppliers' invoices within 30 days	**Not achieved –** Paid 91% of valid suppliers' invoices within 30 days	Target not achieved due to delays in the resolution of queries with suppliers.
	Corrective actions (measures to ensure improvement for under achievement)			Management to ensure timeous resolution of queries with suppliers and to follow up unresolved queries with suppliers timeously.			
	Management Accounts report.	Percentage levies invoiced, collected	N/A – new initiative	Collect 98% of levies invoiced	Collected 98% of levies invoiced	**Achieved** - Collected 98% of levies invoiced	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target	*Actual Achievement 2020/21	Reason for Variance
A modern or A modern organisation that is financially sustainable and efficient. A modern organisation that is financially sustainable and efficient.	Quarterly report on EE targets	Percentage achievement of FSCA EE targets	• 50% female 50% males; • 2% employees with disabilities; • 91% employees from black group 9% from white group	• 48% female 52% male • 1% disabilities • 88% employees from the black group and 12% from the white group	• 50% female • 50% male • 2% disabilities 91% employees from black group - 79% African - 7% Coloured - 4% Indian • 9% White	• **Not – Achieved** • 55% female • 45% male • 0.7% disabilities • 88% employees from black group - 78% African, - 6% Coloured, - 4% Indian • 12% White	The FSCA were unable to meet the target due to: - lack of natural attrition and - the FSCA had to trim down some of its vacancies to accommodate the current economic situation that has put pressure on the collection of levies. The commitment to achieve the targets remains.
	Corrective actions (measures to ensure improvement for under achievement)			The FSCA has a 5-year Employment Equity plan in place which can only be achieved progressively over time. As vacancies arise in the future, we will use these to address the gaps.			
	Manage-ment Ac-counts re-port	Percentage penalties invoiced, collected within 30 days	New initiative	New initiative	Collect 100% of collect-able penalties from regulated entities within 30 days from date of invoice	**Not achieved –** Collected 0.4% of collectable penalties from regulated entities within 30 days from date of invoice	The balance out-standing of R29.8 million consists of 3 debtors. The 1st debtor owes R24.6 million and their lawyers have communi-cated their inten-sion to apply to the High Court to have the Tribu-nal's decision reviewed. The 2nd Debtor ow-ing R2.9 million has, through the attorney, com-municated their intension to have the Penalty re-consid-ered. Recovery is still being pur-sued in the 2 cases above.A letter of demand has been sent to the 3rd debtor who owes R2.2 million. The stance has been to hold off on recovery pending the outcome of another debtor's application to the Tribunal. This is however consid-ered collectable as we have not received the offi-cial court appli-cations.
	Corrective actions (measures to ensure improve-ment for under achievement)			Management is still in pursuit of recovery for the amounts outstanding from Debtor 1 and 2 through communication with respective client attorneys. Letters of Demand have been sent to debtors.			

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target	*Actual Achievement 2020/21	Reason for Variance
Improved brand awareness, financial literacy, customer awareness and understanding of their rights and responsibilities when making financial decisions	Communi-cations Strategy	Number of media en-gagements as per the Communi-cation Strategy	• 12 media interviews	• 14 interviews	• 8 media interviews	**Achieved- 8 media interviews**	N/A
			• 4 reports on news relating to the FSCA	• 3 media monitoring reports	• 4 media round table discussions	**Not achieved –** 2 media round table discussions	The division requested to postpone due to reprioritization of activities and thereby host the roundtable into the new financial year. The initial set date for the roundtable was the 29 March 2021
			Corrective actions (measures to ensure improvement for under achievement)	This is going to be done in the new financial year 2021/22.			
			• 1 annual media survey	• 1 annual media survey	• 1 annual media survey	**Achieved -** 1 annual media survey	N/A
			• 4 reports on news relating to the FSCA	• 3 media monitoring reports	• 3 media monitoring reports	**Achieved – 3** media monitoring reports	N/A
			• 2 FSCA bulletins	• 3 FSCA newsletters	• 3 FSCA newsletters	Achieved – 4 FSCA newsletters	The overachievement of the FSCA Newsletter to its annual targets is attributed to continuous monitoring of production, timeous publication and effective administration.
			• 3 FSCA Our Voice	• 4 FSCA Our Voice	• 4 Our Voice”	**Achieved –** published 4 FSCA “Our Voice”	N/A
				• N/A	• 1 FSCA television advert	**Not achieved -** 0 FSCA television advert	N/A
	Corrective actions (measures to ensure improvement for underachievement)			The FSCA television advert will be conducted in the 2021/22 financial year.			

Purpose: Provide support to core operating divisions of the FSCA

2. PROGRAMME: LICENSING AND BUSINESS CENTRE

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

Outcome	Output	Output Indicator	Audited Actual Per-formance 2018/2019	Audited Actual Per-formance 2019/2020	Planned Annual Target	*Actual Achievement 2020/21	Reason for Variance
Effective and effi-cient li-censing process-es that ensures fair treatment of cus-tomers by finan-cial insti-tutions	Report on all licenc-es issued within pre-scribed timeframes.	Percent-age of all licences issued within 90 days.	New initia-tive	New initia-tive	Licence 80% of all received applica-tions with-in 90 days	**Not achieved – Licensed 47% of all received applications within 90 days**	The pro-cessing of licence appli-cations re-ceived during the 2020/21 reporting year was negative-ly impacted by the pro-jects below and to some extent. Que-ries not being addressed on time by the appli-cants. The Licensing De-partment started the project of ad-dressing the backlogs in August 2019. During the first two quar-ters of the current year, the depart-ment focused its efforts in reducing backlogs and attending to old licence applications. At the end of Q4, 85% of licence appli-cations re-ceived up to December 2019 were addressed. The remaining 15% of old licence appli-cations have been pended mainly due to pending inves-tigations, and outstanding information from appli-cants or que-ries not fully addressed.
	Corrective actions (measures to ensure im-provement for under achievement)			Various applicants are being engaged on their respective applications. As we reduce the backlogs the focus is now on the oldest 2020 licence applications. The FSCA has since taken a policy decision on how to deal with the forex related applications and therefore, foresee further reduction in the 2019 applications			

3. PROGRAMME: REGULATORY POLICY

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

Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	*Actual Achievement 2020/21	Reason for Variance
Increased prioritisation by the financial sector on transformation and inclusion	Reports on implementation of findings of FSAP review	Percentage implementation of annually identified targets on findings and recommendations of FSAP applicable to the FSCA.	4 reports on progress of implementation of findings and recommendations of international peer review bodies.	2 reports submitted to Exco on progress of implementation of findings and recommendations of international peer review bodies.	75% implementation of annually identified targets on findings and recommendations of FSAP applicable to the FSCA..	**Achieved -** 100% implementation of annually identified targets on findings and recommendations of FSAP applicable to the FSCA.	Focus was placed on ensuring that we clear all FSAP issues as this is the 5th year that we had to implement all findings affecting South Africa.
	Report on technical training and support in SADC region	Number of familiarisation programmes held	N/A – new initiative	N/A – new initiative	Hold one Familiarisa-tion pro-gramme by 31 March 2021.	**Not – Achieved** 38 workshops conducted	N/A
Improved brand aware-ness, financial literacy, customer aware-ness and under-standing of their rights and responsi-bilities when making financial decisions	Financial literacy and con-sumer education reports	Number of Financial literacy and consumer education initiatives conducted.	• 174 workshops	• 143 workshops	• 55 workshops conducted	**Not achieved** - 38 workshops conducted	The under-achievement was due to the Covid-19 lockdown measures, including social distancing.
			Corrective actions (measures to ensure improvement for under achievement)		A comprehensive Operational Plan, considering lessons learned in 2020/2021, has been developed to meet the target for the new financial year.		
			N/A	N/A	• 15 media activities	**Achieved -** 41 media activities	Additional media activities took place due to ad-hoc interviews for information on managing money during the COVID-19 lockdown live Q & A sessions with different participants during Money Smart Week

Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	*Actual Achievement 2020/21	Reason for Variance
Improved brand aware-ness, financial literacy, customer aware-ness and under-standing of their rights and responsi-bilities when making financial decisions	Financial literacy and con-sumer education reports	Number of Financial literacy and consumer education initiatives conducted.	• 28 exhibitions	• 19 exhibitions	• 16 exhibitions	**Not achieved -** 0 exhibitions	No exhibitions were scheduled due to the Covid-19 lockdown measures, including social distancing.
			Corrective actions (measures to ensure improvement for underachievement)		Alternative solutions are being considered for ways to do exhibitions under the current Covid-19 regulations.		
				• 1 Money Smart Week	• 1 Money Smart Week FSCA activity implemented	**Achieved -** 1 Money Smart Week FSCA activity implemented	N/A
				• 59 interprovincial speech contest events	• 83 Speech Competition activities	**Not achieved – 1** Speech Competition activity	Events were cancelled because of Covid-19 lockdown measures, including social distancing.
			Corrective actions (measures to ensure improvement for underachievement)		Virtual planning activities took place in Q4 to address the 2021 variance. The Speech Competition will be held during the 2021/22 financial year, provided that the Covid-19 regulations have been relaxed.		
				• 5 CE resources developed	• 18 resources developed	**Achieved -** 18 resources developed	N/A
				• 11 research and M&E reports compiled	• Compile 7 research and M&E reports/ case studies	**Not achieved -** 5 research and M&E reports/case studies compiled	Data collection for the M&E report data analysis was delayed.
			Corrective actions (measures to ensure improvement for underachievement)		Data for the outstanding M&E reports was collected in Q4. It is being analysed for submission during 2021/22 financial year.		
				• 4 reports on online activities compiled	• 4 reports on online activities compiled	**Achieved -** 4 reports on online activities compiled	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	*Actual Achievement 2020/21	Reason for Variance
A regula-tory envi-ronment that bet-ter ena-bles inno-vation in the inter-est of financial custom-ers.	Report on responses on Fintech queries	Percentage response Rate to Fintech Queries submitted to RGU within (MoUs/ ToRs)	N/A – new initiative	N/A – new initiative	Respond to 90% of que-ries re-ceived by the FSCA within 28 days of receipt	**Achieved –**	The target was exceeded due to greater efficiencies in the end-to-end RGU query management process from on-boarding queries, allocating queries to a case manager, to further allocating SME responders from individual regulators to assist in addressing queries, and sourcing further information from Fintechs, and closing requests by ensuring Fintechs are informed of the outcomes.
	Report on Fintech Regula-tion Sandbox Cohorts (RSB)	Percentage of RSB Sandbox Cohorts test cases completed	N/A – new initiative	N/A – new initiative	Resolution of 90% of RSB test cases with-in six months after defin-ing parame-ters	**Not Achieved –** 0% RSB test cases have been closed, ow-ing to Sandbox kicking off later than anticipated (Jan 2021)	Multilateral engage-ments around set-ting up and approving Sandbox cases to begin testing took longer than antici-pated, stemming from Sand-box process being new for regula-tors and the technical complexities surrounding cases that needed to be consid-ered for en-try into the Sandbox.
	Corrective actions (measures to en-sure improvement for under achievement)			More time needs to be allocated for setting up and ob-taining multilateral approvals around Sandbox test cases, before testing can begin, as this stage took longer than anticipated. In future cohorts, this will be implemented.			
	Report on Innovation Accelerator (IA)	Percentage implementation of the projects in the IA annual plan	N/A – new initiative	N/A – new initiative	90% achievement of the annual targets of the IA annual plan by 31 March 2021	**Achieved -** 100% achievement of the annual targets of the IA annual plan by 31 March 2021	The target was exceeded due to greater efficiencies stemming from the project management of initiatives from the setup to the research, and its stakeholder engagement and then publication.

4. PROGRAMME: CONDUCT OF BUSINESS SUPERVISION

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

Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	*Actual Achievement 2020/21	Reason for Variance
A modern organisation that Improved brand awareness, financial literacy, customer awareness and understanding of their rights and responsibilities when making financial decisions	Reports on training and support programme for communities utilising banking services	Number of Awareness Programmes held with communities utilising banking services	N/A – new initiative	N/A – new initiative	Hold 5 Awareness Programmes to educate communities utilising banking services	**Not achieved –** 0 Awareness Programmes held to educate communities utilising banking services	Awareness Programmes could not be held due to the Covid-19 pandemic and the lockdown regulations. These workshops can only be held face-to-face due to the identified population who are not digitally savvy.
	Corrective actions (measures to en-sure improvement for under achievement)			The awareness programs have been deferred to the 2021/2022 Financial Year, while monitoring and observing the COVID - 19 regulations and requirements.			
	Number of workshops conducted to provide up-skill training for small financial service providers	Number of workshops conducted to provide up-skill training for small financial service providers	Conducted 14 workshops to provide up-skill training for small financial services providers	Conducted 20 workshops to provide up-skill training for small financial services providers	Conduct 8 workshops to provide up-skill training for small financial services providers	**Achieved –** 17 workshops conducted to provide up-skill training for small financial services providers	We identified the topics we would have discussed at the workshops and recorded them as virtual workshops (Webinars) to ensure that we adhere to COVID - 19 protocols. As a result we were able to plan for more workshops since they were Virtual.
	Reports on empowerment workshops held with small business enterprises (SMMEs)	Number of empowerment workshops with SMMEs	New initiative	New initiative	Conduct 8 workshops	**Achieved –** 44 workshops	The lockdown affected the ability of the team to schedule physical workshops in Q1 and Q2. However, the workshops were shifted on to online platforms and held in Q3 and Q4. Due to the cost-saving of hosting workshops online, more workshops could be hosted (no travel and venue hire costs).

Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	*Actual Achievement 2020/21	Reason for Variance
Improved market conduct through risk-based and pro-active su-pervision of financial institutions	Report on the survey conducted	Number of surveys conducted on regulated entities.	New initiative	New initiative	Conduct one consumer survey	**Not achieved -** 0 consumer survey conducted	The survey could not be conducted due to the COVID – 19 pandemic restrictions and regulations. The survey needs to be done with customers face to face in different provinces.
	Corrective actions (measures to ensure improvement for under achievement)			The survey deferred to the 2021/2022 Financial Year. Highly depended on the COVID - 19 regulations and travel restrictions as the survey is planned to be done throughout the 9 provinces.			
	Reports on on-site inspections conducted on regulated entities	Number of on-site inspections conducted on regulated entities	New initiative	Perform 80% off-site analysis on compliance reports received from registered Financial service providers (FSP)	240 onsite inspections	**Not achieved –** 134 onsite inspections	Onsite inspection could not be done due to COVID - 19 pandemic and lockdown regulations imposed.
	Corrective actions (measures to ensure improvement for under achievement)			As remedial action the FSCA is exploring the use of conducting inspections remotely using technology such as Skype and MS Teams.			
	Report on analysis of compliance returns	Percentage of compliance reports analysed for FSPs	New initiative	New initiative	Perform 80% off-site analysis on compliance reports received from registered Financial service providers (FSP)	**Not achieved** 0% Compliance reports analysed for registered Financial service providers (FSP)	As a result of engagement with industry, no compliance reports have been prescribed for the current year as we have decided to move away from doing silo-based reports and rather focus on Omni conduct of business returns as introduced by the FSR act. Alternatively, we have analysed financial statements for the FSPs

Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	*Actual Achievement 2020/21	Reason for Variance
Improved market conduct through risk-based and pro-active su-pervision of financial institutions	**Corrective actions (measures to ensure improvement for under achievement)**			We are in the process of developing an Omni Conduct of business return, this will replace all sector specific return including compliance reports. This report is planned to be launched to industry in the 2022 financial.			
	Report on offsite analysis performed	Percentage of insurer conduct of business returns analysed	New initiative	New initiative	Perform 80% off-site analysis on conduct of business returns submitted by insurers	**Not achieved –** Performed 35% of off-site analysis on conduct of business returns submitted by insurers	Target was not achieved due to challenges on returns being analysed manually. We had anticipated that we would have an analytical tool in the current year, as a result, we planned for more than we were able to do.
	Corrective actions (measures to ensure improvement for underachievement)			The FSCA will investigate other avenues for manual off-site analysis on conduct of business returns.			
	Reports on desktop reviews conducted	Percentage of desktop reviews conducted for investment providers	New initiative	New initiative	Conduct desktop reviews on financial statements of 80% of investment providers	**Achieved –** Conducted 90% desktop reviews on financial statements of 80% of investment providers	We had an early start to the reviews as a result of having to work remotely, as a result, we took the opportunity to do more desktop reviews

5. PROGRAMME: MARKET INTEGRITY SUPERVISION

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

Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	*Actual Achievement 2020/21	Reason for Variance
Improved regulation and supervision processes to strengthen the efficiency and integrity of our financial markets A modern organisation that is financially sustainable and efficient.	Feedback letters on on-site visits conducted to credit rating agencies	Number of on-site visits per credit rating agency per annum conducted	New initiative	New initiative	Conduct 1 on-site visit per credit rating agency per annum	**Achieved** - Conducted 1 on-site visit per credit rating agency (3) per annum	N/A
	Feedback letters/ reports on on-site visits conducted to market infrastructures and self-regulating organisations (SROs)	Number of on-site visits conducted for market infrastructures and SROs	New initiative	New initiative	Conduct 8 on-site visits for market infrastructures and SROs	**Not achieved –** Conducted 0 on-site visits for market infrastructures and SROs	Target was not achieved due to Covid-19 lockdown measures.
	Corrective actions (measures to ensure improvement for underachievement)			The On-site Review Programmes have been amended to facilitate a remote process. The remote process continued in Q4 and will be explored further in the new financial year.			
	Feedback letters/ reports on desktop reviews for market infrastructures and self-regulating organisations (SROs)	Number of desktop reviews conducted for market infrastructures and SROs	New initiative	New initiative	Conduct 7 desktop reviews for market infrastructures and SROs	**Achieved** - Conducted 19 desktop reviews for market infrastructures and SROs	We had an early start to the reviews as a result of working remotely, and used the opportunity to do more desktop reviews.

6. PROGRAMME: RETIREMENT FUNDS

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

Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	*Actual Achievement 2020/21	Reason for Variance
Enhanced supervision to promote sound management of retirement funds thereby protecting and safeguarding retirement benefits and rights of beneficiaries A modern organisation that is financially sustainable and efficient.	Reports on on-site inspection findings	Percentage of on-site inspections conducted relating to retirement funds	New initiative	New initiative	80% of on-site inspections conducted	**Not achieved – **0% of on-site inspections conducted	Target was not achieved due to the Covid-19 lockdown measures.
	Corrective actions (measures to ensure improvement for underachievement)			The On-site Review Programmes have been amended to facilitate a remote process. The remote process will be explored further in the new financial year.			
	Report on percentage of off-site returns analysed	Percentage of returns received from registered funds analysed (off-site reviews)	New initiative	New initiative	80% of returns received from registered funds analysed (off-site reviews)	**Not achieved –** 78.33% of returns received from registered funds analysed (off-site reviews)	A high influx of financials received due to the general extension granted as a result of Covid-19. More cases were analysed than reported, however, not within the service level commitment (SLC) turnaround times.
	Corrective actions (measures to ensure improvement for underachievement)			Weekly/monthly reporting is done to monitor adherence to the SLC and to improve turnaround times.			
	Reports on compliances with service level commitments	Percentage adherence to retirement funds SLC	New initiative	New initiative	80% adherence to retirement funds SLC	**Not achieved** – 61.27 % adherence to SLC	The was a higher influx of extensions and liquidations. More cases were dealt with although not within the SLC turnaround times.
	Corrective actions (measures to ensure improvement for underachievement)			The division cleared backlogs created due to Covid-19. However, not within the SLC turnaround times. Weekly/monthly reporting is done to monitor adherence to the SLC and to improve turnaround times.			

7. PROGRAMME: ENFORCEMENT

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

Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	*Actual Achievement 2020/21	Reason for Variance
Effective, impartial investigation and enforcement processes to maintain transparency and integrity of our financial sector. A modern organisation that is financially sustainable and efficient.	Report on cases completed within the required timeframes	Percentage of cases completed within the timeframes as per the case selection framework	New initiative	New initiative	80% of cases completed within the timeframes as per the case selection framework	**Achieved** - 87% cases completed within the timeframes as per the case selection framework	This was overachieved as a result of a learning curve that materialised in the current year.
	Report on administrative sanctions executed	Percentage of administrative sanctions executed	New initiative	New initiative	100% of administrative sanctions executed	**Achieved** - 100% of administrative sanctions executed	N/A
	Report on the percentage of warrants from a judge or magistrate executed	Percentage of warrants obtained from a magistrate or a judge executed within 10 days	New initiative	New initiative	100% of warrants obtained from a judge or magistrate executed within 10 days	**Achieved** - 100% of warrants were obtained during the review period	N/A
	Report on the assistance provided to law enforcement agencies	Percentage of requests from law enforcement agencies where assistance was provided			Provide assistance to 100% of requests received from law enforcement agencies	**Achieved –** Provided assistance to 100% of requests received from law enforcement agencies	N/A

The World Health Organisation (WHO) declared corona virus a pandemic on 11 March 2020. Subsequently, the President declared a National State of Disaster on 15 March 2020 (Sunday). In responding to the covid-19 pandemic, the leadership of the FSCA ensured that they have adequate understanding of the organisation, its geographic footprint, key suppliers, personnel, available resources and an understanding of the industry within which the organisation operates in. With this understanding, the FSCA premised its response on the following factors i.e., safety of employees, business continuity and resilience, core business operations, support functions and cyber security.

The pandemic working group was convened to address tactical issues and assess the potential impact on business operations, people, supply chain, finance, external stakeholders and our current capabilities. The tactical strategies were developed and further escalated to the Crisis Management Team. The role of the Crisis Management Team is to provide strategic direction and decision-making, overseeing the management and coordination of the recovery of the FSCA's business activities, from the initial response to the point at which operations are recovered to an acceptable level in order to minimise the impact of a disruption on the organisation. The initial response provides direction for dealing with both operational and non-operational disruption, as well as external issues.

The FSCA complied with the Disaster Recovery Act and all guidelines and regulations issued by the Minister of . The number of infections and presidential and ministerial announcements are monitored on a daily basis to assist in the activation of the pandemic response strategies.

The Executive Committee invoked the Business Continuity Plan on 19 March 2021.The pandemic triggered certain costs which will ensure minimal business disruptions. A budget of about R3 million was approved by EXCO to enable the following:

- Upgrade current bandwidth from 20MB to 100MB
- VPN licenses
- Data (for essential services team)
- Diverting staff landline calls to cell phones
- The services were procured on an emergency basis in accordance with the PFMA.

SUMMARY OF STRATEGIC INTERVENTIONS

- A Pandemic Management Plan was adopted. The focus of this plan is to provide guiding principles on how the divisions within the FSCA should respond to the pandemic.
- Essential services and essential services staff members have been identified for the purpose of prioritisation in terms of ICT support and any other employee related support that may be required.
- Critical services and critical services staff members have been identified for the purpose of prioritisation in terms of ICT support and any other employee related support that may be required. The primary impact for moving from essential services to critical is that the number of services and staff that are in operations is reduced. To this effect, the FSCA identified 271 essential services staff and 105 critical services staff. The capacity was increased due to the agile business continuity strategies through the different stages of the lockdown.
- The ICT Response Plan was adopted. The plan pre-empted four possible corona virus impact scenarios for preparatory purpose. Each scenario had pre-defined triggers with different impact severities to the FSCA's business continuity. Each scenario triggered an adoption of a level of ICT service as defined. Cyber security considerations are also addressed in the plan.

HEALTH AND SAFETY

- The FSCA continues to respond to the outbreak of the Covid-19 pandemic with the Facilities Business Unit providing support throughout. We focused on the health and wellbeing of our employees and consistently monitored the situation and responded through prevention, mitigation and management of any Covid-19 incidents.
- We continue to implement practical preventative measures by following applicable government regulations, including the installation of hand sanitisers in key areas, periodic deep cleaning of the buildings, temperature scanning of employees

and visitors, protection screens and maintaining social distancing. Hygiene and possible exposure guidelines are regularly reinforced with our employees through ongoing awareness.

- The Covid-19 Response Plan is reviewed as required.

INDUSTRY RELATED RESPONSE

- In line with Crisis Communication Strategies, a press release was issued to external stakeholder to guide the industry and demonstrate FSCA's commitment to providing critical services. Communication is adopted as an ongoing instrument that will be used at the point of necessity.
- The approach that the Business Continuity Team (BCM) has taken is to collaborate with ICT, HR, OHS, ERM, Compliance and M&E to monitor the emerging threats that can have an impact on business continuity support. The Crisis Management Team (CMT) and Task Team will escalate and report on the BCM approach.
- In conclusion, the Crisis Management and Business Continuity Teams are observing all the emerging risks to navigate and adapt to the challenges emanating from the Covid-19 crisis. This has increased organisational resilience. The strategies implemented have been effective and have reduced the impact of the pandemic on the organisation. The FSCA continues to provide support and guidance to the industry and financial consumers so that the integrity of the financial industry remains intact amid the most challenging crisis. The FSCA is committed to protecting and safeguarding its personnel, organisational assets, information, reputation and client value.


FSCA

PART C
GOVERNANCE

Transitional Management Committee (TMC)

Unathi Kamlana
Commissioner

Astrid Ludin
Deputy Commissioner

Katherine Gibson
TMC member

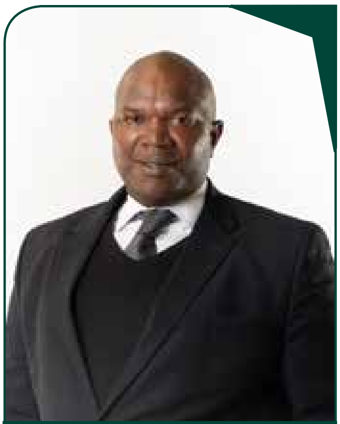
Olano Makhubela
DE: Retirement Funds Supervision

Paul Kekana
Chief Financial Officer

Operational Executive Committee (OPS EXCO)

Ms A Ludin
Deputy Commissioner (Chairperson)

Kedibone Dikokwe
DE: Conduct of Business Supervision



Jabulane Hlalethoa
DE: Corporate Services

Paul Kekana
Chief Financial Officer

Felicity Mabaso
DE: Licensing and Business Centre

Olano Makhubela
DE: Retirement Funds

Phokeng Mogase
Chief Information Officer

Brandon Topham
DE: Enforcement

THE ACCOUNTING AUTHORITY/BOARD GOVERNANCE COMMITTEES

The Financial Sector Conduct Authority (FSCA) is committed to best governance practices which comply with international standards. The Financial Sector Regulation (FSR) Act, 2017 (Act No.9 of 2017) provides for the governance structure and sets the governance objective for the FSCA as follows: "The Financial Sector Conduct Authority must manage its affairs in an efficient and effective way and establish and implement appropriate and effective governance systems and processes, having regard, amongst other things, to internationally accepted standards in these matters."

The FSR Act establishes the Executive Committee (EXCO) of the FSCA, consisting of its Commissioner and Deputy Commissioners, all of whom are appointed by the Minister of Finance. The EXCO is the decision-making body of the FSCA. However, at the date of this report, neither a Commissioner nor Deputy Commissioners had been appointed and the role of the EXCO was assumed by the FSCA Transitional Management Committee (TMC) comprising of the acting Commissioner, former executive management of the Financial Services Board and an independent member appointed by the Minister of Finance. The TMC was established in terms of the Transitional Regulations of the Financial Sector Regulation Act. The TMC provided the governance oversight during the year under review. Its meetings were held twice a month, one meeting considered policy matters and the other, licensing matters.

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

The Director-General appoints the members of both these committees who are external and independent of the FSCA. Both committees held scheduled quarterly meetings throughout the year. The TMC also appointed the Human Resources Sub-committee to ensure the institution's human resources strategy, policies social & ethics matters are implemented. Members are external and independent of the FSCA.

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

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

All governance committee members have access to the advice and services of the Chief Risk Officer, who is responsible for providing adequate support to the governance committees to ensure that they discharge their fiduciary duties effectively and efficiently. The Office of the Chief Risk Officer (Governance, Risk and Assurance Department) provides guidance to governance committee members on their fiduciary responsibilities within the enabling legislative framework.

AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2021.

The Audit Committee is established as a statutory committee in terms of section 51(1)(a)(ii) of the

PFMA and Treasury Regulations 3.1.13 and 27(1). The Transitional Management Committee (TMC) appointed the members of the Audit Committee. The committee has formally adopted formal terms of reference and has fulfilled its responsibilities for the year, in compliance with the said terms of reference.

MEMBERSHIP AND ATTENDANCE

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

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

Member	Qualifications	Appointment date	26/06/20	03/09/20	19/11/20	23/03/21
Ms J Mogadime – **Chairperson**	BA; MBA; Dip Marketing (Cim)	1 April 2018	✓	✓	✓	✓
Ms D Msomi	BA (Hons); PMD, MBA; Postgraduate (Corporate Governance); Postgraduate (Advertising and Marketing)	1 April 2018	✓	X	X	X
Professor P Sutherland	BCom LLB (Cum Laude), PhD	1 April 2018	✓	X	X	X
Ms H Wilton	BCom; MBA	1 April 2018	✓	X	X	X
Mr H Ratshefola	BCom (Information Systems); IBM Executive Leadership	1 April 2018	✓	✓	✓	✓
Mr S Gounden – **Chairperson** from 01/09/20	B Compt; Higher Diploma in Accounting; CA; Executive Leadership Development Institute	1 August 2020	N/A	✓	✓	✓
Dr P Mokgobu	PhD; MBA; M Admin; B Admin; B Admin (Honours); Diploma in Labour	1 August 2020	N/A	✓	✓	✓
Ms P Mvulane	B Com (Honours); CA; Diploma in Auditing	1 November 2020	N/A	N/A	✓	✓

✓: Attendance X: Term ended N/A: Not applicable

AUDIT COMMITTEE RESPONSIBILITIES

The committee is satisfied that it has discharged its responsibilities as set out in its terms of reference, including the following:

- The safeguarding of assets, the operations of adequate systems of internal control and risk management, reporting processes and the preparation and accurate reporting of financial statements in compliance with the applicable legal requirements and accounting standards.
- Overseeing the audit activities and ensuring coordination between the internal and external auditors.

- Overseeing financial risks and monitoring controls designed to minimise these risks.
- Reviewing the entity's annual report, including the annual financial statements and the annual performance information.
- Annual review of the committee's work in line with the terms of reference and its effectiveness and making recommendations to the Accounting Authority to ensure the committee's continuing effectiveness.

RISK MANAGEMENT

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

THE EFFECTIVENESS OF INTERNAL CONTROLS

The Audit Committee has reviewed the following:

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

REGULATORY COMPLIANCE

The committee has done the following:

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

EVALUATION OF FINANCIAL STATEMENTS AND ANNUAL REPORT

The committee evaluated the annual financial statements and annual performance report for the year ended 31 March 2021. It also reviewed:

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

The committee has discussed and agreed on the conclusions of the external auditors on the annual financial statements, read together with the report of the external auditors. At its meeting held on 28 May 2021, the committee recommended the financial statements to the TMC for approval.

INDUCTION OF GOVERNANCE COMMITTEE MEMBERS

A comprehensive Induction Programme was conducted on 21 August 2020 to ensure that new Governance Committee members are adequately briefed and have the required knowledge of the structure of the FSCA, operations, policies and industry-related issues to enable them to fulfil their fiduciary duties and responsibilities. The Office of the Chief Risk Officer administered the Induction Programme. Further to the above, these new members were provided with details of all applicable legislation, minutes of the committees and relevant sub-committee meetings for the previous 12 months, the most recent management accounts and relevant sub-committee terms of reference.

ATTENDANCE OF THE GOVERNANCE COMMITTEE MEETINGS

RISK COMMITTEE

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

The FSCA Risk Committee responsibilities are to:

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

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

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

Member	Qualifications	Appointment date	26/06/20	03/09/20	19/11/20	23/03/21
Mr H Ratshefola - **Chairperson** (1/08/20)	BCom (Information Systems); IBM Executive Leadership	1 April 2018	✓	✓	✓	✓
Ms H Wilton	BCom; MBA	1 April 2018	✓	X	X	X
Ms J Mogadime	BA; MBA; Dip Marketing (Cim)	1 April 2018	✓	X	X	X
Adv S Malatji	B.A, LLB, Advanced Diploma in Banking, Financial Management and Investments, Post Diploma in Drafting & Interpretation	1 August 2020	N/A	✓	✓	✓
Mr P Koch	MSc (Industrial Relations & HR Management), BA (Philosophy, Politics & Economics), PGDip (Accounting), BCom Honours BBusSci Honours, CA	1 August 2020	N/A	✓	✓	✓
Professor T Ajam	PhD (Public Management), M.A, B.A. (Hons) Economics, M. Bus & B. Bus. Sc	1 August 2020	N/A	✓	✓	✓
Mr S Gounden	B Compt; Higher Diploma in Accounting; CA; Executive Leadership Development Institute - Harvard Business School	1 August 2020	N/A	✓	✓	✓

✓: Attendance X: Term ended N/A: Not applicable

HUMAN RESOURCES COMMITTEE

The function of this committee is to ensure the institution's human resources strategy and policies are implemented. The committee met four times in the period, with attendance shown below.

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

Member	Qualifications	Appointment date	15/06/20	16/09/20	24/11/20	16/03/21
Ms D Msomi – **Chairperson**	BA (Hons); PMD, MBA; Postgraduate (Corporate Governance); Postgraduate (Advertising and Marketing)	1 April 2018	✓	✓	✓	✓
Ms J Mogadime	BA; MBA; Dip Marketing (Cim)	1 August 2020	N/A	✓	✓	✓
Dr L Matlhape	PHD, Master of Management, MA-Arts, HR and Labour Relations, Advance Diploma program, BA (Honours), BA	1 August 2020	N/A	✓	✓	N/A (Deceased)
Prof P Sutherland	BCom LLB (Cum Laude), PhD	1 April 2018	✓	✓	✓	✓
Ms H Wilton	BCom; MBA	1 April 2018	✓	X	X	X
Mr H Ratshefola	BCom (Information Systems); IBM Executive Leadership	1 April 2018	✓	✓	A	✓

✓: Attendance **A: Apologies** **X: Term ended** **N/A: Not applicable**

REMUNERATION COMMITTEE

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

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

Member	Qualifications	Appointment date	15/06/20	16/09/20	24/11/20	16/03/21	23/03/21
H Wilton - **Chairperson**	BCom; MBA	1 April 2018	✓	X	X	X	X
D Msomi	BA (Hons); PMD, MBA; Postgraduate (Corporate Governance); Postgraduate (Advertising and Marketing)	1 April 2018	✓	✓	✓	✓	✓
P Sutherland - **Chairperson** from 01/09/2020	BCom LLB (Cum Laude), PhD	1 April 2018	✓	✓	✓	✓	✓
Ms L Molebatsi	BA(Psychology), Senior Executive Program, PG Diploma: Rural Development & Management and Senior Management Development Program	1 August 2020	N/A	✓	✓	✓	✓

Member	Qualifications	Appoint-ment date	15/06/20	16/09/20	24/11/20	16/03/21	23/03/21
Ms T Randall	BCompt (Accounting & Auditing), Secretarial Diploma	1 August 2020	N/A	✓	✓	✓	✓
Ms V Balgobind	Bachelor of Administration, B. Administration (Honours) (Industrial Psychology), Masters (Industrial Psychology), Masters in Business Leadership	1 August 2020	N/A	✓	✓	✓	✓

✓: Attendance **X: Term ended** **N/A: Not applicable**

REMUNERATION COMMITTEE

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

REMUNERATION PHILOSOPHY, STRATEGY AND POLICY

The remuneration mix applied by the FSCA consists of guaranteed packages and variable pay. Due to the nature of its business and operating model, the FSCA does not have a long-term incentive plan in place. The FSCA adapts its rewards strategies on a continuous basis through benchmarking against industry practices to ensure relevance, competitiveness as it drives employee retention and drives new employee behaviour as outlined in its regulatory strategy. Accordingly, 86.38% of employees were awarded short-term incentives in 2020 based on performance. Funding for the incentive scheme is based on a budgeted percentage of the annual Cost to Employer payroll. Short-term incentives of the general staff are subject to EXCO approval each year, based on the economic circumstances and the performance of the organisation.

Performance targets are set annually and approved by Ops EXCO. Executive members' individual performance targets are linked to organisational targets and cascaded to individual performance goals. The executive incentive scheme is separate to the staff incentive scheme and the total payout is linked to the individual performance score.

ROLE OF THE REMUNERATION COMMITTEE

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

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

Quarter 1	Discretionary Incentives (Approval) Non-cash Incentives Report Performance Report-Mid-Year Review of Remuneration Report Transition to the Twin Peaks model of Regulation
Quarter 2	Discretionary Incentives (Approval) Salary Increases-Market Trends survey Terms of Reference (Approval) Transition to the Twin Peaks model of Regulation
Quarter 3	Discretionary Incentives (Approval) Transition to the Twin Peaks model of Regulation Performance Report – Year-end Performance Bonuses (Approval) Salaries Increases (Approval)
Quarter 4	Budget Provisions (Salaries, Bonus, Incentives) Committee Evaluations Discretionary Incentives (Approval) Remuneration Statement for the annual report Transition to the Twin Peaks model of Regulation

KEY REMUNERATION DECISIONS IN 2020

The FSCA has ensured that there are no employees remunerated below the -25% of the market median. Salary adjustments are granted to deserving and performing staff members twice a year (July and December), to those who earn below -25% of the market median to bring their salary closer to the median. The table below summarises adjustments made during 2020.

GENERAL STAFF

Table 1 – Summary of December 2020 Promotions

No. of Staff	% Adjustment	Motivation
37	Between 14% and 19%	To align with the Reward Strategy and as part of the retention process.

As at 31 March 2021 (after progressions and annual increases), the FSCA had 442 (78.23%) employees remunerated within range, and 125 (21.06%) employees were remunerated above +25% of the market median of market median. Those who are paid below the market median had to do with their tenure within the organisation relative to their progression.

ACTUARIAL STAFF

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

Table 2 – Summary of Actuarial Salary Changes

Date	Structural Adjustments	Bonuses
Jan/Feb 2021	R56 934	R12 000
Total	R56 934	R12 000

SUMMARY OF EXECUTIVE REMUNERATION

The Remuneration Committee considered the proposal by the Transitional Management Committee (TMC) to award the executives with short-term incentives. Based on the economic circumstances at that time and the country being under the Covid-19 hardships, the committee resolved that the TMC could pay short-term incentives to ensure retention of executives, considering the delays in the appointment of the Commissioners and Deputy Commissioners.

Table 3 – Summary of EXCO Remuneration Mix

Name	GP	STI	Total
	R'000	R'000	R'000
Tshidi, DP	R3 792	R293	R4 085
Boyd, JA	R3 963	R298	R4 261
Du Toit, MM*	R2 897	R260	R3 157
Da Silva, CD*	R2 253	-	R2 253
Makhubela, OB*	R3 520	-	R3 520
Kekana, LP	R3 698	R260	R3 958
Mogase P	R2 808	R104	R2 912
Topham, B	R3 882	R234	R4 116
Hlalethoa, JJR	R3 894	R260	R4 154
Mabaso, F	R3 125	R182	R3 307
Dikokwe, K	R2 746	R221	R2 967

Du Toit, MM – retired 31 December 2020 Da Silva, CD – retired 31 October 2020

*Mr. Makhubela, as Commissioner (in December 2020) donated his allocation of the STI to the Consumer Education Foundation.

RISK MANAGEMENT

The FSCA has a Risk Management Committee assisting the institution in ensuring that it implements effective policies and plans for risk management that will enhance its ability to achieve strategic objectives. The committee is appointed by the Director-General of the National Treasury. It advises the institution on the adequacy of risk management processes and strategies.

The FSCA Risk Committee responsibilities are to

- Review risk management policies, framework, strategy and practices in the FSCA.

The FSCA has the following approved Risk Management policies and strategy:

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

The FSCA's strategic risks are monitored and movement in the risk ratings are reported to EXCO and the Risk Committee on a quarterly basis, all risks that are currently above the desired risk score have planned/ future controls designed to further mitigate the risks to an acceptable level.

We have implemented a Risk Champion model and will continue with it for the foreseeable future, as we perceive it to be the best for our organisational structure. We have implemented a decentralised risk model to give greater effect to risk accountability. The ERM framework is independently overseen by the EXCO and senior management, with risks reported through various governance committees. Executive management control is maintained through management committees, which focus on specific risk types. Policies and procedures support the overall framework, with clear reporting lines and allocated hierarchical responsibilities. Our appointed risk champions in each business unit play an important role as the point of contact between the business unit and risk management division. We continue embedding and maturing the ERM framework through various interventions, including ongoing training and awareness.

INTERNAL AUDIT AND AUDIT COMMITTEES

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

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

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

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

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

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

- Summary of audit work done

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

  - Supply Chain Management
  - Internal Financial Controls Review
  - Performance Information Audit
  - Compliance Management Review
  - Audit of Predetermined Objectives
  - Business Application Processes
  - Payroll and Computer Assisted Audit Techniques (CAATS) Review on Payroll
  - Integrated Regulatory System Proactive Probity Audit
  - Internal Control Audit Opinion
  - Follow-up on External and Internal Audit Reports (including IT and AG findings).

A few control weaknesses were noted generally, and the controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.

AUDIT COMMITTEE RESPONSIBILITY

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

- The safeguarding of assets, the operations of adequate systems of internal control and risk management, reporting processes and the preparation and accurate reporting of financial statements in compliance with the applicable legal requirements and accounting standards.
- Overseeing the activities of and ensuring coordination between the internal and external auditors.
- Overseeing financial risks and monitoring controls designed to minimise these risks.
- Reviewing the entity's annual report, including the annual financial statements and the annual performance information.
- Annual review of the committee's work in line with the charter and its effectiveness and making recommendations to the Accounting Authority to ensure the committee's continued effectiveness.
- Meeting separately with internal and external auditors outside of management.

The committee has done the following in relation to internal audit:

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

MEMBERSHIP AND ATTENDANCE

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

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

Name	Qualifications	Internal or external	Date resigned	Term ended	No. of Meetings attended
Ms J Mogadime **Chairperson** (re-appointed as member)	BA; MBA; Dip Marketing (Cim)	External	1 April 2018	N/A	Four
Ms D Msomi	BA (Hons); PMD; MBA; Postgraduate (Corporate Governance); Postgraduate (Advertising and Marketing)	External	1 April 2018	30 July 2020	One
Prof PJ Sutherland	BCom LLB (Cum Laude); PhD	External	1 April 2018	30 July 2020	One
Ms H Wilton	BCom; MBA	External	1 April 2018	30 July 2020	One
Mr H Ratshefola (re- appointed)	BCom (Information Systems); IBM Executive Leadership	External	18 September 2018	N/A	Four
Mr S Gounden – **Chairperson** from 01/09/20	B Compt; Higher Diploma in Accounting; CA; Executive Leadership Development Institute - Harvard Business School	External	1 August 2020	N/A	Three
Dr P Mokgobu	PhD; MBA; M Admin; B Admin; B Admin (Honours); Diploma in Labour	External	1 August 2020	N/A	Three
Ms P Mvulane	B Com (Honours); CA; Diploma in Auditing	External	1 November 2020	N/A	Two

COMPLIANCE WITH LAWS AND REGULATIONS

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

COMPLIANCE CHAMPIONS

Furthermore, the FSCA has appointed Compliance Champions for each compliance obligation applicable to the FSCA. The Compliance Champions assist the Heads of Department to:

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

COMBINED ASSURANCE MODEL

The FSCA has established a Combined Assurance Forum to implement and embed the Combined Assurance framework principles as approved by the Audit Committee. The model will help the FSCA to improve efficiency and understanding of the FSCA's enterprise risk management and internal control.

AWARENESS AND TRAINING

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

FRAUD AND CORRUPTION

The FSCA's Fraud and Corruption Prevention Strategy includes its Fraud and Corruption Prevention Policy, Fraud and Corruption Prevention Plan, Fraud and Corruption Response Plan and Whistle Blowing Policy. An awareness campaign which runs through the year ensures that staff is aware of their responsibility to report fraud and corruption. The whistle blowing hotline, managed by an independent service provider, attracted on average 48 tip-offs a month. A register of tip-offs is maintained to ensure that all tip-offs received, that fall within the mandate of the FSCA, are followed up. Tip-offs that fall within the mandate of other regulators are passed on to them and to the South African Police where relevant. Ethical conduct and organisational integrity are key to prevent fraud and corruption in any organisation. To equip our staff with the skills and competencies to make ethical decisions and to uphold organisational integrity, the FSCA runs an online interactive ethics training course developed for the entity by the National School of Government. It is mandatory for every staff member to complete the training and to provide evidence of completion by way of a completion certificate which is systems generated at the successful completion of the course. The staff is expected to spend 10 hours on training related activities which are self-paced and which they may attempt over a six-week period.

MINIMISING CONFLICT OF INTEREST

Each member of the Bid Evaluation Committee (BEC) as well as all officials rendering assistance must sign a declaration at the first meeting of the BEC relating to a specific tender process, in which they declare that they accept the confidentiality of the meetings; that they will not make known anything regarding the meeting (unless officially authorised); that they will not purposefully favour or prejudice any bidder; and address any conflict of interest with regard to the specific tender process.

If it is not practical to obtain a specific member's signature timeously, the Chairperson of the BEC shall confirm with such member that he or she agrees with the contents of the report and place such an agreement on record at the relevant Bid Adjudication Committee (BAC) meetings.

Subject to the statement above, each member of the BEC shall sign the evaluation report and recommendation presented to the BAC.

CODE OF CONDUCT

The FSCA's code of conduct and ethics establishes norms and standards related to integrity, ethics, professional conduct and anti-corruption. It acts as a guideline to employees with regard to their conduct from an ethical point of view, both in their individual conduct and in their relationship with others. It helps to uphold organisational integrity as well as build a value driven workplace.

The code spells out the spirit in which employees should perform their duties, what should be done to avoid conflicts of interest, and what is expected of them in terms of their personal conduct. Compliance with the code of conduct and ethics enhances professionalism and helps ensure confidence in the FSCA. The FSCA builds a culture that encourages employees to think and behave ethically by providing training and awareness through induction sessions. The code always places a duty and responsibility on FSCA employees to behave ethically. Employees will be subject to disciplinary steps if they are in breach of the code of conduct and ethics.

HEALTH SAFETY AND ENVIRONMENTAL ISSUES

In terms of the Occupational Health and Safety (OHS) Act (Act 85 of 1993) and Regulations, the FSCA must ensure and maintain a safe working environment for employees.

Provision of a healthy workplace remains a focus area for the FSCA. We have contracted the National Occupational Safety Association (NOSA) in 2019 to render OHS audits in terms of compliance and governance at the FSCA. The FSCA has been awarded a Certificate of Compliance for the third year in a row, which reiterates our commitment to our employees, contractors and visitors with regards to health and safety.

This year OHS continued to focus on statutory appointments, committee compliance, ongoing inspections, training as well as induction of all new employees. OHS awareness communications to all staff are done every quarter via email. Two evacuation drills were conducted during the year under review.

The Occupational Health and Safety Act was adhered to and no contraventions were reported.

RESPONSE TO THE COVID-19 PANDEMIC

The FSCA continue to respond to the outbreak of the Covid-19 virus with the Facilities Business Unit providing support throughout the pandemic. We focused on the health and wellbeing of our employees and consistently monitored the situation and responded through prevention, mitigation and management of any Covid-19 incidents.

We continue to implement practical preventative measures by following applicable government regulations, including the installation of hand sanitisers in key areas, periodic deep cleaning of the buildings, temperature scanning of employees and visitors, protection screens and maintaining social distancing. Hygiene and possible exposure guidelines are regularly reinforced with our employees through ongoing awareness. The Covid-19 Response Plan is reviewed as required.

SOCIAL RESPONSIBILITY

The FSCA remained committed to sustainable business operations. It initiated various programmes and initiatives in support of sustainable practices.

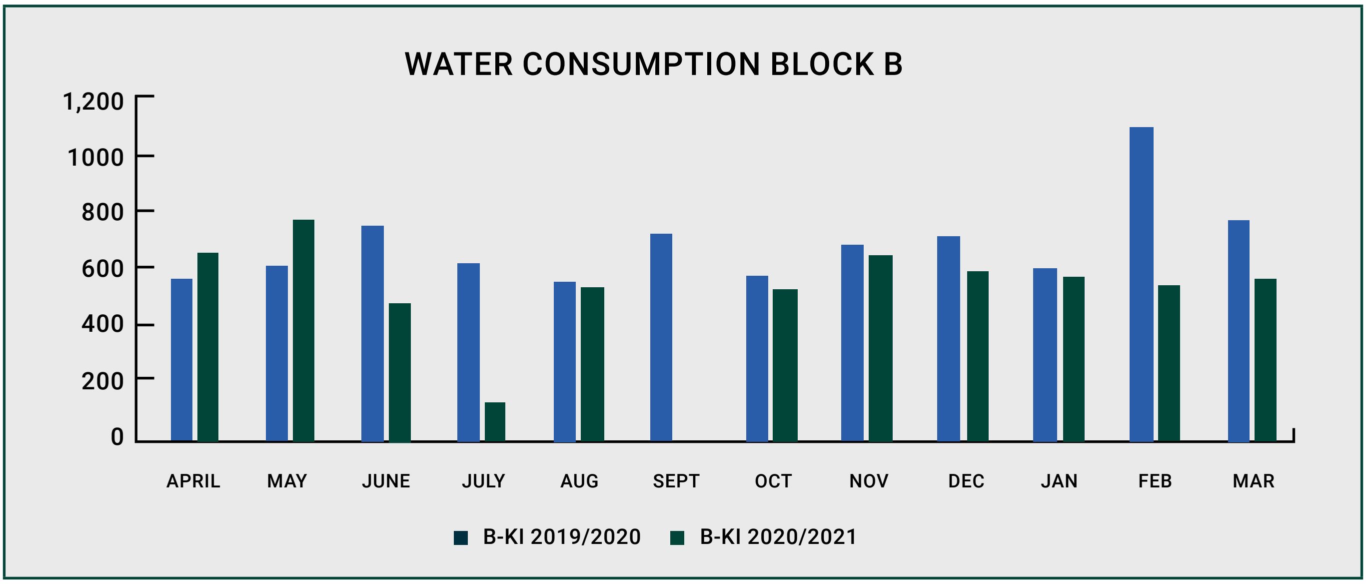
ENVIRONMENT

As an office-based organisation, the FSCA has a limited impact on the environment. Our office buildings incorporate many green features, particularly energy- and water-saving elements.

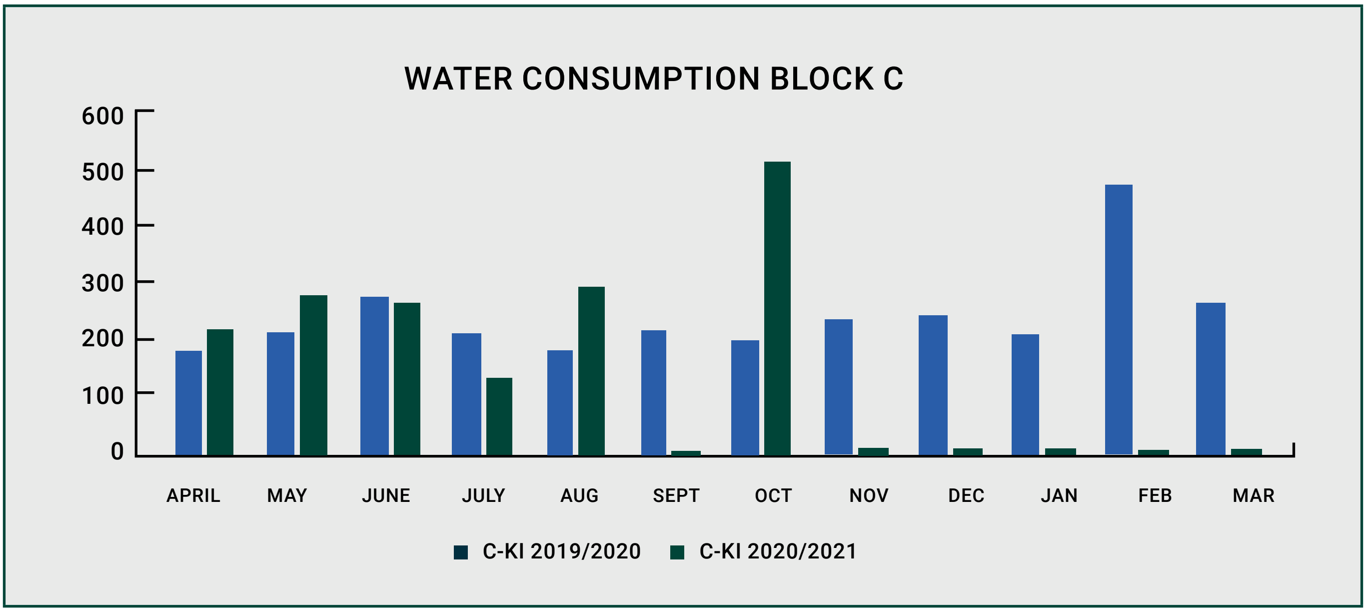
WATER CONSUMPTION

A number of water-saving measures were put in place, e.g., monitoring water consumption to detect possible leaks, monitoring and repairing taps, pipes and toilet leaks. The buildings also have hydro boils that provides instant warm water and water coolers that provide instant cold water and sensor-activated taps in our bathrooms.

The impact of Covid-19 contributed to the reduction of water consumption in the office space due to employees working from home.



Note: The landlord did not bill the organisation for the month of September. The landlord combined the bill for September and October, thereafter we asked for them to be split again.

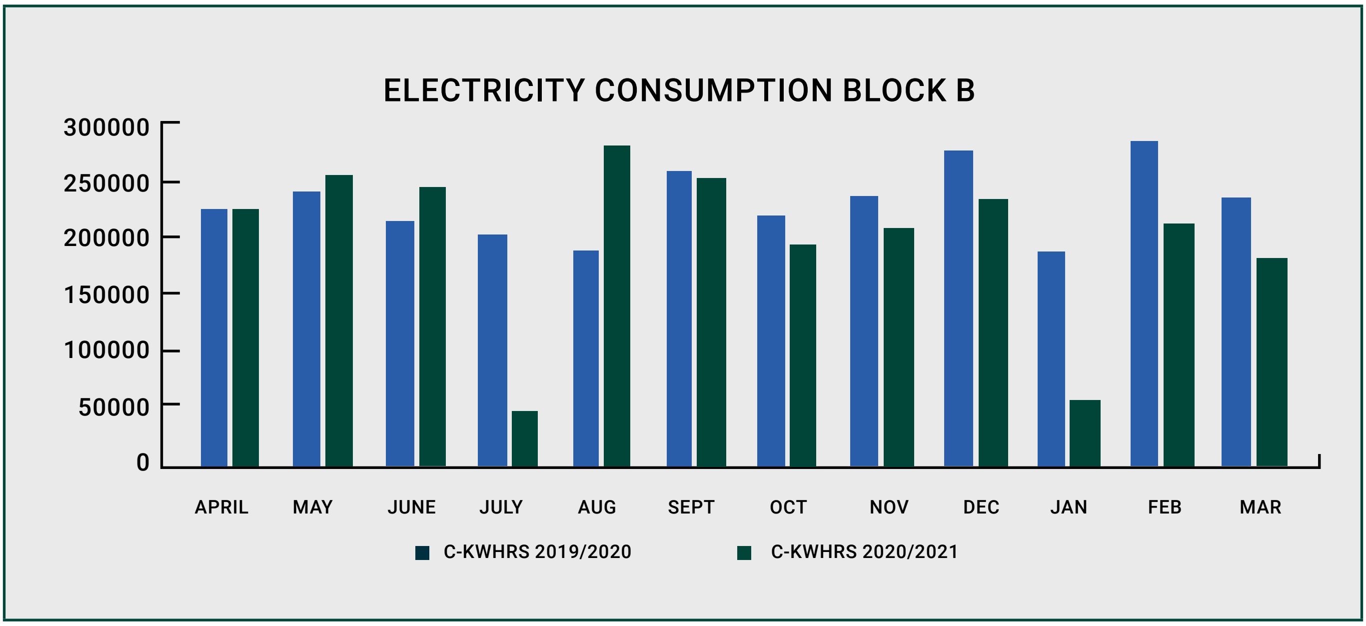


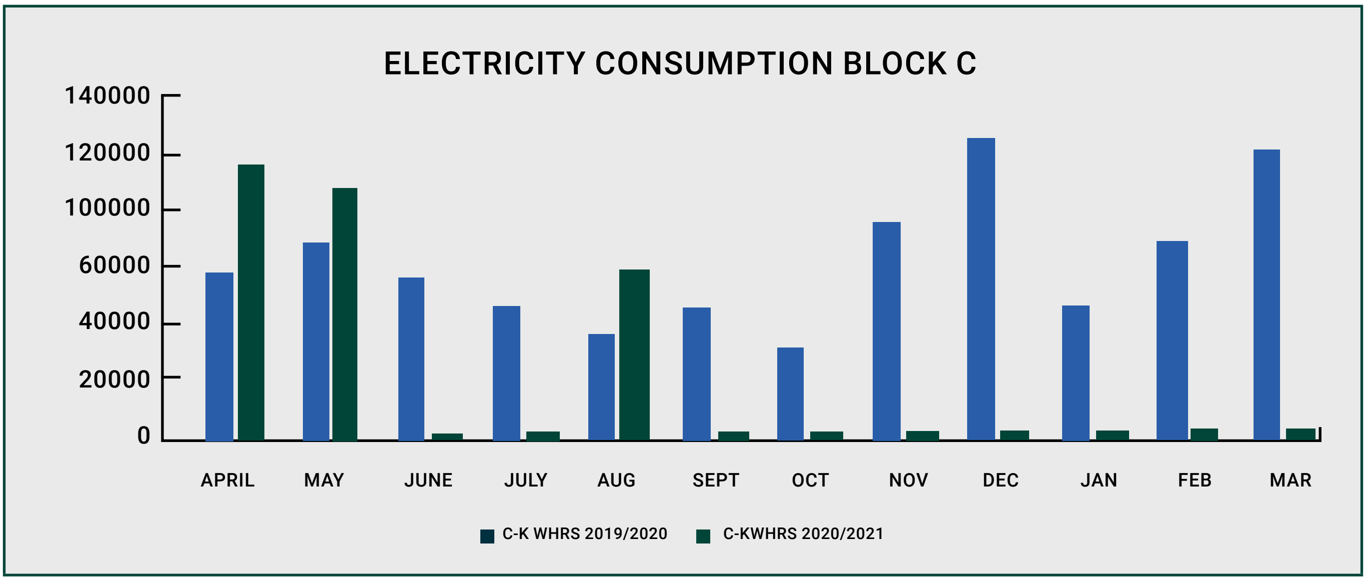
Note: For the months of September, November – March the landlord charged the FSCA an estimated cost (and not the true meter reading).

ELECTRICITY CONSUMPTION

The FSCA focuses on reducing its consumption of energy, mainly electricity, through some sustainable initiatives which include switching off aircons, lights, basement fans and hydro boils after hours and during weekends.

The impact of Covid-19 contributed to a drop in electricity consumption in the office space due to employees working from home.





RECYCLING

We have recycling initiatives in place which includes shredding, making use of the three-bin system to recycle glass, plastic and paper.

AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2021.

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from section 51 (1) (a) (ii) of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein. The TMC appointed the members of the audit committee

THE EFFECTIVENESS OF INTERNAL CONTROL

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

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

- Supply Chain Management
- Internal Financial Controls Review
- Performance Information Audit
- Compliance Management Review
- Audit of Predetermined Objectives
- Business Application Processes
- Payroll and CAATS Review on Payroll
- Integrated Regulatory System Proactive Probity Audit
- Internal Control Audit Opinion
- Follow-up on External and Internal Audit Reports (including IT and AG findings)

The following were areas of concern:

Application Controls on SAGE 300

- ACCPAC Security Policy not adequately documented.
- Inconsistency on the process of reviewing user access rights.

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

IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORT

The committee has done the following

- Reviewed the quarterly reports submitted to National Treasury in terms of the PFMA and Treasury Regulations. No deviations were noted.
- Reviewed the policies and procedures to ensure compliance with applicable laws and regulations.
- The public entity has submitted monthly and quarterly reports to the Executive Authority.

EVALUATION OF FINANCIAL STATEMENTS

We have reviewed the annual financial statements and annual performance report for the year ended 31 March 2021 prepared by the public entity. It also reviewed:

- the external auditor's report;
- the FSCA's compliance with applicable laws and regulation; and
- significant adjustments resulting from the audit.

The committee has discussed and agreed on the conclusions of the external auditors on the annual financial statements, read together with the report of the external auditors. At its meeting held on 28 May 2021, the committee recommended the financial statements to the TMC for approval.

AUDITOR'S REPORT

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

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

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

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

Sathie Gounden
Chairperson of the Audit Committee
Financial Sector Conduct Authority

PART D
HUMAN RESOURCE MANAGEMENT

HUMAN RESOURCES

OVERVIEW

To ensure sustainable attraction and retention of talent, the Human Resources (HR) department revised key elements of the FSCA Employee Value Proposition (EVP) including the rewards strategy, talent management, employee development and employee engagement. The revised EVP has been socialised across the organisation and was well received by all stakeholders. Due to the declaration of a National State of Disaster on 15 March 2020, the institution had to reprioritise its planned HR activities and more emphasis was put on ensuring that the HR programmes are adapted to support remote working and social distancing. All key HR programmes were achieved amidst the impact of the pandemic. Organisational diagnostics that were carried out provided the institution with information on how employees were coping with the impact of the lockdown and remote working. Having highlighted work-life balance as one of the adverse impacts of remote working, the FSCA's employee wellness initiatives that were carried out focused on employee psycho-social and emotional wellbeing. Leadership development initiatives were carried out including executive coaching, the implementation of a senior leadership development and the institutionalisation of talent management framework.

TRAINEE DEVELOPMENT PROGRAMME

During the period under review, 14 unemployed graduates were offered an opportunity to participate in the FSCA Internship Programme. The Internship Programme contributes to the ideals and targets of the National Development Plan of decreasing youth unemployment levels. These interns were placed in various departments where they deal with real work scenarios that prepare them for the work environment. Ninety four percent of the interns of the preceding financial year were placed permanently during the reporting period. Despite the organisation having to adapt to remote working, this working style did not affect the rollout of the programme as the interns were socialised with the new way of working.

ACTUARIAL BURSARY PROGRAMME

Two students are funded by the FSCA to study towards a qualification in Actuarial Science. One of the students is studying towards an Honours degree in Actuarial Science. Both students will be employed on a fulltime basis by the FSCA in 2022 upon completion of their studies.

EMPLOYEE WELLNESS

The physical and psycho-social wellness of employees has always been of paramount importance for the organisation in its endeavour to continuously improve organisational and employee performance. For this reason, the FSCA instituted a holistic Employee Wellness Programme in partnership with the Life Health Solutions Group. Due to Covid-19 restrictions and in the interest of its employees' health, the FSCA resolved to suspend physical wellness events initially planned for 2020. Social distancing measures were adopted for the wellness event held during the month of March 2021. The event was hosted over a period of five days to ensure adequate social distancing. A participation rate of 30% was achieved compared to the 32% participation rate achieved in the previous financial year. Various virtual initiatives were instituted to support employees dealing with stressful matters related to the pandemic and the effect the lockdown had on the psycho-social wellbeing of employees.

HUMAN RESOURCE OVERSIGHT STATISTICS

OUR WORKFORCE

The staff complement as at 31 March 2021 was 572, including contractors and employees living with disabilities. The permanent staff complement was 570. All key and critical positions having been filled.

PERSONNEL COSTS BY PROGRAMME/ACTIVITY/OBJECTIVE

Programme/Activity/Objective	Total Expenditure	Personnel Expenditure	% of Total Expenditure	No. of Employees	Average Personnel Cost per Employee
Administration and Support	455,614	154,544	34%	187	826
Licensing and Business Centre	75,582	45,943	61%	83	554
Regulatory Policy	62,517	42,835	69%	42	1020
Conduct of Business Supervision	135,153	93,218	69%	131	712
Market Integrity Supervision	31,051	20,591	66%	21	981
Retirement Fund Supervision	89,744	59,774	67%	69	866
Investigation and Enforcement	69,852	42,030	60%	37	1,136
Total	**919,513**	**458,936**	**49%**	**570**	**805**

PERSONNEL COST BY SALARY BAND

Level	Personnel Expenditure (R000)	% of Total Personnel Cost	No. of Employees	Average Personnel Cost per Employee (R000)
Top Management	36,578	8%	11	3,325
Senior Management	73,702	16%	38	1,940
Professional Qualified	250,406	55%	284	882
Skilled	70,964	15%	176	403
Semi-skilled	27,286	6%	90	303
Total	**458,936**	**100%**	**599**	**766**

PERFORMANCE REWARDS

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

Levels	Number of Employees	Incentives Paid	% of Incentives
Top Management	9	2,112,000	8
Senior Management	34	4,502,094	18
Professional Qualified	231	13,595,021	54
Skilled	146	3,874,799	15
Semi-skilled	71	1,331,855	5
Total	**491**	**25,415,769**	**100**

TRAINING COSTS

Programme/Activity/Objective	Personnel Expenditure (R000)	Training Expenditure (R000)	Training Expenditure as a % of Personnel Expenditure	Number of Employees Trained	Average Training Cost per Employee
Administration and Support	154,544	1,737	1%	187	9
Licensing and Business Centre	45,943	630	1%	83	8
Regulatory Policy	42,835	337	1%	42	8
Conduct of Business Supervision	93,218	909	1%	131	7
Market Integrity Supervision	20,591	217	1%	21	10
Retirement Fund Supervision	59,774	623	1%	69	9
Investigation and Enforcement	42,030	541	1%	37	15
Total	**458,936**	**4,994**	**1%**	**570**	**805**

EMPLOYMENT AND VACANCIES

There was no increase in the budgeted headcount from the previous financial year. The budgeted headcount was kept constant at 623.

Programme/Activity/Objective	31 March 2020 number of Employees	1 April 2020 approved Posts	31 March 2021 Number of Employees	2021 Vacancies	% Vacancies
Administration and Support	181	212	187	25	47%
Licensing and Business Centre	75	90	83	7	13%
Regulatory Policy	40	46	42	4	8%
Conduct of Business Supervision	90	135	131	4	8%
Market Integrity Supervision	24	27	21	6	11%
Retirement Fund Supervision	72	75	69	6	11%
Enforcement	56	38	37	1	2%
Total	**538**	**623**	**570**	**53**	**100%**

LEVELS

Level	31 March 2020 Number of Employees	1 April 2020 Approved Posts	31 March 2021 Number of Employees	2021 Vacancies	% Vacancies
Top Management	11	13	8	5	9%
Senior Management	35	36	35	1	2%
Professional Qualified	264	294	276	18	34%
Skilled	168	184	163	21	40%
Semi-skilled	92	96	88	8	15%
Total	**570**	**623**	**570**	**53**	**100%**

EMPLOYMENT CHANGES

The FSCA appointed 29 new staff members during the 2020/21 financial year. The staff turnover rate decreased from 8% to 7% which is within the targeted turnover rate. The internal movements below are due to internal appointments and promotions. Six employees who were serving their notice in March 2021 are included in the 31 March 2021 headcount.

Levels	Employed at Beginning of Period	Appointments	Internal Movements	Terminations	Employed at End of Period
Top Management	11	0	0	4	8
Senior Management	35	0	2	3	35
Professional Qualified	264	9	17	16	276
Skilled	168	15	-12	8	163
Semi-skilled	92	5	-7	4	88
Total	**570**	**29**	**0**	**35**	**570**

SIGNIFICANT TERMINATIONS

A total of 35 staff members left during this period. The organisation experienced one death in the position of a Senior Analyst. Two resignations were at Senior Management level in the positions of Departmental Head: Supervisory Frameworks and Departmental Head: ICT Governance and Risk. Four retirements were at Top Management level in the positions of Executive Head, Divisional Executive: Regulatory Policy, Divisional Executive: Specialist Support and Divisional Executive: Market Integrity.

Reason	Number	% of total staff leaving
Death	1	3%
Resignation	22	63%
Dismissal	2	6%
Retirement	9	25%
Ill Health	0	0%
Expiry of Contract	0	0%
Other	1	3%
Total	35	100%

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Two dismissals took place due to misconduct during the financial year. The FSCA attended two matters at the Commission for Conciliation, Mediation and Arbitration (CCMA) related to employees that were dismissed. Progressive disciplinary action was applied for some cases based on the nature of the misconduct and a written and final written warning were issued.

Nature of Disciplinary Action: General Staff	Number
Enquiry	2
Grievance	1
Verbal Warning	0
Written Warning	1
Final Written Warning	1
Mutual Separation	0
Dismissed	2
CCMA	2

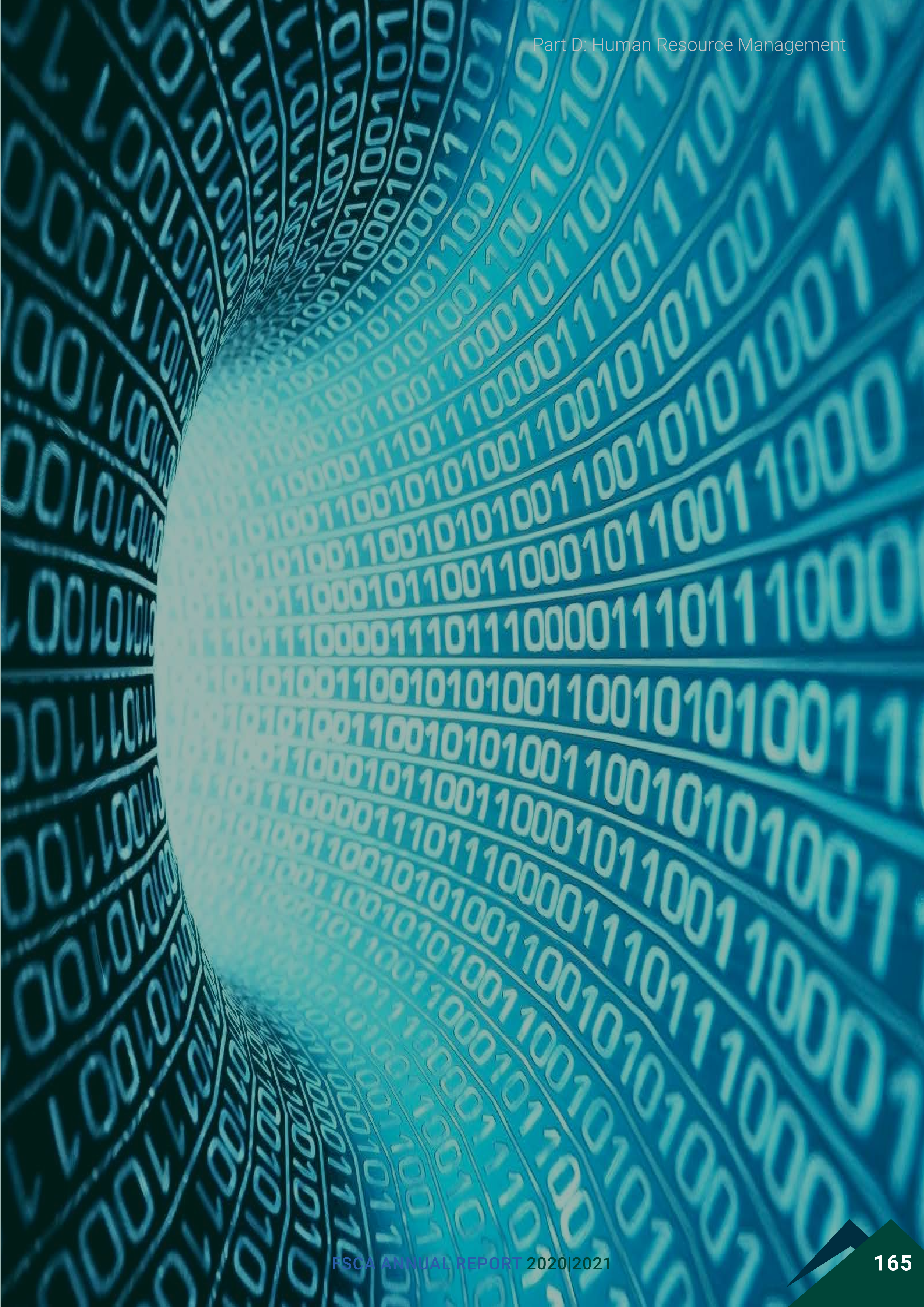
EMPLOYMENT EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

The FSCA embraces fair and non-discriminatory employment practices and policies and is committed to identifying and eliminating any unfair discriminatory practices. To monitor progress toward the achievement of its Employment Equity goals, the HR Department provided quarterly updates on the progress made to the Executive Committee, management and employees. The tables below indicate the Employment Equity profile of the FSCA as at 31 March 2021. Initiatives were implemented to address underrepresentation of designated groups.

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	3	2	1	1	0	1	1	2
Senior Management	9	0	1	4	2	0	5	11
Professional Qualified	108	70	6	9	5	6	16	15
Skilled	61	84	2	12	1	2	0	6
Semi-skilled	31	55	2	11	1	1	0	0
Total	212	211	12	37	9	10	22	34

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	3	0	0	1	0	0	0	1
Senior Management	10	5	2	2	1	1	5	11
Professional Qualified	95	71	7	7	9	6	30	18
Skilled	85	66	7	7	1	2	6	11
Semi-skilled	42	70	7	7	0	3	5	5
Total	235	212	23	24	11	12	46	46

Levels	People with Disability			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional Qualified	0	2	0	0
Skilled	1	1	1	1
Semi-skilled	0	3	2	1
Total	1	6	3	2

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PART E:

FINANCIAL INFORMATION

INDEX

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

Financial Sector Conduct Authority

Annual Financial Statements for the year ended 31 March 2021

REPORT BY THE ACCOUNTING AUTHORITY

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

The Covid-19 pandemic continues to cause global hardships with South Africa having experienced a second wave with a new variant mutation and a threat of a third wave.

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

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

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

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

The financial statements for the year ended 31 March 2021, as set out on pages 175 - 222 were approved by the Accounting Authority on 29 July 2021 and were signed on its behalf by:

U Kamlana

Commissioner
Financial Sector Conduct Authority

REPORTOFTHEAUDITOR-GENERALTOTHEPARLIAMENTONTHE FINANCIAL SECTOR CONDUCT AUTHORITY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

1. I have audited the financial statements of the Financial Sector Conduct Authority set out on pages 177 - 222 which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net assets and cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Financial Sector Conduct Authority as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act (Act no. 1 of 1999) (PFMA).

BASIS FOR OPINION

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

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

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

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act (Act no. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

7. In preparing the financial statements, the Accounting Authority is responsible for assessing the public

Financial Sector Conduct Authority

Annual Financial Statements for the year ended 31 March 2021

REPORTOFTHEAUDITOR-GENERALTOTHEPARLIAMENTONTHE FINANCIAL SECTOR CONDUCT AUTHORITY

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

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

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

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

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

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

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

12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the public entity's annual performance report for the year ended 31 March 2021:

REPORTOFTHEAUDITOR-GENERALTOTHEPARLIAMENTONTHE FINANCIAL SECTOR CONDUCT AUTHORITY

Programmes	Pages in the annual performance report
Programme 4: Conduct of Business Supervision	130 - 132

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

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

- Programme 4: Conduct of business supervision

OTHER MATTERS

15. I draw attention to the matter below.

ACHIEVEMENT OF PLANNED TARGETS

16. Refer to the annual performance report on pages 123 - 135 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets.

ADJUSTMENT OF MATERIAL MISSTATEMENTS

17. I identified a material misstatement in the annual performance report submitted for auditing. This material misstatements were on the reported performance information of Programme 4 — Conduct of business supervision. As management subsequently corrected the misstatement, I did not raise any material findings on the usefulness and reliability of the reported performance information.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

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

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

REPORT OF THE AUDITOR-GENERAL TO THE PARLIAMENT ON THE FINANCIAL SECTOR CONDUCT AUTHORITY

OTHER INFORMATION

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

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

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

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

INTERNAL CONTROL DEFICIENCIES

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

Auditor-General

Pretoria

31 July 2021

SOUTH AFRICA
Auditing to build public confidence

ANNEXURE — AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

FINANCIAL STATEMENTS

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

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

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

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

Financial Sector Conduct Authority

Annual Financial Statements for the year ended 31 March 2021

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

Amounts in rand	Note(s)	2021	2020
Assets			
Current Assets			
Cash and cash equivalents	3	600,645,483	542,429,536
Receivables from exchange transactions	4	17,442,362	11,625,662
Statutory receivables from exchange transcations	5	4,718,686	5,262,747
Statutory receivables from non-exchange transactions	6	100,546,878	163,726,878
Prepayments	7	10,298,793	12,178,437
Financial assets at fair value	10	1,200,000	1,221,000
		734,852,202	**736,444,260**
Non-Current Assets			
Property, plant and equipment	8	45,361,346	57,288,758
Intangible assets	9	15,993,577	16,362,086
Financial assets at fair value	10	85,278,533	59,795,383
		146,633,456	**133,446,227**
Total Assets		**881,485,658**	**869,890,487**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	110,897,991	95,456,302
Payables from non-exchange transctions	12	121,516,246	170,725,326
Levies and fees received in advance	13	49,273,493	44,974,526
Provisions	14	22,604,344	16,737,083
Finance lease obligation	15	2,200	3,897
		304,294,274	**327,897,134**
Non-Current Liabilities			
Provisions	14	4,413,740	3,986,420
Finance lease obligation	15	-	2,200
Operating lease liability		25,419,654	26,992,054
Post retirement benefit obligation	16&17	51,660,126	46,298,280
		81,493,520	**77,278,954**
Total Liabilities		**385,787,794**	**405,176,088**
Net Assets		**495,697,864**	**464,714,399**
Accumulated Reserves			
Contingency reserve	18	86,635,782	85,846,540
Discretionary reserve	19	47,928,431	30,454,521
Accumulated surplus		361,133,651	348,413,338
Total Net Assets		**495,697,864**	**464,714,399**

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2021

Amounts in rand	Note(s)	2021	2020
Revenue			
Revenue from exchange transactions	23	64,352,380	96,340,655
Revenue from non-exchange transactions	24	862,233,736	829,754,536
		926,586,116	**926,095,191**
Expenses			
Advisory and other committee fees		(7,294,158)	(8,319,242)
Contribution towards funding of the Office of the Ombud for FSPs	25	(57,627,407)	(64,384,188)
Contribution towards funding of the Office of the PFA	25	(75,392,409)	(70,758,372)
Depreciation and amortisation	8&9	(20,640,072)	(20,857,254)
Executive management remuneration	25	(48,792,871)	(51,365,666)
External audit fees	26	(3,246,610)	(3,711,463)
Finance costs	15	(894)	(26,822)
Internal audit fees		(1,461,250)	(2,454,740)
Legal fees		(13,742,901)	(17,403,464)
Governance committee fees	25	(1,623,448)	(1,071,430)
Operating lease rentals - buildings		(77,187,908)	(74,310,249)
General expenses	27	(82,055,904)	(94,634,799)
Professional and consulting fees		(21,589,780)	(13,639,451)
Provision for credit losses	28	(15,021,580)	(1,502,776)
Salaries, staff benefits, training and other staff expenses		(488,365,923)	(467,296,075)
		(914,043,115)	**(891,735,991)**
Operating surplus		12,543,001	34,359,200
Fair-value adjustments of financial assets at fair value	10	23,910,838	(14,119,146)
Post-retirement medical aid fund obligation decrease	16	(5,361,846)	4,854,613
Loss on disposal of assets	8	(108,528)	(54,919)
		18,440,464	**(9,319,452)**
Surplus for the year		**30,983,465**	**25,039,748**

Financial Sector Conduct Authority

Annual Financial Statements for the year ended 31 March 2021

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2021

	Discretionary Reserve	2021 Contingency Reserve	Total reserves	Accumulated surplus	Total net assets
Balance at 1 April 2019	**35,658,180**	**80,679,845**	**116,338,025**	**323,336,626**	**439,674,651**
Changes in net assets					
Surplus for the year	-	-	-	25,039,748	25,039,748
Transfer from discretionary reserve to accumulated surplus	(5,203,659)	-	(5,203,659)	5,203,659	-
Transfer from accumulated surplus to contingency reserve	-	5,166,695	5,166,695	(5,166,695)	-
Total changes	(5,203,659)	5,166,695	(36,964)	25,076,712	25,039,748
Balance at 31 March 2020	**30,454,521**	**85,846,540**	**116,301,061**	**348,413,338**	**464,714,399**
Changes in net assets					
Surplus for the year	-	-	-	30,983,465	30,983,465
Transfer from accumulated surplus to discretionary reserve	17,473,910	-	17,473,910	(17,473,910)	-
Transfer from accumulated surplus to contingency reserve	-	789,242	789,242	(789,242)	-
Total changes	17,473,910	789,242	18,263,152	12,720,313	30,983,465
Balance at 31 March 2021	**47,928,431**	**86,635,782**	**134,564,213**	**361,133,651**	**495,697,864**
Note(s)	19	18			

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

Amounts in rand	Note(s)	2021	2020
Cash flows from operating activities			
Cash receipts			
Revenue from industry		946,331,438	730,748,108
Interest		24,223,135	39,535,710
Dividends		796,968	1,292,314
		971,351,541	771,576,132
Cash payments			
Employee costs		(530,040,998)	(516,927,877)
Suppliers		(179,677,497)	(175,488,804)
Other payments		(193,408,317)	(2,056,880)
		(903,126,812)	(694,473,561)
Net cash flows from operating activities	**29**	**68,224,729**	**77,102,571**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(6,048,294)	(9,486,588)
Purchase of intangible assets	9	(2,404,385)	(2,997,036)
Purchase of financial assets	10	(5,573,993)	(7,194,293)
Proceeds from sale of financial assets	10	4,022,681	4,383,733
Net cash flows from investing activities		**(10,003,991)**	**(15,294,184)**
Cash flows from financing activities			
Finance lease payments		(3,897)	(512,097)
Finance costs		(894)	(26,822)
Net cash flows from financing activities		**(4,791)**	**(538,919)**
Net increase in cash and cash equivalents		**58,215,947**	**61,269,468**
Cash and cash equivalents at the beginning of the year		542,429,536	481,160,068
Cash and cash equivalents at the end of the year	3	**600,645,483**	**542,429,536**

Financial Sector Conduct Authority

Annual Financial Statements for the year ended 31 March 2021

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2021

Budget on Accrual Basis

Amounts in rand	Approved budget	Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions	57,792,525	**57,792,525**	64,352,380	**6,559,855**	37
Revenue from non-exchange transactions	902,467,911	**902,467,911**	862,233,736	**(40,234,175)**	
Total revenue	**960,260,436**	**960,260,436**	**926,586,116**	**(33,674,320)**	
Expenses					
Advisory and other committee fees	(22,987,337)	**(22,987,337)**	(7,294,158)	**15,693,179**	37
Contribution towards funding of the Office of the Ombud for FSPs	(57,627,407)	**(57,627,407)**	(57,627,407)	**-**	
Contribution towards funding of the Office of the PFA	(75,392,409)	**(75,392,409)**	(75,392,409)	**-**	
Depreciation and amortisation	(32,604,660)	**(32,604,660)**	(20,640,072)	**11,964,588**	
Executive management remuneration	(55,936,950)	**(55,936,950)**	(48,792,871)	**7,144,079**	37
External audit fees	(3,829,605)	**(3,829,605)**	(3,246,610)	**582,995**	
Finance costs	(894)	**(894)**	(894)	**-**	
Internal audit fees	(1,883,424)	**(1,883,424)**	(1,461,250)	**422,174**	37
Legal fees	(9,809,204)	**(9,809,204)**	(13,742,901)	**(3,933,697)**	37
Committee members fees	(2,867,088)	**(2,867,088)**	(1,623,448)	**1,243,640**	37
Operating lease rental - buildings	(74,922,126)	**(74,922,126)**	(77,187,908)	**(2,265,782)**	
Other operating expenses	(102,385,940)	**(102,385,940)**	(82,055,904)	**20,330,036**	37
Professional and consulting fees	(32,680,146)	**(32,680,146)**	(21,589,780)	**11,090,366**	37
Provision for credit losses	-	**-**	(15,021,580)	**(15,021,580)**	37
Salaries, staff benefits, training and other staff expenses	(508,720,843)	**(508,720,843)**	(488,365,923)	**20,354,920**	37
Total expenditure	**(981,648,033)**	**(981,648,033)**	**(914,043,115)**	**67,604,918**	
Operating (deficit)/surplus	**(21,387,597)**	**(21,387,597)**	**12,543,001**	**33,930,598**	
Fair-value adjustments of financial assets at fair value	-	**-**	23,910,838	**23,910,838**	37
Post retirement medical aid fund obligation (increase)/decrease	-	**-**	(5,361,846)	**(5,361,846)**	37
Loss on disposal of assets	-	**-**	(108,528)	**(108,528)**	
	-	**-**	**18,440,464**	**18,440,464**	
Deficit)/Surplus for the year	**(21,387,597)**	**(21,387,597)**	**30,983,465**	**52,371,062**	

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PREPARATION OF ANNUAL FINANCIAL STATEMENTS

Reporting entity

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

Basis of accounting

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

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

In terms of Notice 991 and 992 in Government Gazette 28095 of December 2005 and Notice 516 in Government Gazette 31021 of 9 May 2008, the FSCA must comply with the requirements of GRAP. Directive 5 details the GRAP Reporting Framework, comprising the effective standards of GRAP, interpretations (IGRAPs) of such standards issued by the ASB, ASB guidelines, ASB directives, and standards and pronouncement of other standard-setters, as identified by the ASB on an annual basis.

Accounting policies for material transactions, events or conditions not covered by the GRAP Reporting Framework, as detailed above, were developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5, issued by the ASB.

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

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

Financial Sector Conduct Authority

Annual Financial Statements for the year ended 31 March 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Significant accounting judgements and estimates

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

Significant accounting estimates and assumptions

Provisions

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

Depreciation and amortisation

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

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

Impairment of receivables

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

Post employment benefits

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

1.2 Property, plant and equipment

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

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

At initial recognition an item of property, plant and equipment is measured at cost. An asset acquired through a non-exchange transaction is recognised at its fair value at date of acquisition. Subsequently all items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses. Depreciation commences when the item of property, plant and equipment is available for use. Property, plant and equipment items are tested for impairment when there is an indicator that the asset or assets should be impaired, refer to note 1.9.

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

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

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

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

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

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

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

Maintenance and repairs, which neither materially add to the value of assets nor prolong their useful lives, are

Financial Sector Conduct Authority

Annual Financial Statements for the year ended 31 March 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

charged against the statement of financial performance. The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

1.3 Intangible assets

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

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

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

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.4 Financial instruments

Financial instruments are classified in the following categories:

Financial assets at fair value - Investments

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

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

Financial Instrument at amortised cost

Receivables

Receivables which are not accounted for as statutory receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for credit losses. A provision for credit losses is established when there is objective evidence that not all amounts due will be collected according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

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

Payables

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at banks and other short-term, highly liquid investments with original maturities of three months or less. Cash and cash equivalents are recognised at cost, which equates to their fair value.

Financial Sector Conduct Authority

Annual Financial Statements for the year ended 31 March 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.5 Statutory receivables

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

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

Statutory receivables are recognised as follows:

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.6 Leases

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

Finance leases - lessee

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

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

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

Operating leases - lessee

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

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

1.7 Related parties

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

Financial Sector Conduct Authority

Annual Financial Statements for the year ended 31 March 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.8 Prepayments

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

1.9 Impairment of non-cash-generating assets

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

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

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

The FSCA assesses at each reporting date whether there is an indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any indication exists, the recoverable service amounts of those assets are estimated. The increased carrying amount of assets attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for assets in the prior years.

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

1.10 Levies and received in advance

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.11 Employee benefits

Short-term employee benefits

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

Retirement benefits

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

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

Pension fund

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

Post-retirement aid plan

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

1.12 Provisions

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

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

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

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Performance bonus

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

Long service awards

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

Legal fees

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

1.13 Commitments

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.14 Revenue from exchange transactions

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

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

Revenue is measured at the fair value of consideration received or receivable, net of trade discounts and volume rebates. Revenue is recognised when the amount of revenue can be measured reliably, it is probable that future economic benefits will flow to the FSCA and specific criteria have been met as described below.

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

Fees and service charges are raised in terms of the regulations published in the Government Gazette and are recognised according to the percentage of completion method. Interest from government bond is recognised based on the coupon rate. Interest income from short-term investment is recognised on a time-proportion basis using the effective interest method.

Dividends are recognised when the right to receive payment is established, which is normally on the last day to trade.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is recognised when the asset is recognised and if an obligation arises from the receipt of the asset, the revenue is recognised to the extent that there is no further obligation. Revenue from non-exchange transactions comprises of levies, penalties and other income.

All registered entities are required to pay annual levies to maintain their licences in terms of section 15 of the FSB Act. Levies are raised in terms of the regulations published in the Government Gazette and are accounted for on an accrual basis.

The FSCA is funded through levies charged to industry and recovered levies in excess of the FSCA's requirements are rebated back to the industry. Levy rebates passed on to industry in terms of regulations published in the Government Gazette are recognised as a reduction in revenue.

Fines and penalties raised for late submission of returns are recognised on an accrual basis. The income from fines and penalties as per the FSCA's various sectoral legislation is credited to the surplus or deficit, but as this income is not considered to form part of the normal operating activities of the FSCA, it is transferred to the

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Annual Financial Statements for the year ended 31 March 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

discretionary reserve. The amounts received or to be received from fines and penalties as per the FSR Act are payable to National Treasury.

Services in-kind are recognised as assets and revenue when they are significant to operations and/or service delivery objectives and it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets and revenue can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the nature and type of services in-kind received during the reporting period are disclosed in the notes to the annual financial statements.

1.16 Finance costs

Finance costs are charges incurred by the FSCA in connection with the finance lease liability. Finance costs are recognised as an expense in the period in which they are incurred.

1.17 Translation of foreign currencies

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

1.18 Accumulated funds and reserves

Accumulated surplus

Accumulated surplus are used to fund working capital requirements, capital expenditure, budgeted deficits (if any), as well as other unforeseen events. Accumulated surplus are maintained at approximately 2 to 4 months' operational expenditure. National Treasury approval is obtained at the end of every financial year in order to retain the accumulated surplus. Accumulated surplus include non-cash amounts such as invoiced income not recovered, hence the full balance at year-end is not always represented by actual cash.

Contingency reserve

The contngency reserve is maintained to fund the FSCA's long-term capital requirements and to protect the FSCA's operating capacity against the effects of inflation and unforeseen events. The reserve is maintained at a maximum of 10% of the annual levy and fee income.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.18 Accumulated funds and reserves (continued) Discretionary reserve

The discretionary reserve is used primarily to fund consumer education and consumer protection related expenses. Fines and penalties recognised as income in the statement of financial performance are transferred to a discretionary reserve.

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

All expenditure relating to irregular expenditure is recognised as an expense in the surplus or deficit in the period that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and where recovered, it is subsequently accounted for as revenue in the surplus or deficit.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance, in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Financial Sector Conduct Authority

Annual Financial Statements for the year ended 31 March 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. FINANCIAL RISK MANAGEMENT

Financial risk factors

The FSCA is exposed to a variety of financial risks as a consequence of its operations namely, market risk, credit risk and liquidity risk. The FSCA's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its performance. Financial risk management is carried out under approved policies. The FSCA provides written principles for overall risk management as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments and investment of excess liquidity.

Market risk

Cash flow and fair value interest rate risk

The FSCA has significant cash and cash equivalents and its income and operating cash flows are dependent on changes in market interest rates. This is managed in line with movements in money market rates. The FSCA does not have any interest bearing borrowings and therefore there is no adverse exposure relating to interest rate movements in borrowings. Should the balances held on short-term deposit remain constant, the FSCA's interest income will fluctuate by R1 414 955 for every 25 basis point fluctuation in the prime interest rate.

Foreign exchange risk

The FSCA does not operate internationally but is exposed to foreign currency risk arising from various currency exposures. Its exposure is limited to foreign membership and subscription fees, foreign travelling expenses, foreign exchange denominated operating expenses as well as investments in off-shore portfolios. The risk relating to off-shore investment portfolios is managed by an investment manager in terms of an approved mandate. Accordingly, the FSCA's exposure to foreign currency risk is minimal.

The following sensitivity analysis has been performed:

At 31 March 2021, if the currency had weakened or strengthened by 10% against the US dollar with all other variables held constant, the surplus for the year would have been R1 028 935 (2020: R1 419 212) higher or lower on foreign exchange gains or losses upon translation of US dollar-denominated transactions.

The off-shore investment portfolios would have been R3 290 098 (2020: R2 340 194) higher or lower arising from unrealised foreign exchange gains or losses upon translation of US dollar denominated off-shore investment portfolios.

At 31 March 2021, if the currency had weakened or strengthened by 10% against the Euro with all other variables held constant, the surplus for the year would have been R80 724 (2020: R118 623) higher or lower on foreign exchange gains or losses upon translation of Euro-denominated transactions.

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign exchange risk

At 31 March 2021, if the currency had weakened or strengthened by 10% against the UK pound with all other variables held constant, the surplus for the year would have been R10 107 (2020: R13 161) higher or lower on foreign exchange gains or losses upon translation of UK pound-denominated transactions.

The FSCA is exposed to equity securities price risk because of investments held by the FSCA, which are classified on the statement of financial position as financial assets at fair value. These investments are managed by an investment manager in terms of an approved mandate. The investment manager manages the price risk arising from investments in equity securities through diversification of the portfolio in accordance with the mandate that gives the manager full discretion.

The FSCA's investments in equity of other entities that are publicly traded are included in the All Share Index of the JSE Securities Exchange Limited (All Share Index). The table below summarises the impact of increases/decreases of the All Share Index on the FSCA's surplus for the year and on reserves. The analysis is based on the assumption that the All Share Index had increased/decreased by 4% (2020: 4%) with all other variables held constant and that all the FSCA's investments moved according to the historical correlation with the index.

	Impact on surplus for the year.		Impact on investment portfolio for the year	
	2021	2020	2021	2020
All Share Index	1,537,756	959,749	1,537,756	959,749

Credit risk

Financial assets that potentially subject the FSCA to concentrations of credit risk consist primarily of cash and cash equivalents as well as accounts receivable. The FSCA's maximum exposure to credit risk relating to accounts receivable is the amount as shown in the statement of financial position

The FSCA invests funds in excess of the FSCA's immediate requirements (i.e short-term deposits excluding current account balances) with the Corporation for Public Deposits (CPD). The table below shows the total amount invested in CPD at reporting date:

Financial instrument	2021	2020
Corporation for Public Deposit	565,982,132	518,849,362

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Management does not expect any losses from non-performance by CPD.

Prudent liquidity risk management implies maintaining sufficient liquid resources and the ability to settle debts as they become due. In the case of the FSCA, liquid resources consist of mainly cash and cash equivalents. The FSCA maintains adequate resources by monitoring rolling cash flow forecasts of the cash and cash equivalents on the basis of expected cash flow.

Forecasted liquidity reserves as at 31 March 2021 is as follows:

Description	March 2021	March 2022 - 2025
Opening balance for the period	542,429,537	600,645,483
Operating proceeds	971,351,540	1,273,243,724
Operating cash outflows	(903,126,812)	(1,183,815,022)
Cash outflow for investments	(14,026,672)	(18,588,542)
Cash outflow for financing	(4,791)	(6,338)
Proceeds from sale of investments	4,022,681	5,322,367
	600,645,483	**676,801,672**

The table below analyses the FSCA's financial liabilities at reporting date.

At 31 March 2021	Less than 1 year	Between 1 year and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	77,861,201	-	-	-
Finance lease obligation	2,200	-	-	-

At 31 March 2020	Less than 1 year	Between 1 year and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	68,957,643	-	-	-
Finance lease obligation	3,897	2,200	-	-

Capital risk management

The FSCA's objectives when managing its funds and reserves are to safeguard the ability to continue as a going concern. The FSCA maintains various funds and reserves which serve different purposes, refer to note 1.18.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices (level 1) at reporting date. The quoted market price used for financial assets held by the FSCA is the current bid price.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Amounts in rand	Note(s)	2021	2020

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Short term deposits	565,982,132	518,849,362
Cash at bank and on hand	34,663,351	23,580,174
	600,645,483	**542,429,536**

Included in cash at bank and on hand is an amount of R6 666 491 (2020: R6 365 264), earmarked to fund the post-retirement medical aid plan. Also included in cash and cash equivalents is an amount of R64 027 891 891 (2020: R74 841 878) relating to the discretionary funds that are used to fund consumer education and consumer protection related expenses. In addition, the FSCA maintains a contingency fund which is included under short-term deposits of R153 359 796 (2020: R142 553 036) to fund capital requirements and to protect operating capacity against the effects of inflation and unforeseen events.

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Staff debtors - study loans	6,767,672	6,861,731
Interest receivable	59,105	77,838
Other receivables	10,615,585	4,686,093
	17,442,362	**11,625,662**

Reconciliation of provision for credit loss of receivables from exchange transactions

Opening balance	-	33,954
Utilised	-	(33,954)
	-	**-**

5. STATUTORY RECEIVABLES FROM EXCHANGE TRANSACTIONS

Legal fees recoveries	1,915,225	3,262,848
Less: Provision for credit losses	(1,696,072)	(2,453,527)
Recoverable legal fees	4,161,921	4,119,934
Other receivables	337,612	333,492
Net statutory receivables from exchange transactions	**4,718,686**	**5,262,747**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Reconciliation for impairment of statutory receivables from exchange transactions

Opening balance	2,453,527	2,453,527
Utilised	(1,438,570)	-
Charged to the statement of financial position	681,115	-
	1,696,072	**2,453,527**

6. STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Levy debtors	23,602,409	17,074,663
Less: Provision for credit losses	(13,033,863)	(9,868,108)
Inspection cost debtors	1,008,719	5,313,095
Less: Provision for credit losses	(1,008,719)	(5,313,095)
Penalties debtors	174,689,786	212,373,816
Less: Provision for credit losses	(84,711,454)	(55,853,493)
	100,546,878	**163,726,878**

Reconciliation for impairment of receivables from non-exchange transactions

Opening balance	71,034,696	21,908,337
Utilised	(8,549,018)	(2,376,417)
Reversal prior year provision	(97,401)	(541,371)
Charged to the statement of financial performance	14,437,866	2,044,147
Other - penalties	21,927,893	50,000,000
	98,754,036	**71,034,696**

7. PREPAYMENTS

The R10 298 793 (2020: R12 178 437) prepayments comprise of membership fees and software licences.

8. PROPERTY, PLANT AND EQUIPMENT

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Leasehold improvements	6,313,495	(3,138,845)	3,174,650	6,286,130	(2,482,514)	3,803,616
Furniture, fittings, equipment and paintings	31,159,011	(21,771,002)	9,388,009	30,629,860	(19,912,951)	10,716,909
Motor vehicles	1,503,310	(732,678)	770,632	1,503,310	(635,687)	867,623
Computer equipment	117,732,697	(85,706,422)	32,026,275	113,843,770	(71,948,501)	41,895,269
Finance leased assets	387,004	(385,224)	1,780	387,004	(381,663)	5,341
Total	**157,095,517**	**(111,734,171)**	**45,361,346**	**152,650,074**	**(95,361,316)**	**57,288,758**

Reconciliation of property, plant and equipment - 31 March 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Leasehold improvements	3,803,616	27,365	-	(656,331)	3,174,650
Furniture, fittings, equipment and paintings	10,716,909	944,138	(75,195)	(2,197,843)	9,388,009
Motor vehicles	867,623	-	-	(96,991)	770,632
Computer equipment	41,895,269	5,076,791	(33,333)	(14,912,452)	32,026,275
Finance leased assets	5,341	-	-	(3,561)	1,780
	57,288,758	**6,048,294**	**(108,528)**	**(17,867,178)**	**45,361,346**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Reconciliation of property, plant and equipment - 31 March 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Leasehold improvements	2,289,010	1,944,133	-	(429,527)	3,803,616
Furniture, fittings, equipment and paintings	12,496,452	420,452	(6,065)	(2,193,930)	10,716,909
Motor vehicles	964,613	-	-	(96,990)	867,623
Computer equipment	49,566,036	7,122,003	(48,854)	(14,743,916)	41,895,269
Finance leased assets	457,312	-	-	(451,971)	5,341
	65,773,423	**9,486,588**	**(54,919)**	**(17,916,334)**	**57,288,758**

Expenditure incurred to repair and maintain property, plant and equipment included in the statement of financial performance.

Expenditure incurred to repair and maintain property, plant and equipment included in statement of financial performance

	2021	2020
Contracted services	166,096	175,149
General expenses	124,416	41,825
	290,512	**216,974**

The useful lives and residual values of the various categories of property, plant and equipment were assessed during the current financial year and resulted in a change in accounting estimate. Refer to note 34.

Post-financial year-end there was theft of computer equipment to the value of R721 736 which we are in the process of recovering from our insurers.

9. INTANGIBLE ASSETS

	2021			2020		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	30,047,604	(14,054,027)	15,993,577	27,643,219	(11,281,133)	16,362,086

Reconciliation of intangible assets - 31 March 2021

	Opening balance	Additions	Amortisation	Total
Computer software	8,813,644	-	(2,772,894)	6,040,750
Intangible assets under development	7,548,442	2,404,385	-	9,952,827
	16,362,086	2,404,385	(2,772,894)	15,993,577

Reconciliation of intangible assets - 31 March 2020

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	8,879,583	582,491	2,292,490	(2,940,920)	8,813,644
Intangible assets under development	7,426,387	2,414,545	(2,292,490)	-	7,548,442
	16,305,970	2,997,036	-	(2,940,920)	16,362,086

The useful lives of the various categories of computer software were assessed during the financial year and resulted in a change in accounting estimate. Refer to note 34.

Financial Sector Conduct Authority

Annual Financial Statements for the year ended 31 March 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Amounts in rand	Note(s)	2021	2020

10. FINANCIAL ASSETS AT FAIR VALUE

	2021	2020
Designated at fair value		
Non-current investments	85,278,533	59,795,383
Current investments	1,200,000	1,221,000
	86,478,533	**61,016,383**

	2021	2020
Non-current assets		
Non-current investments	**85,278,533**	**59,795,383**

	2021	2020
Current assets		
Current investments	1,200,000	1,221,000

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

The fair value of financial instruments traded in active markets is based on quoted market prices (level 1) at the reporting date. The quoted market prices used for financial assets held by the FSCA is current bid prices.

Movement for the year

Movement for the year ended 31 March 2021

	Opening balance	Fair value adjustment	Purchases	Sales	Closing balance
Shares	23,993,716	12,898,884	5,573,993	(4,022,681)	38,443,912
Gilts and Bonds	13,620,730	1,512,910	-	-	15,133,640
Off-shore collective investment schemes	23,401,937	9,499,044	-	-	32,900,981
	61,016,383	**23,910,838**	**5,573,993**	**(4,022,681)**	**86,478,533**

Movement for the year ended 31 March 2020

	Opening balance	Fair value adjustment	Purchases	Sales	Closing balance
Shares	36,282,269	(11,493,178)	2,888,358	(3,683,733)	23,993,716
Gilts and Bonds	11,465,381	(1,450,586)	4,305,935	(700,000)	13,620,730
Off-shore collective investment schemes	24,577,319	(1,175,382)	-	-	23,401,937
	72,324,969	**(14,119,146)**	**7,194,293**	**(4,383,733)**	**61,016,383**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Amounts in rand	Note(s)	2021	2020

11. PAYABLES FROM EXCHANGE TRANSACTIONS

Accounts payables	12,835,549	13,762,591
Leave accrual	33,036,790	26,498,659
Other payables	919,428	1,056,875
Accruals	64,106,224	54,138,177
	110,897,991	**95,456,302**

12. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Payables from non-exchange transactions	121,516,246	170,725,326

The R121 516 246 (2020: R170 725 236) relates to fines and penalties raised which is payable to National Treasury as per the FSR Act. A formal request was made by the FSCA to National Treasury to retain the penalties pending the implementation of the Money Bill for consumer education transitional funding. As at 31 March 2021, partial approval was granted by National Treasury for FSCA to retain R19 335 967 for consumer education funding and R10 000 000 for establishing the Ombuds Council.

13. LEVIES AND FEES RECEIVED IN ADVANCE

Levies recieved in advance	2,695,922	1,303,788
Fees received in advance	46,577,571	43,670,738
	49,273,493	**44,974,526**

14. PROVISIONS

Reconciliation of provisions - 31 March 2021

	Balance	Additions	Utilised during the year	Total
Provision for bonus	15,167,083	15,773,333	(15,167,083)	15,773,333
Provision for legal fees	340,000	143,748	-	483,748
Provision for VAT	-	4,679,263	-	4,679,263
Provision for long service awards	5,216,420	2,071,320	(1,206,000)	6,081,740
	20,723,503	**22,667,664**	**(16,373,083)**	**27,018,084**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Amounts in rand	Note(s)	2021	2020

Reconciliation of provisions - 31 March 2020

	Opening Balance	Additions	Utilised during the year	Total
Provision for bonus	14,583,333	15,167,083	(14,583,333)	15,167,083
Provision for legal fees	172,936	250,000	(82,936)	340,000
Provision for long service awards	4,982,518	935,902	(702,000)	5,216,420
	19,738,787	**16,352,985**	**(15,368,269)**	**20,723,503**

	2021	2020
Current liabilities	22,604,344	16,737,083
Non-current liabilities	4,413,740	3,986,420
	27,018,084	**20,723,503**

15. FINANCE LEASE OBLIGATION

Minimum lease payments due

	2021	2020
- within one year	2,329	4,791
- in second to fifth year inclusive	-	2,329
less: future finance charges	2,329	7,120
	-	(1,023)
Present value of minimum lease payments	**2,329**	**6,097**

Present value of minimum lease payments due

	2021	2020
- within one year	2,200	3,897
- in second to fifth year inclusive	-	2,200
	2,200	**6,097**

	2021	2020
Current liabilities	2,200	3,897
Non-current liabilities	-	2,200
	2,200	**6,097**
Finance costs charged for the year	894	26,822

The FSCA leases some of its office equipment under 36 months finance lease. There are no escalations to the lease agreement as all machines are leased at a fixed rate for the duration of the lease.

16. POST-RETIREMENT BENEFIT OBLIGATIONS (MEDICAL AID FUND)

The FSCA recognises a liability in respect of post-retirement medical aid benefits for pensioners as at 1 January 1998 and eligible employees who were then in service, assuming that the cost of the benefit is recognised in full for existing pensioners and is spread equally over each employee's service period within the FSCA prior to retirement for employees currently in service. The FSCA is not liable for post-retirement medical aid benefits in respect of employees employed after 1 January 1998. The fund is recognised as a defined benefit plan. The actuary evaluates the liability on an annual basis, allowing for expected future medical cost inflation, investment returns, staff turnover and mortality. The FSCA contributes 100% of the medical aid contribution for its retired employees as well as 100% of the future medical aid contributions for their spouses and dependants. The last actuarial valuation of this liability was performed on 31 March 2021. It is the policy of the FSCA to match this liability with appropriate non-current investments and short-term notice deposits. Accordingly, the funds have been placed with an asset management company for investment in accordance with long-term prudential principles.

For disclosure purposes, an amount of R6 666 491 (2020: R6 365 264) representing cash on call, has been included in cash and cash equivalents. A certain portion of the post-retirement medical aid is payable within 12 months, however the value thereof is not readily determinable and thus the full liability has been disclosed as non-current. The main actuarial assumption is a long-term increase in health costs of 10.73% a year (2020: 9.47%).

Amounts recognised in the statement of financial position were detemined as follows:

	2021	2020
Present value of unfunded obligations	**51,660,126**	**46,298,280**

The movement in the present value of the unfunded obligation for the year is as follows:

	2021	2020
Opening balance	46,298,280	51,152,893
Current service cost	649,922	909,548
Interest cost	6,175,047	5,284,910
Benefits paid	(2,424,434)	(8,918,484)
Actuarial (gain)/loss	961,311	(2,130,587)
	51,660,126	**46,298,280**

The amounts recognised in the statement of financial performance are as follows:

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Amounts in rand	Note(s)	2021	2020
Current service cost		649,922	909,548
Interest cost		6,175,047	5,284,910
Benefits paid		(2,424,434)	(2,130,587)
Net actuarial (gain)/loss recognised during the year		961,311	(8,918,484)
		5,361,846	**(4,854,613)**

The principal assumptions used were as follows:

Financial assumptions

Discount rate: 14.11% (2020: 13.48%) per annum.

Rate of medical aid contribution increases: 10.73% (2020: 9.47%) per annum.

Rate of general price inflation: 9.23% (2020: 7.97%) per annum.

Mortality assumptions

Mortality - Active employee

Before retirement: Nil

After retirement: PA (90) Mortality Tables with an age reduction of two years.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Amounts in rand	Note(s)	2021	2020

Mortality assumptions

Mortality - Pensioners
PA (90) Mortality Tables with an age reduction of two years.

The effects of a 1% movement in the assumed medical cost trend rate are as follows:

	Decrease	Increase
Effect on the aggregate service cost and interest cost	(862,370)	1,025,898
Effect on the accumulated benefit obligation	(5,379,265)	6,382,033
	(6,241,635)	**7,407,931**

	2021	2020	2019	2018	2017
Present value of unfunded obligations recognised in the statement of financial position	51,660,126	46,298,280	51,152,893	51,419,952	50,208,853

17. POST-RETIREMENT BENEFIT OBLIGATION (PENSION FUND)

The pension fund for permanent employees of the FSCA is registered in terms of the Pension Fund Act, 1956 (Act No. 24 of 1956). Prior to April 2000, the fund was a defined benefit plan for the benefit of all employees. New employees who joined the fund on or after 1 April 2000 were entitled to receive retirement and resignation benefits from the accumulation of defined contributions. Employees who were in the employ at 31 March 2000 were entitled to the higher of either the defined contribution accumulation to the date of exit or the value of the defined benefit applicable on exit in terms of the rules in force as at 31 March 2000.

In the 2018 financial year, the Trustees took a decision to implement the restructuring of all active members entitled to a defined benefit underpin to a pure defined contribution basis effective 1 January 2017. Due to the restructuring, there are no active current employees who are in the defined benefit underpin. The fund currently has 20 (2020:18) pensioners, the benefits of whom are regarded as a defined obligation. An actuarial valuation of the benefit obligation was performed on 31 March 2021.

The amounts recognised in the statement of financial position were determined as follows:

	2021	2020
Present value of unfunded obligations	64,869,000	45,620,000
Fair value of plan assets	(74,530,000)	(48,970,000)
Funded status	(9,661,000)	(3,350,000)
Asset not recognised	9,661,000	3,350,000
	-	-

The FSCA does not have an unconditional right to any surplus that may accrue in the fund and therefore cannot recognise an asset in the Statement of Financial Position:

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Amounts in rand	Note(s)	2021	2020

Changes in the present value of the defined benefit obligation are as follows:

Opening balance		45,620,000	48,241,000
Interest cost		6,103,000	4,552,000
Actuarial gain/(loss)		1,556,000	(4,744,000)
Benefits paid		(5,321,000)	(4,696,000)
New pensioners		16,911,000	2,267,000
		64,869,000	**45,620,000**

Changes in the fair value of plan assets are as follows:

Opening balance		48,970,000	56,183,000
Expected return		6,501,000	5,321,000
Actuarial gain/(loss)		7,469,000	(10,105,000)
Benefits paid		(5,321,000)	(4,696,000)
New pensioners		16,911,000	2,267,000
		74,530,000	**48,970,000**

Components of pension costs for the year are as follows:

Interest cost		6,103,000	4,552,000
Acturial (gain)/loss		(5,913,000)	5,361,000
Change in asset restriction		6,311,000	(4,592,000)
Expected return on plan assets		(6,501,000)	(5,321,000)
		-	**-**

Calculation of actuarial gains and losses

Actuarial gain/(loss) – Obligation		1,556,000	(4,744,000)
Actuarial (gain/(loss) – Plan assets		(7,469,000)	10,105,000
		(5,913,000)	**5,361,000**

17. POST-RETIREMENT BENEFIT OBLIGATION (PENSION FUND) (CONTINUED) OTHER ASSUMPTIONS

Assumptions used at the reporting date

Assumptions regarding the future mortality experience are set based on advice, published statistics and experience. The average life expectancy in years of a pensioner retiring at the age of 63 at the reporting date is as follows:

	Average life expectancy 2021	Average life expectancy 2020
Male	17 years and 4 months	17 years and 4 months
Female	21 years and 8 months	21 years and 8 months

Amounts for the current and previous four years are as follows:

	2021	2020	2019	2018	2017
Defined benefit obligation	64,869,000	45,620,000	48,241,000	56,062,000	86,559,000
Plan assets	(74,530,000)	(48,970,000)	(56,183,000)	(56,884,000)	(146,907,000)
Statement of financial position restriction	9,661,000	3,350,000	7,942,000	822,000	60,348,000
	-	-	-	-	-

Key financial assumptions at valuation date

Discount rate: This is set having regard to the market yield on government bonds, using a weighted average discount rate that reflects the timing and amount of benefit payments. A rate of 11.39% per annum has been used (A rate of 11.87% was used at 31 March 2020).

Long-term price inflation rate: We have assumed a long-term future inflation rate of 6.54% per annum. This was calculated to reflect the difference between the yields on nominal government bonds and index-linked government bonds (at the appropriate duration), after allowing for an inflation risk premium of 0.50% on the basis that nominal bond yields include an inflation risk premium (being the additional return an investor seeks in compensation for the inflation risk taken on) and therefore that the implied inflation rate is lower than that suggested by the differential between nominal and index-linked bond yields (6.44% used at 31 March 2020).

Pension increases: It has been assumed that pension increases will take place at a rate of 4.91% per annum (4.83% used at 31 March 2020). This represents 75% of the expected inflation rate above and is in line with Pension Increase Policy of the Fund.

Expected return on plan assets: It has been assumed that the long-term expected return on plan assets is equal to the discount rate of 11.39% per annum, following the approach adopted in the previous disclosure. This is consistent with the approach set out in the IAS 19 revised 2011. GRAP25 indicates that “the expected return on plan assets is based on the market expectations at the beginning of the reporting period, for returns over the entire life of the related obligation”. It could be argued that on a risk-adjusted basis, it is reasonable to set this

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rate equal to the discount rate, but the employer may wish to consider the implications of this assumption and its consistency with the requirements of the GRAP25 standard.

Pension expenses: Allowances is made for the cost of the administration of the pensioners records in the pensioner liability at a rate of R32.00 plus VAT per pensioner per month.

Experience adjustments

	2021	2020	2019	2018	2017
Active liabilities at end of the year	-	-	-	-	34,667,000
Pensioners liabilities at end of the year	64,869,000	45,620,000	48,241,000	56,062,000	51,892,000
Combined assets at end of year	(74,530,000)	(48,970,000)	(56,183,000)	(56,884,000)	(146,907,000)
	(9,661,000)	**(3,350,000)**	**(7,942,000)**	**(822,000)**	**(60,348,000)**
Gain/(loss) on liabilities through experience	1,072,000	(1,493,000)	4,222,000	5,817,000	(3,776,000)
Gain/(loss) on liabilities through assumptions	(2,628,000)	6,237,000	3,941,000	(1,744,000)	1,781,000
	(1,556,000)	**4,744,000**	**8,163,000**	**4,073,000**	**(1,995,000)**
Gain/(loss) on plan assets	7,469,000	(10,105,000)	(1,116,000)	2,258,000	(8,603,000)

18. CONTINGENCY RESERVE

	2021	2020
Opening balance	85,846,540	80,679,845
Change during the year	789,242	5,166,695
	86,635,782	**85,846,540**

An amount of R789 242 (2020: R5 166 695) was transferred from accumulated surplus to maintain the reserve at 10% of annual levy and fee income.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Amounts in rand	Note(s)	2021	2020

19. DISCRETIONARY RESERVE

Opening balance	30,454,521	35,658,180
Transfer (to)/from accumulated surplus	17,473,910	(5,203,659)
	47,928,431	**30,454,521**

The transfer (to)/from accumulated funds for the year, as reflected in the statement of changes in net assets is calculated as follows:

Income from fines and penalties	21,153,406	356,000
Provisions	(1,157,500)	-
Interest allocated to this reserve	2,586,465	4,978,293
Expenses in respect of consumer education	(5,108,461)	(11,079,323)
Reversal of provision	-	541,371
	17,473,910	**(5,203,659)**

20. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

2021	Financial assets at amortised costs	Fair value through surplus or defict	Total
Financial assets at fair value	-	86,478,533	86,478,533
Receivables	17,442,362	-	17,442,362
Cash and cash equivalents	600,645,483	-	600,645,483
	618,087,845	**86,478,533**	**704,566,378**

2020	Financial assets at amortised costs	Fair value through surplus or defict	Total
Financial assets at fair value	-	61,016,383	61,016,383
Receivables	11,625,662	-	11,625,662
Cash and cash equivalents	542,429,536	-	542,429,536
	554,055,198	**61,016,383**	**615,071,581**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Amounts in rand	Note(s)	2021	2020

21. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below

2021	Other financial liabilit	Total
Payables	77,861,201	77,861,201
Finance lease obligation	2,200	2,200
	77,863,401	**77,863,401**

2020	Other financial liabilit	Total
Payables	68,957,643	68,957,643
Finance lease obligation	6,097	6,097
	68,963,740	**68,963,740**

22. CREDIT QUALITY OF RECEIVABLES

Trade Receivables		
Group 1	37,714,532	57,950,601
Group 2	836,113	1,982,737
Group 3	184,607,389	194,170,172
	223,158,034	**254,103,510**

Group 1 - debtors outstanding for less than 90 days and with no defaults.

Group 2 - new debtors outstanding for more than 90 days and with no defaults.

Group 3 - existing debtors outstanding for more than 90 days and with some defaults.

The total gross carrying amount of the impaired receivables as at reporting date is R201 216 139 (2020: R238 024 423 and the associated total impairment is R100 450 108 (2020: R73 488 223) see note 4, 5 and 6. Of these debtors, the recovery of R9 522 787 (2020: R20 563 639) has been handed over for collection. Refer to the accounting policy note 1.4 for factors management considered in determining receivables impairement.

Cash and short-term deposits are held with banking institutions and the CPD and are regarded as having low credit risk. The FSCA invests its surplus cash in the short term deposits accounts with CPD. The interest rates on these accounts fluctuate in line with the movements in current money market rates.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Amounts in rand	Note(s)	2021	2020

23. REVENUE FROM EXCHANGE TRANSACTIONS

Fees and service charges		29,374,072	31,315,907
Legal fees and other cost recoveries		6,261,815	20,235,231
Interest received		22,188,631	37,991,593
Dividends received		787,928	1,358,145
Other income		4,438,722	4,349,745
Compensation from insurance		1,301,212	1,090,034
		64,352,380	**96,340,655**

24. REVENUE FROM NON-EXCHANGE TRANSACTIONS

FSCA Levies		706,427,008	702,953,379
PFA Levies		76,173,662	71,113,059
FAIS Ombud Levies		54,383,077	53,083,052
Penalties		21,153,406	356,000
Other income		4,096,583	2,249,046
		862,233,736	**829,754,536**

25. RELATED PARTIES

Related party balances

Year-end balances arising from services provided to/(by) related parties			
Office of the Pension Fund Adjudicator		(2,742,399)	(7,265,788)
Office of the Ombud for Financial Services Providers		(47,836,848)	(36,246,492)
Financial Services Tribunal		9,466,855	2,608,853
		(41,112,392)	**(40,903,427)**

Funds provided to the Office of the Pension Fund Adjudicator in terms of section 30R (1) (a) of the Pension Funds Act, No. 24 of 1956 as amended.

Contribution towards funding of the office		75,392,409	70,758,372

Funds provided to the Office of the Ombud for Financial Services Providers in terms of section 22 (1) (a) of the Financial Advisory and Intermediary Services Act, No. 37 of 2002.

Contribution towards funding of the office		57,627,407	64,384,188

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Amounts in rand	Note(s)	2021	2020
Income/(Payments) to or from related parties			
Income received for services to Pension Fund Adjudicator		4,402,944	4,194,692
Income received for services to Ombud for Financial Services Providers		-	28,260
Payments for Financial Services Tribunal hearing costs		6,334,620	7,285,752
		10,737,564	**11,508,704**

The FSCA provides financial, secretarial and other support to the Tribunal as per the transitional regulations. The FSCA, National Treasury and other listed entities are within the sphere of national government.

Key management information

Management class: Governance Committee fees

31 March 2021	Human Resources and Remuneration	Audit Committe fees	Risk Committe fees	Other	Total
Name					
T Ajam (Appointed July 2020)	-	-	50,111	16,165	66,276
V Balgobind (Appointed July 2020)	35,563	-	-	3,233	38,796
S Gounden (Appointed August 2020)	-	46,879	50,111	35,563	132,553
PR Koch (Appointed July 2020)	-	-	50,111	32,330	82,441
SM Malatji (Appointed July 2020)	-	-	50,111	32,330	82,441
LW Matlhabe (Appointed August 2020)	22,631	-	-	32,330	54,961
J Mogadime (Re-appointed August 2020)	35,563	66,277	12,932	51,728	166,500
EP Mokgobu (Appointed August 2020)	-	46,878	-	32,330	79,208
HL Molebatsi (Appointed July 2020)	35,561	-	-	35,563	71,124
D Msomi (Re-appointed August 2020)	96,666	22,307	-	70,641	189,614
P Mvulane (Appointed November 2020)	-	29,097	-	-	29,097
TL Randall (Appointed July 2020)	35,563	-	-	35,563	71,126
HM Ratshefola (Re-appointed July 2020)	22,631	66,276	63,045	50,112	202,064
PJ Sutherland (Re-appointed July 2020)	84,058	19,398	-	54,961	158,417
H Wilton (Term ended August 2020)	12,932	19,398	12,932	153,568	198,830
	381,168	**316,510**	**289,353**	**636,417**	**1,623,448**

25. RELATED PARTIES (CONTINUED)

31 March 2020	Human Resources and Remuneration Committee fees	Audit Committe fees	Risk Committe fees	Other	Total
Name					
* AM Sithole (Commissioner FSCA)	13,991	9,327	-	-	23,318
HS Wilton	34,572	106,453	44,023	91,966	277,014
J Mogadime	-	118,889	56,459	40,418	215,766
D Msomi	43,899	118,889	-	18,655	181,443
MH Ratshefola	-	69,142	56,459	23,318	148,919
PJ Sutherland	43,899	118,889	-	62,182	224,970
	136,361	**541,589**	**156,941**	**236,539**	**1,071,430**

* Mr AM Sithole resigned from the FSCA effective from 31 July 2020.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31 March 2021	Basic salary	Incentive	Leave	Long service award	Total
Name					
**DP Tshidi, Executive Head (contract ended 5 November 2020)	3,792,215	293,000	1,471,172	-	5,556,387
**JA Boyd, DE: Markert Intergrity (Retired 31 March 2021)	3,963,336	298,000	764,274	24,000	5,049,610
**CD Da Silva, DE: Regulatory Policy (resigned 31 October 2020)	2,253,052	-	840,728	-	3,093,780
**MM Du Toit, DE: Specialist Support (retired 31 December 2020)	2,896,781	260,000	814,802	-	3,971,583
**O Makhubela, DE: Retirement Funds Supervision	3,520,480	-	140,834	-	3,661,314
**LP kekana, CFO	3,698,047	260,000	210,919	6,000	4,174,966
JJR Hlalethoa, DE: Corporate Center	3,894,233	260,000	229,882	-	4,384,115
RP Mpete, CRO	1,770,683	131,985	-	-	1,902,668
P Mogase, CIO	2,807,500	104,000	119,096	-	3,030,596
FM Mabaso, DE: Licensing	3,124,603	182,000	237,616	-	3,544,219
K Dikokwe, DE: Conduct Business Supervision	2,746,250	221,000	178,644	-	3,145,894
BR Topham, DE: Investigation and Enforcement	3,881,526	234,000	-	-	4,115,526
**KL Gibson	3,162,213	-	-	-	3,162,213
	41,510,919	**2,243,985**	**5,007,967**	**30,000**	**48,792,871**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31 March 2020	Basic salary	Incentive	Leave	Long service award	Total
Name					
**DP Tshidi, Executive Head	6,268,763	800,000	474,955	30,000	7,573,718
**JA Boyd, DE: Markert Intergrity	3,788,638	662,000	-	-	4,450,638
**CD Da Silva, DE: Regulatory Policy	3,724,433	518,000	-	-	4,242,433
**MM Du Toit, DE: Specialist Support	3,724,433	518,000	-	-	4,242,433
**O Makhubela, DE: Retirement Funds Supervision	3,218,737	374,000	-	-	3,592,737
R Harichunder, CRO (contract ended 28 February 2020)	2,452,414	-	-	-	2,452,414
**LP kekana, CFO	3,535,043	576,000	200,875	-	4,311,918
JJR Hlalethoa, DE: Corporate Center	3,722,581	489,000	222,108	18,000	4,451,689
RP Mpete, CRO (appointed 1 December 2019)	549,938	-	-	-	549,938
P Mogase, CIO	2,531,250	259,000	-	-	2,790,250
FM Mabaso, DE: Licensing	2,986,875	432,000	-	-	3,418,875
K Dikokwe, DE: Conduct Business Supervision (appointed 01 July 2019)	1,830,000	200,000	115,989	24,000	2,169,989
BR Topham, DE: Investigation and Enforcement	3,710,434	432,000	-	-	4,142,434
**KL Gibson	2,976,200	-	-	-	2,976,200
	45,019,739	**5,260,000**	**1,013,927**	**72,000**	**51,365,666**

** Member of the Transitional Management Committee (TMC).

Mr A Sithole resigned from FSCA effective from 31 July 2020.

Mr DP Tshidi was appointed as the Acting Commissioner of the FSCA from 6 August 2020 until 5 November 2020.

Mr O Makhubela was appointed as Acting Commissioner of the FSCA from 6 November 2020 until 31 March 2021. Included in his salary is an acting allowance of R153 323.

Subsequent to the financial year-end, Ms K L Gibson was appointed as the Acting Commissioner from 1 April 2021.

Mr. U Kamlana was appointed as the Commissioner with effect from 1 June 2021.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Amounts in rand	Note(s)	2021	2020

26. AUDITORS' REMUNERATION

	2021	2020
Current year-interim fee	423,312	1,431,976
Prior year audit fees	2,823,298	2,279,487
	3,246,610	**3,711,463**

27. GENERAL EXPENSES

Travelling costs	591,868	9,391,034
Telephone and data lines	8,332,914	7,464,223
Advertising and publication	13,026,802	31,109,884
Computer support, maintenance and licensing costs	35,410,385	25,265,851
Insurance	2,981,467	2,556,331
Other general expenses	21,712,468	18,847,476
	82,055,904	**94,634,799**

28. PROVISION FOR CREDIT LOSSES

Provision for credit losses for the year is stated after accounting for the following:

Current year provision	15,118,981	2,044,147
Reversal of prior year provision	(97,401)	(541,371)
	15,021,580	**1,502,776**

Amounts in rand	Note(s)	2021	2020

29. RECONCILIATION OF SURPLUS FOR THE YEAR TO NET CASH FLOWS FROM OPERATING EXPENSES

Surplus for the year	30,983,465	25,039,748
Adjustments for:		
Depreciation and amortisation	20,640,071	20,857,254
Loss on sale of assets	108,528	54,919
Fair value adjustment	(23,910,838)	14,119,146
Provision for credit losses	15,021,580	1,502,776
Finance costs	894	26,822
Movements in operating lease assets and accruals	(1,572,400)	4,316,252
Movements in post-retirement medical expenses	5,361,846	(4,854,613)
Changes in working capital:		
Decrease/(Increase) in receivables	42,885,782	(146,721,626)
Decrease/(Increase) in prepayments	1,879,644	(7,797,433)
(Decrease)/Increase in payables	(29,088,128)	162,954,979
Increase in levies and fees received in advance	4,298,967	6,619,631
Increase in provisions	1,615,318	984,716
	68,224,729	**77,102,571**

30. TAXATION

The FSCA is exempt from income tax in terms of section 10(1) (cA)(i)(bb) of the Income Tax Act, 1962 (Act No. 58 of 1962).

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Amounts in rand	Note(s)	2021	2020

31. COMMITMENTS

Authorised capital expenditure

Already contracted for but not provided for			
• Capital expenditure		8,747,410	14,030,392
Not yet contracted for			
• Property, plant and equipment		22,401,000	10,194,000
• Intangible assets		113,660,000	173,070,000
		136,061,000	**183,264,000**

Total capital commitments			
Already contracted for but not provided for		8,747,410	14,030,392
Not yet contracted for		136,061,000	183,264,000
		144,808,410	**197,294,392**

Operating leases commitments			
Minimum lease payments due for Block B			
- within one year		40,731,505	37,820,952
- in second to fifth year inclusive		70,909,192	112,038,741
		111,640,697	**149,859,693**
Minimum lease payments due for Block C - 2nd floor			
Within one year		5,182,477	4,798,590
in second to fifth year inclusive		9,009,485	14,191,962
		14,191,962	**18,990,552**
Minimum lease payments due for Block C Ground & 1st floor			
- within one year		11,847,448	10,969,859
- in second to fifth year inclusive		20,672,876	32,520,325
		32,520,324	**43,490,184**
Minimum lease payments due for Block C 3rd floor			
- within one year		3,671,160	3,382,138
- in second to fifth year inclusive		6,430,616	10,101,776
		10,101,776	**13,483,914**

Office equipment leases

The FSCA leases some of its office equipment through National Treasury's transversal contract. The period of the lease is 36 months with no escalations attached to the lease agreement.

Minimum lease payments due		
- within one year	555,223	603,778
- in second to fifth year inclusive	399,808	871,917
	955,031	**1,475,695**

32. CONTINGENT LIABILITIES

The FSCA has no contingent liabilities.

33. ASSETS ADMINISTERED ON BEHALF OF THIRD PARTIES

In terms of section 82(4) of the Financial Markets Act 19 of 2012, amounts recovered by the FSCA from civil action activities are transferred to a special trust account designated for this purpose, as such recoveries do not form part of the normal operating activities of the FSCA. The balance of the Insider Trading account at the end of the year was R5 168 569 (2020: R1 522 367).

34. CHANGE IN ESTIMATE

Impact of changes in accounting estimate		
Increase in net surplus	771,358	834,875
Decrease in depreciation on property, plant and equipment	(555,022)	(752,065)
Decrease in amortisation on intangilbe assets	(216,336)	(82,810)
	-	-

In the current year, management re-assessed the remaining useful lives and residual values of property, plant and equipment and intangible assets. The change in estimate is applied prospectively. The effect of this assessment has decreased the depreciation and amortisation charges in the current period and increased the depreciation and the amortisation charges for future periods by R555 022 (2020: R752 065) and R216 336 (2020: R82 810), respectively.

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35. SERVICES RECEIVED IN-KIND

The FSCA receives services in-kind in the form of free training from various organisations which are not significant to operations.

36. IRREGULAR EXPENDITURE

	2021	2020
Opening balance as previously reported	1,005,613	1,005,613

Due to exceptional circumstances, irregular expenditure was incurred on a 12 months contract extension for ICT services. The 12 months contract extension was to allow the finalisation of the procurement process to appoint a new service provider. National Treasury approval was subsequently obtained for the remainder of the four months contract extension. A request for condonation has been submitted to the National Treasury for consideration and approval.

37. BUDGET DIFFERENCES

Material differences between budget and actual amounts

The budgetary basis and classification adopted are the same as those applied in the preparation of the financial statements. The approved budget covers the period from 1 April 2020 to 31 March 2021. Included in the budget are contributions made towards the funding of the Offices of the Ombud of the Financial Services Providers and Pension Funds Adjudicator.

Revenue from exchange transactions

The favourable variance to budget is mainly as a result of interest from investments and other income not budgeted for.

Revenue from non-exchange transactions

The unfavourable variance to budget is mainly as a result of annual levy increases being lower than budget as agreed with industry.

Fair value adjustment

The fair value adjustment relates to the portfolio earmarked for the post-retirement medical aid fund liability which is not budgeted for due to the market unpredictability.

Amounts in rand	Note(s)	2021	2020

37. BUDGET DIFFERENCES (CONTINUED)

Advisory and other committee fees

The favourable variance is due to the delay in the Tribunal being fully operational.

Internal audit fees

The favorable variance is due to some planned audits deferred to the next financial year as a result of the national lockdown.

Legal fees

The unfavorable variance is mainly due to the number of cases being higher than budgeted.

Other operating expenses

The favourable variance is mainly as a result of the national lockdown, deferment of planned activities and shift in operations with staff working from home.

Professional and consulting fees

The favourable variance is due to lesser outsourcing activities undertaken in the year under review.

Provision for credit losses

Provision for credit losses are not budgeted for due to the uncertainty surrounding the recoverability of receivables.

Post Retirement Medical Aid fund expense

The post-retirement medical aid fund expense is not budgeted for as it is dependent on the annual actuarial valuation.

Salaries, staff benefits, training and other staff expenses

The favourable variance is mainly due to the moratorium on staff recruitment and national lockdown.

Executive management remuneration

The favourable variance is due to vacancies as a result of resignations/retirements.

Committee members fees

The favourable variance is due to the re-oganization of the FSCA governance structures.

38. COVID-19 IMPACT

The Accounting Authority has recognised the impact of the Covid-19 crisis and the resultant restrictions on the local economy and the ability of some regulated entities to fulfil their financial obligations. At this stage, the impact on our operations has not been significant. We will continue to follow the various government policies and advice to ensure the health and safety of our stakeholders and at the same time preserving our resources, performing financial scenarios and liquidity stress testing in order to remain sustainable.

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