FSCA NEWSLETTER

September 2024

FSCA

Financial Sector
Conduct Authority

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Q2 Newsletter 2024

It has been a significant quarter for the FSCA as we elevated the conversation on financial education in South Africa, with the launch of our inaugural financial education summit. The event brought together key decision makers to discuss commitments that need to be made in advancing this all-important effort. This will culminate in the signing of an industry charter on financial education next year.

This quarter also saw the roll-out of the highly anticipated Two Pot/ Two Components System, a retirement savings regime that formed part of the Pension Funds Amendment Bill and Revenue Laws Amendment Bill (RLAB), which came into effect on 1 September 2024. The system aims to preserve retirement savings while offering limited access when needed. Over the next few months, we will continue to give updates on Two Pot, and bring you any key developments pertaining to this reform.

We hope this edition will provide you with valuable insights into our ongoing efforts to shape a fair, transparent and sustainable financial sector. To enrich these insights, we have also included some contributions from other key stakeholders in our sector. This is something we are looking to establish as a key feature in future editions.

Best regards,
Tembisa Marele

Editors Note

UNPACKING THE TWO POT SYSTEM – IMPORTANT INFORMATION YOU NEED TO KNOW!

BY ATHULE MPANDLE – COMMUNICATIONS OFFICER (FSCA)

In 2023, the South African Government proposed reforms for the retirement saving regime to introduce the Two-Components retirement system (Two-Pot system) from 1 September 2024. This was followed by the passing of the Pension Funds Amendment Bill and Revenue Laws Amendment Bill (RLAB). In terms of this reform, retirement savings would be split into a vested component, a savings component and a retirement component with the vested component made up of retirement savings as at 31 August 2024. It was proposed that the regime provide for the creation of once-off seed capital calculated as ten per cent of the vested component or R30 000, whichever is the lowest, to be allocated from the retirement savings to the new savings component. As of 1 September 2024:

- Retirement contributions will be split into two, with one third of the contributions going into the savings component and two-thirds going to the retirement component
- Members will be able withdraw funds allocated to the savings component once every tax year should they need to, for example, in the case of financial distress or emergency. The minimum withdrawal amount is R2 000 and will be taxed at marginal income tax rates.
- The two-thirds which will be allocated to the retirement component will be required to be preserved until retirement (i.e. withdrawals from this component will be triggered by the member reaching normal retirement age per the fund rules).

The system aims to preserve retirement savings while offering limited access when needed. In many cases, retirement funds are the only savings that fund members have. Under the previous system, some members would resign just to access their retirement fund savings to pay off debt, which is detrimental from an economic, financial planning and retirement provision perspective. It is important to understand how this system impacts your retirement planning.

Some important questions to ask:

- **Does the Two-Pot System apply to all funds?**
  The Two-Pot System generally applies to all retirement funds (pension funds, provident funds, preservation funds and retirement annuity funds). The Two-Pot System does not, however, apply to unclaimed benefit funds, pensioners, beneficiary funds and closed/dormant funds. Legacy retirement annuity funds may be exempted if they comply with the conditions to be determined by the FSCA.

- **How often can I access funds from the savings pot?**
  A member may access the entire Savings Pot or a portion thereof once a tax year, subject to a minimum withdrawal amount of R2 000.

- **How do I know how much is in each of my pots?**
  You should receive or request an annual benefit statement from your fund. This document will detail the balances in your vested, savings and retirement pots.

- **Can I move money between the vested pot and the savings pot?**
  No transfers can be made into the savings pot except for the seeding amount from the vested pot. You may, however, transfer from your savings pot to your retirement pot.

- **Do my savings in the Savings Pot grow if I have not withdrawn my seed capital this year?**
  Yes, the Seed Capital of 10% of the Vested Pot capped at R30 000 and 1/3 of retirement contributions from 1 September 2024, together with fund return will grow and roll over to the next year if the member does not make a withdrawal.

- **Apart from the tax that will be deducted when a member makes a withdrawal from the Savings Pot, are there any other cost implications?**
  Each time a member makes a withdrawal from the Savings Pot, the member will be charged administration fees as per the fund rules. Further, if a member owes SARS, any such outstanding amount will be deducted first before the withdrawal amount is paid out.

- **Is the Savings Pot attachable and executable by creditors?**
  Generally, a member's retirement benefit cannot be attached by creditors. The benefit enjoys protection from creditors but once the member withdraws it from the fund, the benefit loses its protection. The same applies to the Savings Pot.

- **Will the administrators of retirement funds disclose the fees that will be charged when a member applies for a withdrawal from the Savings Pot?**
  Administrators are required to be transparent with the members and are obliged to communicate the fees that will be charged when members withdraw from the Savings Pot. All the necessary information must be provided to the members to enable them to make informed decisions.

- **Who can I contact to find out more about the Two-Pot System?**
  Engage with your fund directly and request the information from the Board of Trustees or refer to the contact information on your annual benefit statement.

- **What process should I follow if I have a complaint?**
  Step 1: Write a formal complaint to your fund or the fund administrator.

  Step 2: If you are not happy with the way your complaint was dealt with, you can contact the Office of the Pension Fund Adjudicator (OPFA) and request assistance for the resolution of your complaint. You will need to submit a written complaint explaining the nature and details of your complaint. You can also use the online submission form available on the OPFA website. You must provide a copy of your ID, proof that you are a member of the fund and documentation in support of your complaint. The OPFA manages the mediation or consultation process and will make a final decision (called "a determination") if you and the fund or the fund administrator cannot come to an agreement.

  Step 3: If you, the fund or the fund administrator are not satisfied with the determination of the OPFA, you can refer the determination to the Financial Services Tribunal for reconsideration at no cost.

The Two-Pot system is meant to help fund members in times of financial difficulty by allowing access to the savings component before retirement. It is advisable that members use the savings component sparingly and only when there is a dire need. Most importantly, it also protects a portion of savings to only be used for retirement.

To access further information on the Two Pots system, visit www.fscamymoney.co.za or www.treasury.gov.za

COMPREHENSIVE GUIDE TO COMPETENCY, FINANCIAL SOUNDNESS, AND OPERATIONAL ABILITY FOR FINANCIAL SERVICES PROVIDERS

The Financial Sector Conduct Authority (FSCA) continues to uphold its strategic objective of improving industry practices, with the goal of achieving fair outcomes for financial customers. Through its Financial Advisers and Intermediaries (FAI) department, the FSCA dedicates some of its supervisory activities to ensuring that the conduct of Financial Services Providers (FSPs) in South Africa is in line with set regulations. The department is responsible for supervising the 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-advice basis. They work tirelessly to ensure that FSPs meet critical requirements connected to competency, financial soundness, and operational ability, which are essential for maintaining high standards within the financial sector. This article provides a comprehensive guide of these requirements and what FSPs can do to better comply with these.

Competency Requirements

The competency requirements for FSPs, key individuals, and representatives are governed by the FAIS Act and Board Notice 194 of 2017. These requirements are divided into four parts and ensure that FSPs, key individuals, and representatives are well-equipped to provide reliable financial services. By adhering to these regulations, the financial services industry maintains a high standard of expertise and ethical conduct. This framework supports the protection of consumers and strengthens the overall integrity of the sector, contributing to its stability and growth.

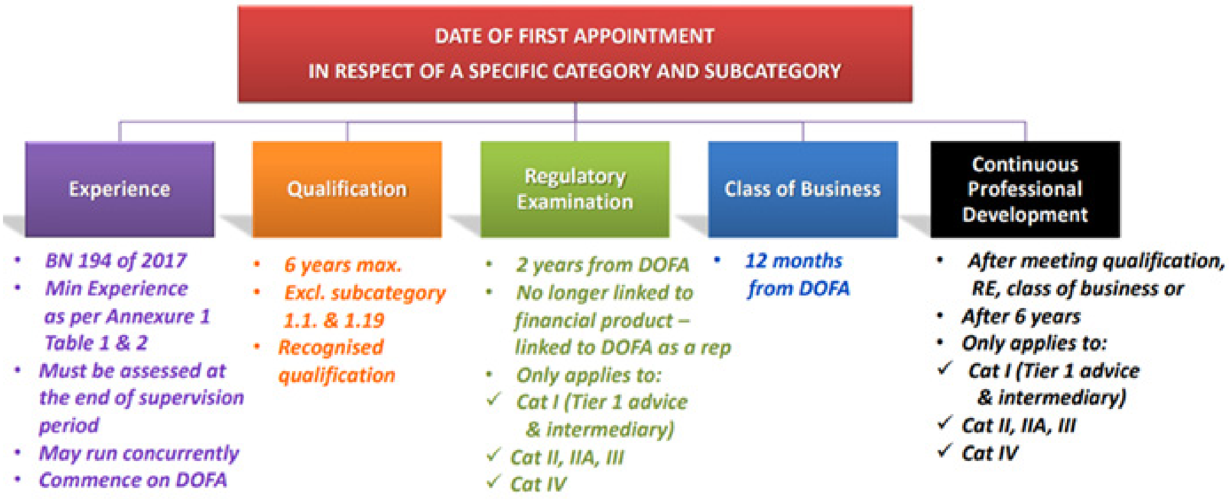
- *Qualifications and Experience*
  FSPs, key individuals, and representatives must possess relevant skills, knowledge, and expertise. They must also hold recognised qualifications and maintain their competence through continuous professional development.

- *Regulatory Examinations and Training*
  All FSPs, key individuals, and representatives must pass regulatory exams (with certain exemptions for Category I FSPs and their representatives handling specific financial products) and complete class of business and product-specific training. This training ensures they are knowledgeable about the financial products and services they offer.
  With product-specific training, the focus is on specific financial products, including updates and amendments. It must be completed before rendering any financial service and applies to new representatives appointed after 1 May 2018.

- *Services Under Supervision*
  New representatives can work under supervision, allowing them to gain necessary experience and meet competency requirements. Supervision agreements must detail the duties and supervision intensity.

  FSPs must ensure they have the operational ability to supervise representatives and that such appointments do not increase risk or impair governance. Regular reviews of supervision arrangements are necessary, and the supervised representative must actively pursue necessary training and examinations. The supervision status must be reflected in the register of representatives.

See compliance periods for different categories below:



- *Continuous Professional Development (CPD)*
  Key individuals and representatives must complete a minimum number of CPD hours annually from 1 June to 31 May. The hours required vary based on the range of services provided, 6 hours for a single subclass of business within a single class; 12 hours for more than one subclass within a single class and 18 hours for more than one class of business.

  CPD activities must be relevant to the functions and roles of the FSPs and approved by a professional body. FSPs must maintain competence records as per section 30 of Board Notice 194 of 2017.

Financial Soundness Requirements

Financial soundness is critical for FSPs to ensure they can meet their obligations and operate sustainably. The FSCA mandates specific financial soundness requirements that FSPs and their juristic representatives must adhere to, based on their license categories. Compliance with financial soundness requirements set by the FSCA is essential for FSPs to maintain their operational integrity and stability. This framework supports the overall health of the financial services sector, protecting both the providers and the consumers they serve. These requirements include:

- *General requirements*
  All FSPs must maintain sufficient financial resources to conduct operations and meet liabilities as they fall due. They must submit approved annual financial statements within four months of the financial year-end.

- *Specific reporting requirements*
  FSPs that do not hold or receive monies in respect of a financial product must submit a full set of annual financial statements and a Section 19(2) auditor's report in accordance with International Financial Reporting Standards (IFRS), or an accounting officer/independent reviewer's report with Annexure A, if eligible for exemptions related to audited financial statements. Those that do hold or receive monies must also include additional reports on their separate bank accounts.

- *Solvency and liquidity requirements*
  FSPs must ensure their total assets exceed total liabilities. They must also maintain sufficient liquid assets to cover at least four weeks of annual expenditure.

- *Early warning requirements*
  FSPs must report to the FSCA if their assets exceed liabilities by less than 10% or if their current assets exceed current liabilities by less than 10%. These reports must be signed off by the CEO, controlling member, managing or general partner, or trustee of the FSP.

Operational Ability

Operational ability requirements ensure FSPs have the necessary resources and systems to effectively manage and oversee financial services. Adhering to the operational ability requirements outlined in Chapter 5 of Board Notice 194 of 2017 is vital for FSPs. By ensuring adequate resources, effective governance, and meticulous outsourcing practices, FSPs can maintain compliance and enhance their service delivery in the financial sector. Key aspects include:

- *General requirements*
  FSPs must have adequate human, technical, and technological resources. They must also maintain a fixed business address, communication facilities, storage systems, and a governance framework.

- *Key Individuals*
  Each FSP must have at least one key individual per class of business. Key individuals must have the operational ability to manage and oversee financial services activities effectively.

- *Representatives*
  Representatives of an FSP must have the capability to perform their duties effectively. A juristic representative must have at least one key individual responsible for managing the financial services they provide.

- *Governance requirements*
  FSPs must adjust their risk management, internal controls, and governance structures according to their business's nature, size, and complexity. This includes developing a business plan, risk management policies, and disaster recovery plans.
- *Outsourcing*
  When outsourcing functions, FSPs must ensure the service providers have the necessary capabilities and permissions. All outsourcing agreements should be documented, detailing the rights and responsibilities of all parties involved.

The FSCA's stringent requirements for competency, financial soundness, and operational ability are designed to uphold the integrity and reliability of the financial services sector in South Africa. By adhering to these regulations, FSPs can ensure they provide high-quality services while maintaining financial stability and operational efficiency. Compliance with these standards not only protects consumers but also strengthens the overall financial system. These comprehensive guidelines highlight the critical areas that FSPs need to focus on to remain compliant and competitive in the dynamic financial services environment.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FSCA FINANCIAL EDUCATION SUMMIT: CREATING ACCESSIBLE FINANCIAL EDUCATION FOR ALL SOUTH AFRICANS

BY NOMTHANDAZO MTSHWENI – COMMUNICATIONS OFFICER (FSCA)

With the constant evolution of the financial landscape, it is important for financial customers to stay informed about new tools, strategies, and regulations that will enable them to make sound financial decisions. Financial education equips individuals with the knowledge and skills needed to effectively manage their finances and make informed economic decisions. Informed individuals are empowered to navigate their finances armed with the know-hows to manoeuvre through the good and the bad by grasping concepts such as budgeting, saving, investing, and debt management. And when individuals are empowered to make sound choices, that can lead to improved quality of life and greater opportunities, ultimately creating a more savvy and resilient society.

It is with this premise that the Financial Sector Conduct Authority in collaboration with the Financial Sector Consumer Education Foundation (FSCEF), VISA, and the Johannesburg Stock Exchange (JSE) hosted its inaugural Financial Education Summit. With the purpose to address the increasing financial challenges faced by South African consumers as a direct result of growing economic pressures, the summit saw regulators, financial institutions, government representatives and other key industry players coming together with the common goal to advance financial education in South Africa.

In his opening address, FSCA Commissioner Unathi Kamlana put strong emphasis on the need to have a unified and collaborative approach in empowering financial customers.

“We recognise that the challenges facing financial customers today, be it economic pressures, increasing vulnerability, or the rapid evolution of technology. All of them demand a unified approach to financial education. It is only by working together, pooling our resources, and strategically aligning our efforts that we can ensure that financial education is not just accessible, but also impactful”,

He further highlighted the need for financial education efforts to keep pace with rapid innovations and technological advancements happening in the financial sector.

The Commissioner's address was followed by a series of panel discussions where industry thought leaders deliberated over various topics underpinned by the theme of collaboration. Engaged in these panels were luminaries such as Magda Bianco, G20/GPFI Co-Chair and Chair of the International Network for Financial Education; Celiwe Ross, Director of Group Public Affairs, People Cluster and Group Strategy at Old Mutual; Adrian Burke, CEO of The Association for Savings and Investments South Africa (ASISA); Viviene Pearson, CEO of the South African Insurance Association (SAIA); Lineshree Moodley, CEO of Visa; Mr. Hylton Kaliner, CEO of Discovery Bank; Mary Vilakazi, CEO of FirstRand and Board Member of BASA and Lungisa Fuzile, CEO of Standard Bank South Africa.

To ensure that financial education has no age-restrictions, the Department of Basic Education was also in attendance, represented by Chief Education Specialist, Mzikayise Masango. His comments on the need for a more structured approach to financial education in schools put emphasis on a holistic approach that also addressed the financial literacy at grass-roots level, particularly during the formative years of tomorrow's consumers, entrepreneurs and ultimately contributors to society.

The summit, however, was not all talk and no action. Based on the common understanding of the collaborative efforts needed to invest in financial education in order to bridge the gaps in knowledge and access, the Draft Financial Commitment Charter was presented by FSCA Deputy Commissioner Katherine Gibson. She pointed out the significance of the charter as a guiding framework to ensure that efforts towards consumer education are sustained, coordinated and effective; and to enable the financial sector to support national goals and objectives for financial literacy, capability, and well-being of financial customers. It is also an instrument through which all co-signatories can demonstrate commitment to financial education, social responsibility to improve financial decision-making and stability of individuals and communities.

By prioritising this commitment towards advancing financial education as a collaborative unit, we not only enhance personal well-being and economic security but also drive systemic change that can lead to greater financial stability and economic growth on a broader scale. Advancing financial education ensures that everyone has the opportunity to build a better future, free from the constraints of financial ignorance and social inequality.

POWERHOUSE

FSCA CELEBRATES WOMEN'S MONTH

In celebration of Women's Month, we recently caught up with Felicity Mabaso, the Divisional Executive for Licensing and Business Centre at the FSCA, to get her thoughts on her career in regulation and other matters affecting women in the sector.

Felicity Mabaso – Divisional Executive: Licensing and Business Centre

Please describe your career journey within the FSCA?

I have always been a self-driven individual from a young age. I joined the FSCA as a young inquisitive and hard-working individual. My outlook and disposition to life enabled me to advance internally in my career. I started as a Junior Analyst and moved up the ranks. Today I am a Divisional Executive for Licensing and Business Centre solely because I believe that we are the master of our own destiny and each day we are given an opportunity to frame our leadership narrative.

What challenges have you overcome in your career?

Female leaders are faced with multifaceted challenges in the workplace including finding their own voice. My own was around gender biases. This made me to find my own leadership styles to address stereotypes that normally exists where people stigmatize you as a woman. Hence, I am intentional about how I show up at the workplace all the time. Like they say, "energy goes where the focus is".

How does the FSCA promote diversity and inclusion within the organisation?

The FSCA has an Employee Equity plan, policies, strategies, and frameworks that ensure equal opportunities for growth and development of all employees (including people living with disabilities), irrespective of gender and race. Embracing Diversity and Inclusion for the FSCA also means listening to the employee voice despite job levels. We make our employees feel involved and respected.

We cannot speak about inclusion without empowerment -these two are intertwined. There are huge investments in funding studies for employees in various fields supporting their respective roles in executing the financial sector mandate, coaching and mentoring programmes, internships, secondments, management and leadership programmes offered by leading institutions in South Africa. These have opened vast opportunities for promotions and growth for employees at all levels.

How can we encourage more women to pursue leadership roles in finance?

Investments in targeted programmes aimed at creating an interest in the financial sector at a very junior level (school curriculum), in the form of financial literacy, including the importance of savings and investment, targeted scholarship programmes and targeted industry partnerships and collaborations aimed at exposing women to the world of finance through internships, exchange programmes, secondments and job shadowing.

What are the unique challenges and opportunities for women in the financial sector?

Leadership cultures that are not progressive, inclusive and transformative remain a unique challenge for women in the financial sector.

Despite the traditionally male dominated world of finance, women are making strides in the financial sector as evidenced by taking over leading roles in financial institutions and succeeding in establishing their own companies.

What advice would you give to young women aspiring to work in finance?

A women's value lies not in her youth nor beauty but in being self-reliant, driven by passion, tenacity, discipline, and authenticity. All these are a solid foundation for any successful career.

Felicity Mabaso is the Divisional Executive for Licensing and the Business Centre. Her extensive regulatory experience spans 25 years, many of which she spent overseeing the licensing and supervision of financial services providers.

EMPOWERING SOUTH AFRICAN WOMEN: A CALL FOR FINANCIAL INDEPENDENCE

BY SINDISWA MAKHUBALO, DEPARTMENTAL HEAD: BANKS AND PAYMENT PROVIDERS (FSCA)

"Financial independence is the key to unlocking a woman's potential—it gives her the power to make choices, take control of her future, and break free from dependence." This principle lies at the heart of why financial independence is critical, not only for individual empowerment but also for creating a more just and equitable society. Over my years in financial regulation, I have seen how enabling women to take control of their financial futures is transformative—not just for them, but for their families and communities.

While Women's Month presents an opportunity to reflect on these issues, the need for financial independence remains relevant year-round. Throughout my work at the FSCA, I have seen the crucial role that financial independence plays in women's ability to make empowered decisions about their lives. It is clear that this is not just a South African issue but a global challenge that demands urgent attention.

The global and African perspective

On a global scale, financial independence is recognised as a crucial component of gender equality. Progress has been made in recent years, with more women gaining access to education, employment, and financial services. However, despite these advancements, significant challenges remain. The gender pay gap, limited access to capital, and underrepresentation in leadership roles continue to hold many women back. Cultural norms further exacerbate these challenges by limiting women's participation in economic decision-making.

In Africa, the barriers to financial independence can be even greater. Women, while often at the heart of the informal economy, face restricted access to formal financial services such as banking, credit, and insurance. Without access to these resources, many women are unable to achieve long-term financial security. Cultural and societal pressures also limit their ability to make autonomous financial decisions, making them more vulnerable to dependency and exploitation.

The tragic deaths of *Rebecca Cheptegei*, an Olympian from Uganda, and *Agnes Tirop*, a Kenyan marathon runner, serve as stark reminders of the dangers women face when their finances are controlled by others. Both women were killed by their partners following financial disputes, where the control of money played a significant role in the abuse they suffered. These heartbreaking events illustrate the devastating consequences of financial dependency and highlight the importance of empowering women to take control of their own finances—not only for their independence but for their safety and wellbeing.

The role of stakeholders in empowering women financially

Achieving true financial independence for women requires collaboration across multiple sectors. Government, private sector companies, civil society, and educational institutions all have a role to play in creating environments where women can thrive financially. It is not enough to advocate for financial literacy or provide access to credit—there must be a concerted effort to break down the systemic barriers that keep women from achieving financial autonomy.

During my recent address at UNISA's Women's Day Celebration, I reiterated the importance of financial empowerment as a key driver of societal change. However, my call to action extends far beyond that event. Stakeholders must work together to ensure that women have the resources and support they need to control their financial futures. This goes beyond economic empowerment—when women are financially independent, they are able to invest in their families, contribute to their communities, and participate fully in the economy.

FSCA's commitment to financial inclusion and empowerment

At the FSCA, we are deeply committed to advancing financial inclusion and empowering women across the financial sector. Our focus is on ensuring that women have equitable access to financial products and services, while safeguarding consumers from unfair practices that disproportionately affect them.

Our role extends beyond regulation. We actively support initiatives that promote financial literacy, equipping women with the knowledge and tools necessary to make informed financial decisions. Across the FSCA, our teams are developing frameworks that foster fair access to financial services and protect the financial wellbeing of all South Africans.

Looking ahead, I firmly believe that achieving true gender equality in South Africa—and throughout Africa—depends on enabling women to take full control of their financial futures. The FSCA remains steadfast in its commitment to this cause, and I encourage all stakeholders to sustain the momentum. Together, we can make financial independence a reality for all women, creating stronger communities and fostering a more resilient and inclusive economy.

Sindiswa Makhubalo is the Head of Banking and Payments at the Financial Sector Conduct Authority (FSCA). With extensive experience in financial regulation and a strong commitment to promoting gender equality within the financial sector, she plays a key role in shaping policies that foster fair access to financial services for all South Africans.

A DIFFERENT PERSPECTIVE

In this exciting new feature we will be publishing articles that provide noteworthy insights aligned with our broader strategic mandate. The two articles below are around two trending topics that were initially published on FANews and have been republished with their permission.

THE TWO-POT SYSTEM: REGULATORY CHALLENGES AHEAD

KEITH PETER - ADVICE MANAGER (OLD MUTUAL PERSONAL FINANCE)

South Africa's retirement industry has been preparing for the introduction of the Two-Pot Retirement System this September, presenting financial advisers with a more intricate regulatory landscape due to extensive reforms. Additional adjustments to the regulatory framework are anticipated to follow. These developments bring about complexities and opportunities. Understanding the intricacies of navigating a shifting regulatory environment is crucial. Financial advisers need to leverage available expertise and resources to ensure they're well-equipped to guide their customers through this transition.

Significant Regulatory Developments Ahead

The Conduct of Financial Institutions (COFI) Bill is the most critical upcoming regulatory development. This Bill aims to streamline and centralise the current conduct standards and legislation, regulating financial institutions into a single piece of legislation. The COFI Bill is expected to be tabled before Parliament, later this year, or early next year.

This market conduct regulation is essential. It will ensure better outcomes for customers by mandating that all financial institutions, including financial advisers, adhere to good practices that are customer-centric. The COFI Bill's objectives include promoting fair treatment and protection of customers, fostering trust in the financial sector, and supporting financial inclusion and transformation.

Another significant shift is the new Marriages Bill, which aims to unify existing marriage legislation into one comprehensive law, including the Marriages Act, the Recognition of Customary Marriages Act, and the Civil Union Act. The proposed legislation ensures equality and protection for all people in recognised unions and prohibits child marriages.

The Financial Sector Conduct Authority (FSCA) is reconsidering the introduction of the B-BBEE requirement. However, the promotion of financial sector transformation will be a function of the FSCA, requiring all licensed financial institutions to have a transformation plan in place. Clarification will need to be provided regarding these transformation requirements for both existing and new institutions.

Two other regulations need consideration: the 2024 Draft Revenue Laws Amendment Bill, guiding the directive system to support the implementation of the Two-Pot system, and amendments to the Government Employees Pension Law to address the impact on government employee pensions.

Resources and Support Systems for Advisers

There is a strong emphasis on the need for financial advisers to acquire extensive knowledge and continue professional development. This knowledge can be gained through publications, presentations, and partnerships with resource-rich organisations. Compliance is a cornerstone of the COFI Bill.

Advisers must meet licensing requirements and adhere to the Treating Customers Fairly (TCF) principles, which will become legally binding. Partnering with reputable compliance companies or having a dedicated compliance officer is essential.

Advisers must revisit their practice's culture and values to align with COFI's fair treatment principles. Implementing effective practice management processes will lead to good governance.

Understanding Customer Needs

Understanding the impact of these laws on customer financial advice and outcomes is crucial. Advisers must understand customers' needs and goals to provide appropriate financial products and services. There is a strong emphasis on having access to systems, tools and calculators that demonstrate the impact of these changes on customers' financial plans. This involves using customer relationship management tools and financial planning software to offer relevant advice and recommend suitable products. To navigate these changes successfully, partner with organisations that can better prepare you to understand these changes and incorporate them in your practice with minimal disruption and maximum customer benefits.

THE COFI BILL … STILL TOP OF MIND FOR MANY

LERATO LAMOLA AND SANDRA SITHOLE – PARTNERS AT WEBBER-WENTZEL

The Conduct of Financial Institutions (CoFI) Bill is still front of mind for our financial sector regulators, the National Treasury and everyone in the financial services sector including banks, insurers, financial advisers, pension funds, collective investment schemes, and brokers.

All stakeholders should start thinking about the implementation of compliance policies and systems in anticipation of the CoFI Bill coming into effect. The CoFI Bill is intended to provide a new regulatory framework for the conduct of financial institutions. It addresses the market conduct pillar under the Twin Peaks regulatory policy framework that South Africa follows and intends to be introducing a customer-focused regulatory framework.

The CoFI Bill will bring massive changes to the financial services sector that will impact all entities that provide financial services. The CoFI Bill will provide a framework that will allow for new financial products and services to be regulated and for industry-specific codes of conduct and rules to be introduced.

Anticipating the Challenges of the Bill

We note that until the CoFI Bill is in a more final form, it is difficult for market players to assess what their compliance obligations will entail and how they will implement the new anticipated legal and compliance obligations. In light of the magnitude of the change that the CoFI Bill will bring to the financial sector, we hope that appropriate transitional periods will be built into the legislation to allow market players the appropriate time to implement the necessary change management protocols, system changes, policies and procedures to effect the new obligations.

The first draft of the CoFi Bill was published for public comment in 2018. This was followed by a further draft which was circulated for public consultation in September 2020. No further formal drafts of the Bill have been published for public comment since 2020. Although a significant period has passed since the last draft, this time delay is expected in light of the magnitude of the expected changes.

The CoFI Bill will amend or repeal certain financial sector laws. According to the last draft of the CoFI Bill, the following pieces of legislation, amongst others, were identified as being amended or repealed:

- Pension Funds Act;
- Long-term Insurance Act;
- Short-term Insurance Act;
- Financial Institutions (Protection of Funds) Act;
- Financial Advisory and Intermediary Services Act; and
- Collective Investment Schemes Control Act.

Themed frameworks

The CoFI Bill will also pull in activities involving financial products and services that were not traditionally within the scope of the Financial Sector Conduct Authority (FSCA) and create industry-specific rules. Examples of this would be activities within the payment system and crypto assets.

The FSCA published its latest update to its Three-Year Regulation Plan in July 2024. The Regulation Plan covers the period from 1 April 2024 to 31 March 2027. It notes that the FSCA is focused on continuing the work of harmonisation and consolidation of financial sector laws that have cross-cutting themes. The intention is to conduct this through the COFI Bill Transition Project. The FSCA has indicated that the CoFI Bill Transition Project is progressing in parallel with the CoFI Bill legislative process.

The FSCA CoFI Bill Transition Project will be broken into themed frameworks, with certain themed frameworks being prioritised over others. The FSCA indicated that the fit and proper themed framework is enjoying top priority because other developments, such as the development of a single cross-sector licensing framework, are critically dependent on the aforementioned themed framework.

A Top Priority

The CoFI Bill remains a top priority for the FSCA and National Treasury. The timelines for the implementation of the CoFI regulatory framework are dependent on the finalisation of the CoFI Bill legislation process. Both the FSCA and National Treasury have indicated that work is actively underway; however, no hard timelines have been committed. We anticipate that the CoFI Bill will enter the formal legislative process and be introduced in Parliament before the end of 2024.

We look forward to your feedback on this new feature. Kindly send your contributions to publications@fsca.co.za

THOUGHT LEADERSHIP

KEYNOTE ADDRESS BY UNATHI KAMLANA, COMMISSIONER OF THE FINANCIAL SECTOR CONDUCT AUTHORITY (FSCA), AT THE FSCA FINANCIAL EDUCATION SUMMIT

Distinguished Guests.

Ladies and gentlemen. Good morning!

It's a real pleasure to welcome you all to our very first Financial Consumer Education Summit. I am delighted to see so many leaders from financial institutions, industry bodies, government, and other key players gathered here today. Your presence here attests to our shared commitment of empowering South Africans through financial education. In fact, just by coming together like this, we have already made progress - showing that we, as leaders in the sector, are committed to this important cause of "**Creating Accessible Financial Education for All in South Africa.**"

We chose this theme for the Summit because it really gets to the heart of the message we want to drive home today: that financial education and therefore financial literacy are essential preconditions for economic well-being.

I'm sure you'll agree that financial education has come a long way from simply offering basic tips on budgeting and saving. Today, it's about much more. It's about empowering individuals with the knowledge and skills they need to make informed financial decisions, protect themselves from financial missteps, and build the confidence to actively engage with sometimes complex financial products and services. It's also about building resilience against economic challenges and ultimately enhancing the overall well-being and economic stability of our country.

So, it is with this broader understanding of financial education that we've convened this Summit. We recognize that the challenges facing financial customers today - be it economic pressures, increasing vulnerability, or the rapid evolution of technology. All of them demand a unified approach to financial education. It is only by working together, pooling our resources, and strategically aligning our efforts that we can ensure that financial education is not just accessible, but also impactful.

Cost Of Living Crisis

We all know that the rising cost of living is hitting South Africans hard, with high interest rates and rising unemployment creating financial strain on households. Recently, we saw unemployment figures increasing to 32.1%, with an even higher rate of 43.4% for young people. Although consumer inflation has shown some signs of improvement, interest rates remain high. [*To my friends in the MPC – hint hint, nudge nudge*]. With all this economic pressure, consumers are becoming increasingly vulnerable, finding it hard to stay afloat. In 2021, the Human Sciences Research Council (HSRC) reported that 71% of the population did not have emergency savings, leaving them particularly exposed to financial shocks. Additionally, millions of credit-active consumers are behind on their debt repayments, by more than three months. The COVID-19 pandemic only worsened the situation, exposing just how vulnerable many are to financial shocks. Financial education is particularly important in this economic reality, in helping people get through tough times and empower them to make informed decisions that safeguard their financial wellbeing. Without this proper educational foundation, many end up making choices that worsen their financial situation rather than improve it.

Two Pot Retirement System

Take the example of the soon to be introduced two-pot retirement system starting on September 1. While the system is designed to allow people to access part of their retirement savings early, offering some much-needed financial relief, the undoubted outcome is that without a proper understanding of the impact of these early withdrawals, there is a real risk that members of retirement funds might end up jeopardizing their long-term financial security. The temptation to dip into retirement funds early, especially when under pressure, could leave many South Africans with insufficient savings for their retirement years. This really highlights why financial education is so crucial. People need to fully understand the impact of their choices, whether it's accessing retirement savings early or engaging in policy debates about where their retirement savings should be invested. Financial education is at the center shaping fair customer outcomes in the financial sector.

In this context, we urge all stakeholders - retirement funds, employers, unions, and others - to intensify their efforts to ensure that their members and employees have the knowledge they need to make smart decisions about the impending two-pot retirement system. It is important to note that this responsibility doesn't rest solely with institutions; it's incumbent upon each of us to educate our families and friends about the risks and benefits of this system. We should encourage them to think carefully about their financial decisions and to seek advice if they're unsure.

Innovation and Financial Inclusion

Another key issue that really calls for a unified approach to this subject is the rapid innovation and technological advancements happening in the financial sector, whether it is through new products such as crypto assets or channels through which financial services are distributed. Sure, new products and services offer convenience and broader access, but they also come with risks - especially for consumers who might not fully understand how these innovations work. The increase in digital fraud and online scams underscores this point. As such, our financial education efforts need to keep pace with these innovations. We need to make sure that consumers can take advantage of these advancements without falling prey to the risks they bring.

Financial education is also essential to achieving true financial inclusion, which goes beyond simply expanding access. Yes, we've made progress as a country in promoting access to financial services - with over 80% of South Africans now having bank accounts. But, true inclusion remains a challenge. Just having an account doesn't mean people know how to use it effectively, as evidenced by data from the FinScope Consumer Survey 2023 which indicates that 37% of account holders withdraw all their funds immediately upon receiving a deposit. This behavior points to a deeper issue: many individuals may not fully understand how to use financial products and services to meet their needs, whether due to mistrust, limited income or simply not having the right knowledge. But with adequate financial education, we can empower people to maximize the benefits of the financial services available to them, understand key risks and contribute to product suitability.

Another example is the widespread use of funeral insurance, sometimes as a form of saving, and the low uptake of other forms of insurance. These are signs that many people don't fully grasp the range of financial products that could better serve their needs. If we don't address these with proper education, true financial inclusion won't happen, and consumers will remain financially vulnerable.

Collective Approach to Financial Education

Given the severity of the issues I've highlighted, it's clear that no single entity's financial education efforts can address them alone. This is why a unified and collaborative approach is essential to effectively tackle these challenges and ensure that financial education reaches every South African in a meaningful way. National Treasury's policy document, which introduced the twin peaks model of regulation in South Africa, underscores this need for collaboration. Structures like the National Consumer Financial Education Committee and initiatives such as the Money Smart Week South Africa (MSWSA) have been instrumental in fostering this unified approach. However, the rapidly evolving financial sector landscape demands that we go beyond just working together; we must commit to having clear and measurable targets if we want our efforts to have a lasting and meaningful impact.

Role of the Regulator - FSCA

As a market conduct regulator of the financial sector, the FSCA has been actively promoting consumer education, a commitment that dates back to the time of our predecessor, the Financial Services Board. This included establishing the National Financial Education Foundation to fund and enhance financial education initiatives across the country, as well as rolling out various financial education and literacy programs. The introduction of the twin peaks model of regulation through the Financial Sector Regulation Act 2017, has further elevated our role, placing financial education at the core of our mandate. This is based on the recognition that financial education is not just an add-on to consumer protection; it is fundamental to it. Without financial literacy, even the best regulations fall short of fully delivering protection for financial customers.

Our strategic approach centers around empowering consumers through direct financial education; and ensuring that the financial education provided by institutions is appropriate and beneficial to consumers. We appreciate the feedback we've received from stakeholders on our Financial Consumer Education Conduct Standard, which will be finalised and implemented later this year. The intended outcome of this approach is to create empowered consumers; individuals who understand their rights, are knowledgeable about financial products and are better equipped to recognise fair treatment.

The Role of Financial Institutions

While we are doing good work in this area, we recognize that we cannot do it alone. The role of financial institutions is crucial. These institutions are on the front lines, directly interacting with consumers and shaping their financial behaviors and decisions. However, the commitment to financial education should not be reduced to a checkbox for compliance with the Financial Sector Code, which requires 0.4% of annual net profit after tax to be spent on consumer education. Nor should it be seen solely as a matter of corporate social responsibility or a way of creating awareness of specific products and services. Both of these approaches fall short of making a meaningful impact, as they often prioritise compliance or marketing over genuine consumer empowerment.

Financial education should be embraced as a business imperative; one that, when invested in adequately, can build trust, enhance customer loyalty and ensure long-term sustainability. A well-informed consumer base is more likely to trust the financial institutions they interact with, leading to stronger customer relationships, fewer financial missteps and a more resilient financial sector. I want to acknowledge and commend those institutions that have already recognised this and have adopted an approach that treats financial education as a business imperative. Your efforts serve as a model for the industry, demonstrating the profound impact that a genuine commitment to consumer education can have.

The Role of the Education Sector and Other Stakeholders

Without the proper foundation, our collective efforts to enhance financial literacy won't reach their full potential. As such, the education sector is key to laying this foundation by integrating financial education into the curriculum and introducing young people to financial concepts as early as possible, continuing this education throughout their school years. I want to acknowledge the important work that the Department of Basic Education has been doing, in collaboration with other stakeholders, to incorporate financial education into school curricula. The Department will later on share insights into some of the work they have been doing in this regard.

Efforts to promote financial education are not limited to the stakeholders I've mentioned so far; there have been vital contributions from other key players as well. Non-profit organisations, employers, trade unions, and industry associations have all been instrumental in driving financial education initiatives across all segments of society. Today's Summit is a unique opportunity for us to consolidate these efforts.

Digitisation of Financial Education

As we embrace a unified approach to financial education, it's crucial that we also tap into technology to expand our reach and make a bigger impact. Traditional methods of education, while still important, just aren't enough to meet the needs of today's diverse and digitally savvy population. Technology offers the potential to create interactive, on-demand learning experiences that can be tailored to individual needs, making financial education more engaging, accessible, and effective for everyone, regardless of their background or location. The banking CEOs Fireside Chat later on, will dive into how the banking sector is using digital platforms to boost financial literacy, and I think we'll all gain some valuable insights from that discussion.

Conclusion

As I conclude, I am confident that this Summit marks the beginning of what promises to be a truly transformative and collaborative effort among all stakeholders. Our hope is that the conversations we engage in throughout this Summit will not just end as dialogue but will evolve into formal, actionable commitments. These commitments will serve as a guiding framework to ensure that our efforts are sustained, coordinated, and ultimately successful in driving financial literacy and inclusion across South Africa.

I wish to extend my thanks to everyone, including our distinguished Speakers, Moderators, and Panelists, for taking the time out of your busy schedules to join us. Your presence here underscores the significance of our collective mission to advance financial education. A special thank you goes to our Summit partners: VISA, the Financial Services Consumer Education Foundation and the JSE—for their generous support and for making today's event possible.

I hope you find the discussions enriching, forge meaningful connections, and explore opportunities for collaboration that will propel our efforts forward.

Thank you.

CONSUMER CORNER

PROTECTING SOUTH AFRICA'S YOUTH FROM THE GROWING THREAT OF MONEY MULING

The Financial Sector Conduct Authority (FSCA) highlights the rising risk of money muling among South Africa's youth, a practice that exploits individuals by involving them in illegal financial transactions. According to the FSCA's 2020 Financial Literacy Baseline Survey, 23% of Black African youth reported a decline in their living conditions reflecting the broader economic challenges they face. High unemployment rates also make young people more vulnerable to schemes like money muling.

What is Money Muling?

Money muling involves the use of a person's bank account and identity to move money, with the promise of quick monetary reward in exchange. This makes it difficult for law enforcement to trace the funds back to the source. This practice not only harms the victims but also aids criminals in concealing the origins of money obtained through illegal activities, such as human trafficking or drug sales. Crypto assets are also increasingly being used as a vehicle in money mule activities, with high-value daily cash deposits in banks followed by rapid transfers to crypto asset service providers. Even if money mules are not directly involved in the crimes generating the funds, they become accomplices by laundering the proceeds, thereby helping criminal organisations maintain anonymity.

What is also interesting to note is that banks, crypto asset service providers, and foreign exchange agents reported the highest number of suspicious transactions, with the banking sector accounting for the largest Rand value in money mule-related activities. The COVID-19 pandemic further exacerbated this issue, as criminals took advantage of vulnerable job seekers.

What should the youth know about money muling?

Being a money mule has significant consequences, including being listed with the South African Fraud Prevention Services (SAFPS), which can restrict access to finance for up to 10 years. You may also lose your own money and feel too embarrassed to report it or share the experience with friends. Your personal information may also be used to open bank accounts or credit cards, damaging your credit score and reputation. What's even worse is that participating in money muling supports criminal activities such as drug trafficking, fraud and terrorism. So be wary of job offers that promise high pay for minimal work or require you to transfer money on behalf of others. The Financial Intelligence Centre (FIC) on the other hand reports that 61% of individuals involved in money muling cases were South African, with 71% of these being men. It is crucial to recognise that young women are equally at risk and must be vigilant.

How Can the Youth Avoid Becoming Money Mules?

- **Be skeptical** of opportunities that seem too good to be true.
- **Research companies** before accepting a job or providing personal information.
- **Avoid unsolicited requests** received via email or social media offering opportunities of making quick money.
- **Refuse money transfer requests:** Do not use your bank account to transfer funds on behalf of others, even if offered a fee.
- **Report suspected fraud:** If you suspect that you've been used as a money mule, cease all communications and report it to your bank immediately.

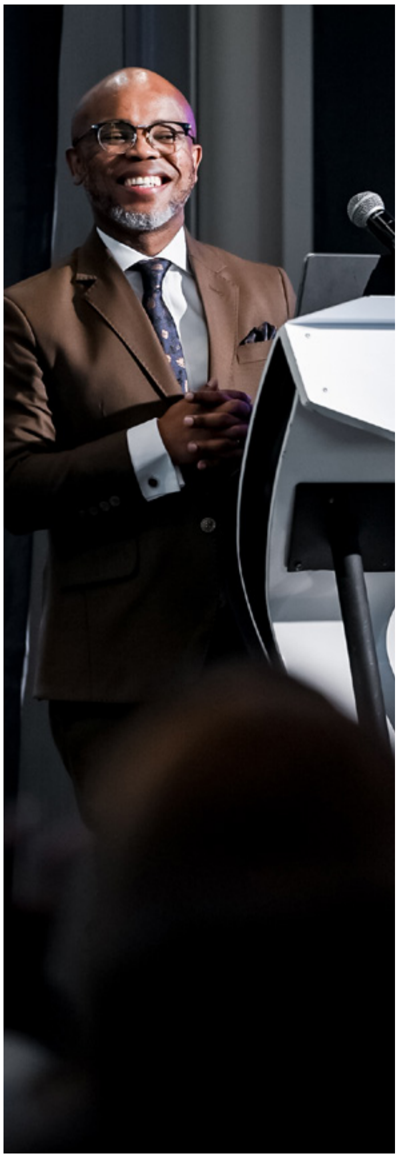
Strategies to Survive Economic Hardship:

- Explore government assistance programmes, grants or subsidies.
- Seek support from job placement agencies, career centers, or training programmes to enhance employability.
- Invest time in improving your financial literacy by learning effective budgeting and making informed financial decisions.
- Consider starting a small business, freelancing or selling items online using existing skills or talents.
- Utilise local charities, food banks, feeding schemes, housing assistance programs or non-profit organisations that provide help with basic needs. Many universities offer these for free to learners that need assistance.
- Consult with an accredited financial advisors or debt counsellor to develop a plan for managing and reducing existing debts.
- Seek legal part-time jobs or remote work to supplement income.
- Offer services in exchange for others, such as trading skills with friends.
- Negotiate lower or smaller monthly payments on accounts.

Money muling is a growing problem in the digital age. It is essential to stay informed and cautious to avoid unwitting involvement in illegal activities. By understanding the tactics used by criminals and staying cautious, you can help thwart their efforts and avoid becoming a pawn in their illicit schemes.

For more information on scams visit **www.fscamymoney.co.za**.
If you have a question, you can reach out to **CED.Consumer@fsca.co.za** or contact 0800 20 3722.

EVENTS
THE FINANCIAL EDUCATION SUMMIT



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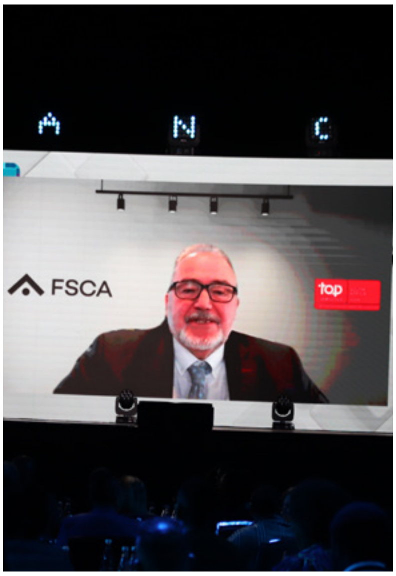

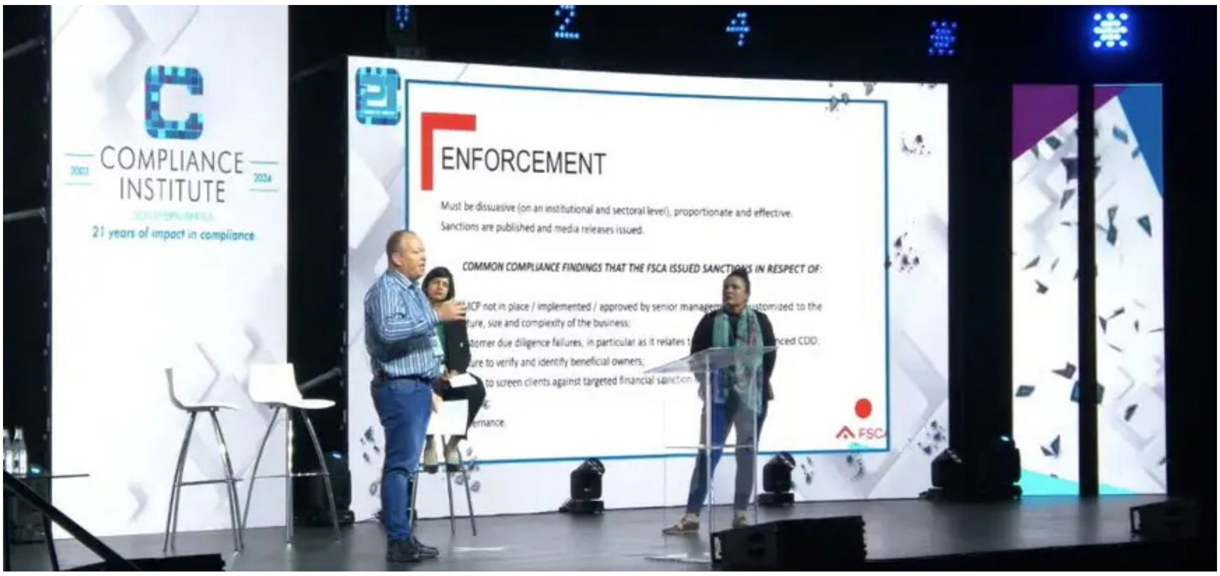

WORLD BANK AML TRAINING

BATSETA CONFERENCE

FSCA NEWS ROUND UP

Suspension of Ithala SOC Limited's licence

The FSCA has suspended the licence of Ithala SOC Limited in terms of section 9(1), read with section 9(2) of the Financial Advisory and Intermediary Services Act, No.37 of 2002. The suspension is effective from 26 July 2024 and will remain in place until Ithala meets the conditions for the lifting of the suspension of its license.

Read more

The FSCA imposes administrative penalties on Mr Shaheen Khan

The FSCA has imposed an administrative penalty of R4,5 million on Mr Shaheen Khan and debarred him for a period of 10 years, following an investigation into his conduct.

Read more

FSCA publishes second Integrated Report

The 2023/24 Integrated Report of the Financial Sector Conduct Authority (FSCA) has been successfully tabled in Parliament. The report gives an overview of the FSCA's performance, covering the period from 1 April 2023 to 31 March 2024.

Read more

Impersonation of RisCura Solutions (Pty) Ltd and its Key Individual, Ms Natalie Brink

The FSCA warns the public to be cautious when conducting financial services business with administrators of a Telegram group purporting to be RisCura Solutions (Pty) Ltd and its Key Individual (KI), Ms Natalie Brink

Read more

Complaints and Enquiries

Are you looking to submit a complaint about a financial service provider, a query or unclaimed benefit enquiry to the FSCA?

We've just launched a new, user-friendly portal re-designed to serve your needs better. Click here to easily lodge your complaint or query.

FSCA Be **Alert** Be **Empowered** Be **Safe**

FSCA

Financial Sector
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