



FINANCIAL
SERVICES
BOARD

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ANNUAL REPORT
2010

FSB Vision

The FSB vision is to promote and maintain a sound financial investment environment in South Africa.

FSB Mission

The FSB mission is to promote:

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

FSB Values and Guiding Principles

We at FSB will act professionally at all times in all that we do and say. To this end, we undertake to:

- Demonstrate the highest level of technical competence
- Conduct all our business in the highest level of confidence
- Collaborate effectively as team members to deliver effective services
- Enhance stakeholder synergy through collaboration
- Apply the regulatory framework in a consistent and fair manner
- Treat all with respect and empathy

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CHAIRPERSON'S REPORT

The global economic environment

The 2009/10 financial year saw the risks to global financial stability easing and systemic risks subside as the global recovery gained momentum. Financial markets have rebounded, largely reversing the losses of the last two years. Interest rates remain low across the board, with only a handful of countries, Australia for one, going against the trend and increasing lending rates. Developing countries, led by China and India, have seen their gross domestic product (GDP) growth rates rebound strongly. Developed countries, on the other hand, continue to experience negative to low GDP growth. However, low private sector demand and persistent and in some cases rising unemployment point to a fragile economic environment. Public sector demand has shored up overall demand. Unfortunately this demand has been financed largely through debt, which sooner or later, must be repaid or written off. This reality is likely to put a damper on economic recovery and hamper growth for the foreseeable future.

The recovery has been instrumental in moderating earlier higher levels of uncertainty. Advanced economies, in particular, are still faced with the challenges of repairing damaged financial systems, on the one hand, and introducing regulatory reform on the other. These initiatives are likely to affect developing countries in general and South Africa in particular.

The local economic environment

In South Africa, economic performance started improving in the third quarter of 2009 and continued at a markedly stronger pace in the fourth quarter, as the economy gradually emerged from the recession. Confidence in the financial sector increased further in the fourth quarter of 2009, boosted by the strong recovery of the stock market beginning in the second quarter of 2009. The spectre of jobless growth continues to plague South Africa as the recent recovery in GDP growth runs parallel with persistent and rising unemployment. Unemployment will be exacerbated by reduction in and cessation of the infrastructure investment associated with the 2010 World Cup. This will heighten poverty and inequality. This will adversely affect the financial services sector, which is dependent on a growing and well paid working population as its clientele. Contributions to savings schemes and premiums for insurance products are likely to come under pressure. For the period under review, the financial strength of long-term insurers in South Africa was assessed as generally sound, based on capital-adequacy levels. Other financial soundness indicators for typical long-term insurers, however, suggest that they may struggle for the foreseeable future. The collective schemes industry continues to experience large inflows, which bodes well for savings overall.

Organisational performance

I believe that the Financial Services Board (FSB) continues to deal successfully with the challenges of the global financial crisis and of its normal operational environment, although there is always room for improvement.

It has taken actions to ensure that it builds a more stable and robust financial system for the future. To this end, the Board Notice on 'prescribed requirements for the calculation of the value of the assets, liabilities and capital adequacy requirement of long-term insurers' was signed by the Registrar, gazetted and became effective 28 February 2010.

Similar notices for short-term insurers and Lloyds's underwriters are awaiting ministerial guidance. Work continues on solvency assessment and management (SAM) and associated financial condition reporting by short-term and long-term insurers. The FSB is also considering the recommendation of the G20 on enhancing sound regulation and strengthening transparency to reduce the risks associated with trading, clearing and settlement of over-the-counter derivatives securities.

In the regulated industries, several financial services sector players claim to have improved their systems in the best interests of their clients. Whilst this is commendable, the increasing number of complaints to the various ombuds shows that there is still a long way to go.

In response to this trend, the FSB is pursuing a Treating Customers Fairly (TCF) programme similar to that being implemented in the United Kingdom.

The TCF programme is a regulatory initiative that requires firms to consider their treatment of customers at all the stages of the product lifecycle, including the design, marketing, advice, point-of-sale and after-sale stages. Encouraging firms to re-evaluate their company culture and inculcate the attitude of treating customers fairly, should create a positive outcome for regulators, consumers and ultimately, firms.

Several factors influence the treatment of customers, including market failures, firm incentives and consumer behaviour. A key market failure is the lack of perfect information for consumers, especially from certain suppliers of financial services who are privy to information not necessarily in the public domain. This may lead to unfair treatment of and possibly considerable financial losses for consumers. A programme such as the TCF aims to mitigate this information asymmetry without unduly affecting necessary competition.

It can be argued that the global financial crisis on individual and institutional savings was the unintended consequence of some investors' quest for enhanced returns on their investment, with financially disastrous results. Scams of all types have mushroomed, some masquerading as legitimate mathematically sophisticated investment products and strategies offering ridiculous returns. The adage 'if it is too good to be true, it certainly is' – still holds true. Speculation and greed remain the bane of prudent and long-term saving and retirement provision. Long-term contribution and preservation continue to be the safest way to long-term saving and retirement provision.

Governance

The board has undergone a number of changes to the board. On being appointed by National Treasury which is the FSB's principal through the Minister of Finance, Mmakgosi Phetla-Lekhethe stepped down as a board member. Tshidi Mokgabudi resigned with effect from 1 April 2010. I thank them for their contributions.

My appreciation goes, too, to the industry professionals serving on the FSB's many statutory committees who are not part of its formal governance and operations. Your counsel and guidance are genuinely valued.

Chairperson's Report

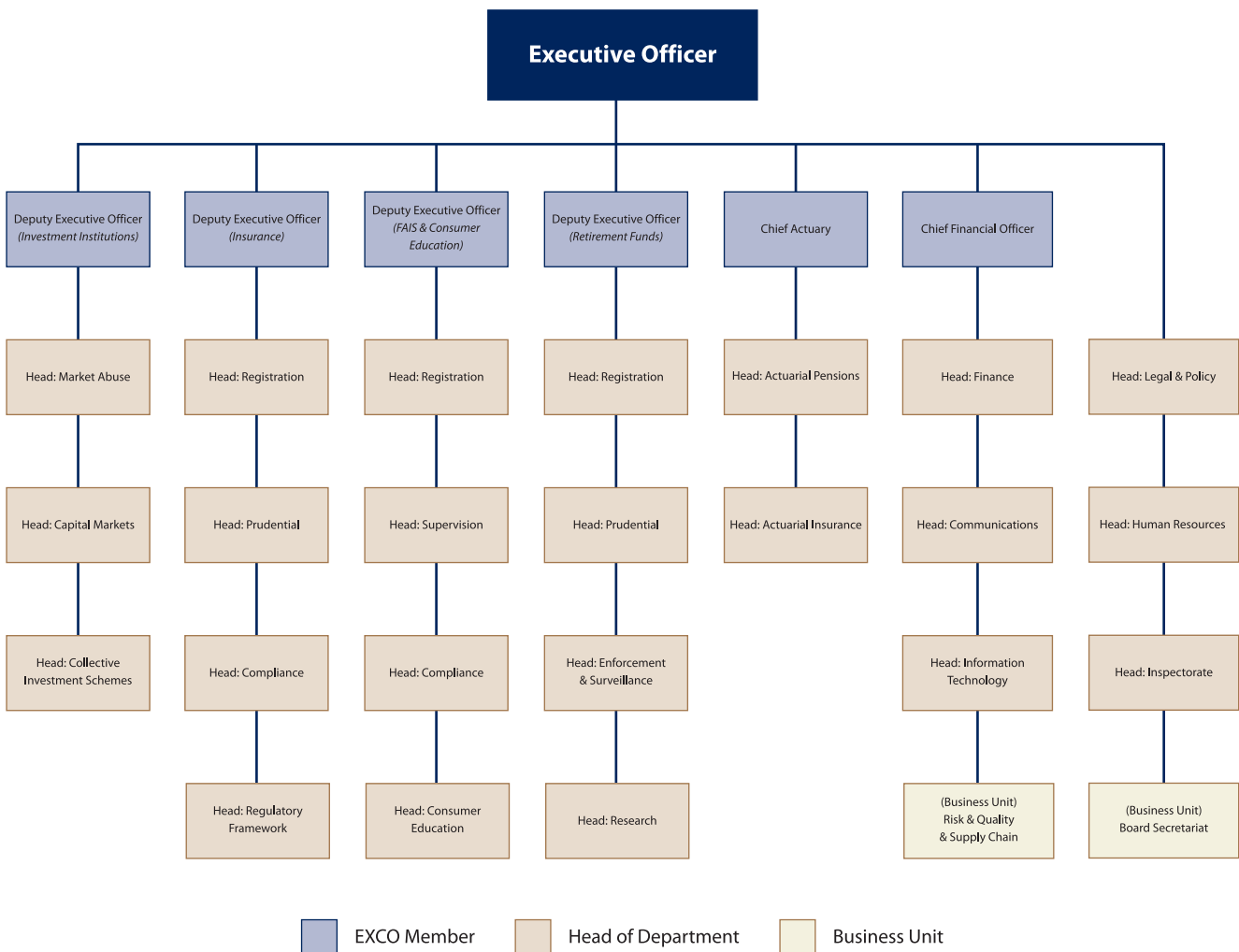
Appreciation

The invaluable support the FSB continues to receive from National Treasury and the Minister of Finance is reflected by the seamless changes in the leadership of the FSB Executive Officer, Financial Advisory and Intermediary Services (FAIS) Ombudsman, Pension Funds Adjudicator (PFA) and senior appointments in these offices.

To my colleagues on the board, your tireless dedication and service to the board and its committees are made all the more significant by the reduced numbers of board members and the need this has created to serve on multiple committees.

On behalf of the board I extend my heartfelt thanks to the FSB's Executive Officer, senior management team and all staff for their professionalism and dedication in the service of consumers and the industries that serve them.

FSB MANAGEMENT STRUCTURE



REPORT BY THE EXECUTIVE OFFICER

This section of the report deals with operational and administrative activities of the FSB's support departments. The period spans 1 April 2009 to 31 March 2010, although some statistics and information relate to other periods.

Where issues have been covered in the chairperson's report, my comments will be brief.

It has been another exciting year for the FSB. Our strategic plan has been approved and submitted to Parliament. We outsourced the activities of our contact centre and redeployed affected staff.

The period covered by this report has continued to be challenging for local and international financial markets.

To compound matters, we were in transition – moving from our Rigel Park office block, our home for 18 years, to our purpose-built premises at Riverwalk. We rolled up our sleeves and did what had to be done with minimum disruption to our activities. Whilst we successfully fulfilled our regulatory and supervisory role during this time, certain infrastructural issues were beyond our control and we battled somewhat with computer and telephone connectivity. A heartfelt thank you to stakeholders for their patience during times of inconvenience.

Appreciation

FSB staff continued to benefit the organisation with their hard work, dedication, professionalism and loyalty. To my fellow Executive Committee (exco) members and the board, your support is integral to our success, as have the guidance and cooperation of the former Minister of Finance Trevor Manuel and his successor Pravin Gordhan, the Deputy Minister and the Director General of National Treasury and his staff.

HUMAN RESOURCES

Employment practices

The FSB complies with the Employment Equity Act, Skills Development Act, various labour laws and human resources (HR) codes of good practices. To ensure ongoing communication with staff, the Executive Committee (exco) holds staff feedback meetings quarterly. This is supported by the monthly Human Resources Bulletin, which is enjoyable to read, whilst delivering business messages. The FSB's policies and procedure are reviewed annually to ensure compliance with best HR practices and updates are communicated widely to staff.

Staff complement

The FSB staff complement, including contract staff, at 31 March 2009 was 411. By 31 March 2010, the figure had increased by 1,5% to 418. In terms of the FSB's human resources plan, the FSB was to have 450 staff members by 31 March 2010, but due to operational reasons such as lack of space and employee turnover, this prove unachievable.

The workforce (including contract staff) at 31 March 2010 was as follows:

	2010	%	2009	%	2008	%	2007	%	2006	%
Black female	164	39	152	37	144	39	111	40	101	33
White female	53	13	57	14	51	13	40	12	61	20
Black male	160	38	166	40	140	38	125	34	97	31
White male	41	10	36	9	38	10	46	14	50	16
TOTAL STAFF	418	100	411	100	373	100	322	100	309	100

Employment equity

The FSB employment equity forum remains active and plays a strategic role in shaping employment practices at the FSB. The FSB is non-discriminatory and has a recruitment strategy for people living with disabilities.

The FSB had 52% female (black and white) and 77% black (male and female) staff by 31 March 2010. Senior management, including senior specialist, representation by race was 55% white and 45% black. The percentage may seem significantly less, but it is important to note that 50 posts were filled internally.

The table below indicates actual achievement vs targets as set in the employment equity plan.

Year	Total	Male	Female	A	C	I	W	Total	Disabled*
2007/8	373	47%	53%	63%	6%	7%	24%	100%	1%
2008/9	439	49%	51%	66%	7%	5%	22%	100%	1%
2009/10	450	51%	49%	69%	8%	6%	17%	100%	2%
2010/11	450	50%	50%	72%	8%	4%	16%	100%	2%
2011/12	450	50%	50%	73%	9%	3%	15%	100%	2%

Actuals

Year	Total	Male	Female	A	C	I	W	Total	Disabled*
2009/10	418	49%	51%	65%	6%	7%	22%	100%	0,2%

Recruitment and selection (external)

From 1 April 2009 to 31 March 2010, the Human Resources department filled 42 vacancies with external candidates as indicated below:

Organisational band	Narrative	Total number
Band A	Executives	0
Band B	Senior manager and senior specialist	1
Band C	Middle management and professional staff	11
Band D	Junior management and professional staff	23
Band E	Administrative and professional staff	5
Fixed-term contract	Administrative and professional staff	2

Recruitment and selection (internal)

Fifty staff members, mainly from designated groups, were appointed in senior positions during the year under review, as detailed below:

	African	Indian	Coloured	White	Total
Male	17	2	3	5	27
Female	15	1	3	4	23
TOTAL	32	3	6	9	50

Staff promotions

Thirty-two staff members, from various groups, were promoted to senior positions as detailed below:

	African	Indian	Coloured	White	Total
Male	6	1	0	3	10
Female	15	1	0	6	22
TOTAL	21	2	0	9	32

Significant appointments and terminations

The following senior appointments were made during the year under review:

- Jo-Ann Ferreira was appointed head: insurance regulatory framework (internal appointment), March 2010, and
- Clarinda Simpson was appointed head of finance (external appointment), March 2010.

There were three senior level terminations:

- Willemien de Jager (risk officer) resigned end-April 2009;
- Elias Phiyega (head: legal and policy) resigned end-January 2010, and
- Marlene du Plooy (head of finance) took early retirement end-February 2010.

Staff turnover

From 1 April 2009 to 31 March 2010, staff turnover was 7%, 1% of which were employer controllable (retirements, dismissals) and 6% employee controllable (resignations/other).

Employee wellness

The use of the FSB structured wellness programme is higher than the industry norm which is 10%, and ensures a healthy work environment conducive to physical and emotional employee health.

In addition there are recreational and sports committees aimed at enhancing physical wellness. Registered employee clubs are road running, golf, soccer and netball.

Performance management

Exco considered and rewarded the top 20% performers with performance bonuses. Exco members also received bonuses during the year.

Training, bursaries and other development programmes

Some R3,4 million was spent on training interventions. These were among the significant courses attended:

Course	Number of attendees
Disability sensitisation workshop	19
Chairing a disciplinary hearing	37
Ethical behaviour in the workplace	232
The balanced scorecard overview and strategy map facilitation training	31
Executive development programme	1
New manager programme	3

Bursaries/study loans

The FSB has awarded several study loans to staff members to pursue studies in fields relevant to the business.

Three bursaries/study loans have also been awarded to full-time students (non-FSB staff) who are studying actuarial science.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

ICT infrastructure plan

The FSB has developed a core infrastructure plan to update the old hardware and technology currently in use to enhance our ICT maturity. The plan provides for additional systems to assist the FSB to achieve the strategic goal of efficiency and productivity enhancements.

Network security

Following expert advice from Computer Security gurus, a security system has been installed and is fully operational. It consists of a network intrusion and detection and prevention solution, a business intelligence solution, a firewall solution, network analysis tools and a proxy server solution.

Systems development

In the quest for business process automation, the ICT department continuously maintains and extends the functionality of existing in-house systems, whilst developing new applications to address the unique requirements of the various FSB business units. Third-party software and off-the-shelf packages are continuously customised, upgraded and integrated with applications developed in-house. To date, more than 100 business processes have been automated through Workflow technology. A number of new Workflow processes were developed during the review period, and existing processes were adapted.

A supply-chain workflow system was designed, developed and successfully implemented. This system includes the processing of all requisitions and orders pertaining to capital expenditure, services, consumables, suppliers, procurement and tendering, and is used by all FSB departments. All documents received or generated during the various processes are stored in the FSB's Document Management System (DMS), and are automatically linked to a particular requisition.

Because of the high volumes of data required by the FSB, further development of electronic mechanisms of submission has been an important focus during the past year. For instance, a new system for online submissions of pension business has been developed. This includes applications for the registration of new pension funds, rule changes, Section 14 transfers of members and valuation reports via the FSB's website. Online submission is now possible of Financial Advisory and Intermediary Services (FAIS) compliance reports and financial statements.

The ICT department has developed a system for recordkeeping of individuals and organisations in breach of regulations. All Workflow systems used by the various line departments were integrated with this system. Before a new entity is registered in a departmental database, it is scrutinised against the 'blacklist' database. Any entity suspended from any departmental database is also automatically recorded as being in breach of regulations. This system informs staff across departments of misconduct by an individual or organisation recorded by other departments, thus preventing regulatory arbitrage.

Software is being developed to assist with examination regulation of various roleplayers in conjunction with examination bodies. This includes a mechanism to receive results electronically from examination bodies, and running trial examinations to determine the correct difficulty rating of future questions. A system is being developed to share FSP and authorised representative information with the Financial Services Exchange (Astute). This entails data exchange via XML (extensible markup language) and web services.

Software applications

A project was implemented to provide Pensions Prudential with an in-depth analysis capability of financial statements received from pension administrators. A business intelligence system developed with an external IT vendor enables Pensions Prudential to slice and dice various dimensions of financial data to run custom-built queries. The data warehouse keeps historic data of the last 10 years, and is rolled up annually.

A pilot project was successfully completed with Alexander Forbes to receive pension financial statements digitally in XBRL (extensible business reporting language). All other pension administrators currently submit financial statements in another digital format, but it is envisaged that all financial reporting to the FSB will eventually be via XBRL. The FSB is a member of XBRL South Africa (a section 21 company established to promote the use of XBRL), whose long-term vision is to establish XBRL as the only standard for digital financial reporting.

The FSB's Document Management System (DMS) has been integrated with the in-house developed Workflow systems. The FSB has also upgraded its business intelligence software for in-depth analysis of insurance statutory returns.

Network architecture

The ICT department has expanded the network server virtualisation project to cater for the immediate needs of users and increased network attached storage solutions to meet the storage requirements for the period under review. A virtual hosting application was installed to virtualise all crucial servers. This enables the ICT department to load balance and manage all servers centrally.

INSPECTORATE DEPARTMENT

The Inspectorate department provides a support function to the four main line departments of the FSB by conducting inspections and producing reports to enable the Registrar to take informed regulatory action.

Inspections

The department completed and issued 19 inspection reports that enabled the Registrar to take decisions on, among others, institutions conducting unregistered business and those implicated in the misappropriation of investor funds. These reports were issued mainly to the Registrar of Financial Services Providers (10 reports) and the Registrar of Short-term and Long-term Insurance (six reports). This table details the number of completed inspections per line department:

Department	Number of inspections
Financial Advisory and Intermediary Services	10
Insurance	6
Retirement funds	1
Collective investment schemes	1
Capital markets	1

During the review period, 23 new inspections were requested by the line departments and 22 inspections were brought forward from the previous reporting period. In addition to the 19 completed inspections, two inspections were suspended and 24 are ongoing. The following table details this information:

Item	Number of inspections
Inspections at 1 April 2009	22
Received	23
Completed	19
Suspended	2
Inspections at 31 March 2010	24

Curatorship applications

The inspections prompted the Registrar to lodge two High Court applications to place New Era Insurance Company Limited and A&S Makelaars (Pty) Ltd (King Financial Holdings) under curatorship. A third application is pending before the North Gauteng High Court to place part of the business of Dynamic Wealth Management (Pty) Ltd under curatorship.

The department continues to assist the Registrar in preparing for curatorship applications and for referrals to law enforcement agencies for prosecution. It assisted in the prosecution and/or curatorship applications of, among others, EOS Fin (Pty) Ltd, A&S Makelaars, Dynamic Wealth, New Era, Robin Patrick Thorpe and Solomon Marais Zietsman. The department continues to assist in the Fidentia, Progressive Investment Trust, Dealstream Securities (Pty) Ltd, and Lifecare Pension Fund matters.

Inspectorate strategy

The department's overall strategy is to improve its systems and processes to conduct inspections and produce inspection reports quickly and cost effectively without compromising quality. This will ensure a speedy and useful response to the Registrar's regulatory demands on matters referred for inspection. To this end, priorities for the next reporting period will include training and equipping inspectors to perform their functions efficiently.

ACTUARIAL

The Actuarial department is a service department that supports and advises the Pensions and the Insurance divisions of the FSB, which assign to it specific regulatory functions. Issues of mutual concern are dealt with in the divisional sections of the annual report.

Pensions

In terms of the Pension Funds Act (PFA), the pension section of the actuarial department deals primarily with transfers between funds, actuarial valuation reports and surplus apportionment schemes. During the year, Interpretation Notes were issued on minimum pension increases, contingency reserves in rules, and fund return and processing mismatches.

Transfers between funds

The department is involved in considering applications for the transfer of business between pension funds in terms of section 14 of the Pension Funds Act. The requirements that applications must adhere to are set out in the Act, as well as in directive PF no 2. Despite this guidance, some industry players continue to submit unacceptable applications, leading to a large number being pending. At 31 March 2010, approximately 2 300 cases were pending. In 50% of these, the Registrar has already issued reminders to the applicants and where no responses are forthcoming, the cases are cancelled.

Actuarial valuation reports

These reports are scrutinised to assess the financial condition of funds and compliance with the provisions of the PFA. Given the market recovery since the recent economic crisis, defined benefit funds should be financially sound.

Also, many of these funds would have been protected largely from the vagaries of the markets by the earlier establishment of solvency reserves. Funds are required to submit their statutory reports only every three years, within a year of their financial year-end, hence the full effect of the recovery will be seen only in the years to come. The department closely monitors the financial soundness of funds through submitted reports and consistency between the surplus valuation and the post-surplus valuation.

Valuation-exempt funds do not have to incur the cost of an actuarial valuation nor submit to the Registrar applications for transfers between such funds.

Surplus schemes

Various circulars were withdrawn during the year as a result of the directives issued in the previous financial year.

Nearly eight-and-a-half years have passed since the surplus legislation was promulgated on 7 December 2001. All funds, except for newly registered bargaining council funds, have already passed their surplus apportionment dates and should have submitted their surplus apportionment schemes by now.

During the year, 229 surplus appointment schemes were submitted, bringing the total number of schemes submitted at 31 March 2010 to 1 596. To date, the Registrar had approved the apportionment of actuarial surplus amounting to R18,7 billion. In addition to the surplus apportionment schemes, the industry also submitted 780 nil surplus schemes during the year, which brings the total number of nil schemes to 18 604. The department interacts regularly with administrators to expedite the process. Even though progress has been good, there are still a number of schemes outstanding.

Specialist tribunals continue to assist funds and the Registrar to complete the surplus process, whilst the Registrar continues to appoint tribunals to funds that fail to submit surplus schemes.

Insurance

During the reporting period, the FSB initiated a new project called Solvency Assessment and Management (SAM). SAM is a holistic approach to risk management, encompassing the measurement of assets, liabilities and capital, the supervisory review process and disclosure requirements. It covers both short-term and long-term insurance as there is considerable overlap in a number of areas. More detail on this project is given in the general section of the Insurance division's section further in this document.

The Actuarial department is responsible for SAM's Quantitative Requirements Sub-committee that deals with the measurement of assets, liabilities and capital. This sub-committee has six taskgroups that will consider technical provisions, capital requirements, capital resources, assets, internal models and insurance groups in industry forums.

The proposed implementation date of SAM is 1 January 2014, with certain interim requirements introduced by 2012. In terms of these interim measures, the Actuarial department will be involved mainly in the development of revised requirements for liabilities and capital requirements in the short-term insurance sector.

The department assisted the Insurance division by making recommendations on various applications received, attending on-site visits and conducting presentations at the industry training session held during the reporting period.

Generally, the department also assists the Insurance division on projects including micro-insurance (looking specifically at capital requirements and possible tax bases), Treating Customers Fairly and the demarcation between medical schemes and health insurance products.

The department attended the training on risk-based supervision provided locally by the Office of the Superintendent of Financial Institutions (OSFI) in Canada through the International Advisory Group (IAG) and is assisting the Insurance department in refining its risk-based supervision approach.

Long-term insurance

Board Notice 14 of 2010, containing revised prescribed requirements for calculation of the value of the assets, liabilities and capital adequacy requirement of long-term insurers, was published in February 2010. The most significant change is to the minimum capital requirement, which affected mostly insurers writing only linked business. It was acknowledged that the higher prescribed requirement may not be suitable in all cases, and that in others a phase-in period may be required. Hence, a process was put in place to deal with applications for a lower minimum capital requirement than prescribed in the Board Notice.

An industry working group was formed in 2009 to look at possible changes to the long-term statutory return. To give insurers time to implement the extensive planned changes, the proposals will be effective only from 2011.

Draft Directive 146.A.i, relating to the interpretation of the definition of a 'linked' policy, was not issued as planned. Its issue is delayed until the directive on securities lending (draft Directive 154.A.i) has been finalised, as there is a cross-reference in Directive 146 to the draft securities lending directive. The Actuarial department assisted with the development of both directives.

Short-term insurance

Two board notices were published on 1 March 2010, namely Board Notice 27 of 2010 dealing with prescribed requirements for calculating the value of the assets, liabilities and capital adequacy requirement of short-term insurers and Board Notice 28 of 2010 dealing with prescribed requirements for the minimum amount of the security to be provided by or on behalf of a Lloyd's underwriter.

The recalibration of the prescribed method under Financial Condition Reporting (FCR) was completed. This, and other earlier work done under the FCR banner, will now be superseded by, and incorporated into, the SAM project.

General

The actuarial department continues to develop and maintain sound industry relationships.

The Chief Actuary enjoyed media coverage regarding surplus apportionment schemes. He also made a presentation at the Actuarial Society of South Africa (the Society) Retirement Matters Seminar and chaired a number of sessions at the International Congress of Actuaries, a four-yearly event of the International Actuarial Association (IAA) that took place in Cape Town from 7 to 12 March 2010. Four other staff members also attended this highly successful congress.

The Chief Actuary is a member of the Society's Retirement Matters Committee, Life Assurance Committee and International Affairs Committee.

Furthermore, he is involved with the IAA and is a member of its Pension Benefits and Social Security (PBSS) Section (as secretary), the Insurance Regulation Committee and the Solvency Sub-committee.

The Chief Actuary attended International Actuarial Association (IAA) meetings in Tallinn (Estonia) in May 2009, and the Pensions, Benefits and Social Security (PBSS) Colloquium and Committee meeting in Tokyo (Japan) during October 2009. In October 2009, the Head of Actuarial (Pensions) attended the Organisation for Economic Cooperation and Development (OECD)/International Organisation of Pension Supervisors (IOPS) Global Forum of Private Pensions in Latin America in Rio de Janeiro. He is also a member of the Retirement Matters Committee of the Society and participates in meetings of the Legal and Technical Committee of the Institute of Retirement Funds (IRF).

The Head of Actuarial (Insurance), who serves on the Short-term Insurance Committee of the Society, presented a session at the Society's Life Insurance Seminar on the use of internal models for statutory capital purposes. She is also a member of the IAIS Solvency and Actuarial Sub-committee (SSC) and actively participates in its work. The FSB hosted a meeting of the SSC from 2 to 4 March 2010 in Cape Town, which coincided with meetings of the IAA. Two joint sessions between the SSC and the IAA's Solvency Sub-committee took place during this time. The SSC meetings were attended by 35 to 40 delegates from all over the world, including representatives from Botswana, Swaziland and Malawi. On 5 March, the SSC held a regional information session, which was attended by about 50 people, including FSB staff. The topics covered were:

- initiatives by the IAIS (focusing specifically on the new IAIS Common Framework) ;
- the National Association of Insurance Commissioners (United States of America) solvency modernisation initiatives and group supervision approach;
- Solvency II (a general session and one dedicated to internal models);
- developments in micro-insurance, and
- the impact of the financial crisis and lessons learnt from it.

The Head of Actuarial (Insurance) was invited to attend the 10th Lloyd's Regulatory Programme in London in September 2009. This programme aims to provide a networking forum for regulators and representatives from Lloyd's and other London market businesses, to discuss and debate key issues of importance to international regulators and the industry, and to give attendees an insight into the Lloyd's market, its operational and financial structure and the way it is regulated and managed.

In November 2009, the specialist actuary, who serves on the Life Assurance Committee of the Society, made a presentation to the Society on the results of an investigation into the typical long-term valuation basis used by statutory actuaries during 2008. This annual presentation is much appreciated by the industry and attracts very positive comments.

During June 2009, actuaries from the Insurance and Pensions departments made a combined presentation to the Society on the role and responsibilities of pension fund valuers and statutory actuaries. The presentation highlighted the changes that followed the promulgation of the Insurance Laws Amendment Act in 2008.

Objectives for 2010

The department's main objectives over the next year are to:

- address non-compliance with PFA section 14 transfers to reduce the number of pended applications;
- encourage the industry to finalise the submission of all surplus schemes;
- scrutinise post-surplus valuations for consistency with the surplus valuation;
- assist National Treasury with the retirement reform process and investigations into social security, as required;
- develop new requirements for technical provisions and capital requirements for short-term insurers;
- assist with refining the Insurance division's risk-based supervision approach, and
- investigate the possibility of stochastic modelling for the short-term insurance industry.

COMMUNICATION AND LIAISON

The function of the department is the management through communication of perceptions and strategic relationships between the FSB and its internal and external stakeholders. This also entails managing the organisation's media exposure and branding, facilitating communication with industry and providing information to consumers. The department, which fulfills a support role, is responsible for public relations, media liaison, event management and the designing of brochures, banners and leaflets. It manages the relationship between the FSB and the outsourced call centre, and also attends to info emails, letters and faxes.

During the review period, the department issued numerous media releases on topics ranging from court determinations involving FSB litigation and consumer alerts about important industry issues.

The department produces the FSB's staff newsletter and serves on the editorial committee of the FSB bulletin and assists in the production of the annual report..

The Head of Department (HoD) is a member of the Public Relations Institute of Southern Africa and the National Press Club, Pretoria, and has served as a judge for the Institute of Retirement Funds' communication challenge for the past six years. The HoD has conducted several media interviews about industry-related issues and consumer alerts.

Contact Centre

The FSB Contact Centre, which also managed the call centre function for the Office of the FAIS Ombud, received 47 980 calls and recorded a call abandoned rate of 8,47% or 4 066 calls for the period 1 April 2009 to 25 September 2009. The centre had 14 consultants, an administration assistant, a coach and a supervisor, before its function was outsourced to Merchants Call Centre from 1 October 2009.

1 April 2009 - 25 September 2009	Calls received	Calls answered	Calls abandoned
FSB	42 576	39 081	3 495
FAIS Ombud	5 404	4 833	571
Total	47 980	43 914	4 066

Merchants Call Centre received 29 532 calls and recorded a call abandoned rate of 3,36% or 995 calls from 1 October 2009 to 31 March 2010. Merchants Call Centre has 12 consultants and seven support and management staff.

1 October 2009 - 31 March 2010	Calls received	Calls answered	Calls abandoned
FSB	19 501	19 091	410
FAIS Ombud	10 031	9 446	585
Total	29 532	28 537	995

The combined total number of calls was 77 512, with an abandon rate of 6,52 % or 5 061 calls (2009: 8,58%).

1 April 2009 - 31 March 2010	Calls received	Calls answered	Calls abandoned
FSB	62 077	58 172	3 905
FAIS Ombud	15 435	14 279	1 156
Total	77 512	72 451	5 061

Merchants Call Centre is responsible for inbound telephonic enquiries. Faxes and email enquiries remain the responsibility of the FSB Communications and Liaison department and walk-in clients are now directed to the relevant departments for assistance.

LEGAL AND POLICY DEPARTMENT

Legal proceedings

Curatorships

The Fidentia, Ovation and Common Cents curatorships continued during the year under review. During October 2009 an application by the Ovation curators for authorisation to close down the Ovation platform and transfer almost 95% of investor funds, was granted in the Western Cape High Court. The judgment finalised a number of issues and paved the way for the finalisation of the Common Cents curatorship. The Fidentia curators continued to recover and dispose of assets in the interest of investors.

The businesses of two further entities were placed under curatorship during the review period: Corporate Money Managers (Pty) Ltd and New Era Life Insurance Company Limited. The appointments of the curators for Royal Asset Management (Pty) Ltd and South Union Reinsurance Company Limited were cancelled during February and March 2010 respectively.

Civil damages claim

The Registrar of Pension Funds issued third-party notices to various entities and individuals in respect of the claim for R1.9 billion by the Joint Municipal Pension Fund for the recovery of losses from injudicious investments in agricultural derivative products. A trial date for the hearing of the matter has been set from July to September 2011. The matter has highlighted the nature of the relationship between the regulator and a regulated entity.

Civil applications and appeals

On 16 February 2009, Peter Ghavalas was found guilty of stripping the surplus assets of several pension funds through the so-called 'Ghavalas option' following the accused's guilty plea. The Registrar then launched applications to review and set aside each of the section 14 certificates involving the funds concerned, on the basis of Ghavalas' assertion that a fraud had been perpetrated on the Registrar and his office. Seven separate review applications were prepared and issued during August 2009. The Registrar and the Board are the applicants and all interested parties have been cited as respondents.

Review applications

As in previous financial years, review applications were brought against the Registrar of Pensions Fund's approval of the surplus apportionment schemes of various pension funds. All the applications relate to factual inaccuracies or calculation errors uncovered by the funds after the approval of their surplus schemes. Where appropriate the Registrar supported the applications to ensure that revised and corrected schemes are submitted and approved as soon as possible to expedite the distribution of actuarial surplus to stakeholders.

FSB Appeal Board

The FSB Appeal Board ensures that decisions of various decision-makers may be subjected to review by an independent and impartial tribunal. The introduction of the new Appeal Board structure during 2009 contributed significantly to an increased number of appeals being finalised during the review period - 65 appeals were finalised during the year through appeals hearings, reversal of decisions by the decision-makers or withdrawals either before or after the submission of detailed reasons for the decision-makers' decisions.

Legislation

The FSB undertook a review of the Securities Services Act, 2004 to assess whether it:

- continues to meet its objectives and those of financial regulation in general;
- is aligned with international developments and standards, and
- is effective in mitigating the effect of the financial crisis.

A draft Bill that gives effect to the outcomes of the review has been prepared and will be tabled in Parliament in the 2010/11 financial year.

A discussion document and legislative proposal on the possible regulation of credit rating agencies was prepared to inform the most appropriate regulatory response (and legislative measures) to give effect to the G20 recommendations in the South African context. The document was submitted to National Treasury for consideration.

An amendment to the Income Tax Act, 1962 was facilitated to give tax-deductible status to contributions to the Consumer Education Fund (CEF) and thus stimulate the inflow of funds to the CEF. The amendment was effected on 1 September 2009 under the Taxation Laws Amendment Act, 2009.

Several board notices and proposals made by the Minister of Finance to amend regulations under the laws administered by the FSB, were scrutinised.

A detailed assessment was undertaken of the implications of the Companies Act, 2008, Consumer Protection Act, 2008 and Competition Amendment Act, 2009 for the legislation administered by the FSB. The crucial outcomes of this

assessment have been addressed in the Financial Institutions Amendment Bill, 2010 (FI Bill). The FI Bill is intended to address necessary and urgent amendments to the laws administered by the FSB. These amendments, because of their immediate importance, cannot be deferred until the FSB's periodic review of the relevance and appropriateness of all its legislation.

The Bill also provides for the systemisation and rationalisation of enforcement remedies (civil, criminal and administrative) available to the FSB and Registrar under the laws administered by the FSB, clarifies and extends the consumer education mandate of the FSB and brings the Inspection of Financial Institutions Act, 1998 in line with constitutional developments. The FI Bill will be submitted to the Minister of Finance during 2010/11.

The Financial Ombuds Bill, 2010 has been finalised and will give effect to a revised financial ombudsman structure in South Africa based on an FSB research paper. Submission of the Bill to National Treasury is dependent on policy guidelines to be received from the Minister of Finance.

MARKET CONDUCT AND CONSUMER EDUCATION

Financial advisory and intermediary services

The Financial Advisory and Intermediary Services (FAIS) Division of the FSB supervises the financial advisory and intermediary activities in the financial services sector in terms of the Financial Advisory and Intermediary Services Act, 2002 (FAIS Act). The FAIS Act regulates and supervises, in the interests of consumer protection, the provision of advice and intermediary services for a range of financial products and services.

The Division has three departments - Registration, Supervision and Enforcement - staffed by 105 employees – one deputy executive officer, three heads of department, one legal manager, nine managers, six specialist analysts, 19 senior analysts, 32 analysts, seven junior analysts, two investigators, 23 support staff and four secretaries.

Industry overview

The Registrar of Financial Services Providers (Registrar) authorises and renders ongoing supervision over five categories of financial services providers (FSPs). Category I consists of financial advisers and intermediaries who provide financial services without discretion. Category II FSPs (also referred to as discretionary FSPs) offer discretionary intermediary services in terms of financial product choice, but without implementing bulking. Category IIA FSPs are hedge fund managers. Category III FSPs are investment administrators specialising mainly in the bulking of collective investments on behalf of clients (linked investment services providers). Category IV is a new category in which assistance business administrators render intermediary services in terms of the administration of assistance business (funeral policies) on behalf of an insurer to the extent agreed to in a written mandate between the two parties.

The total number of approved FSPs at 31 March 2010 was:

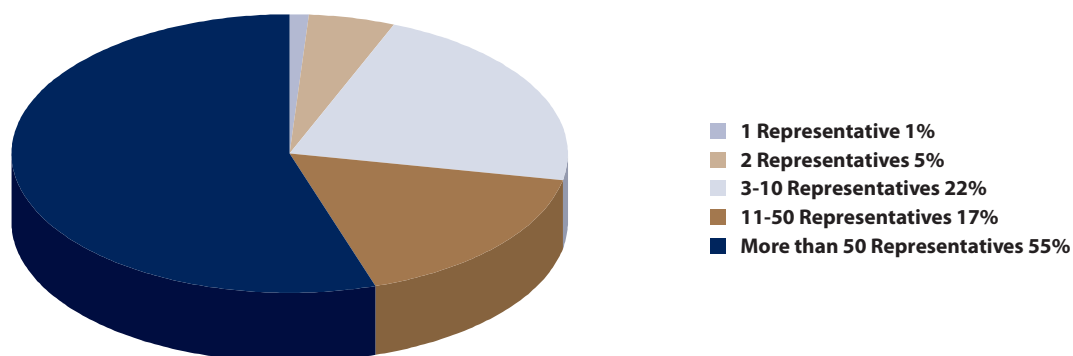
Category I	13 280
Category II	572
Category IIA	116
Category III	23
Category IV	8

The total value of assets under management by Category II, IIA and III FSPs exceeded R3 418 billion at 30 June 2009.

During the reporting period, the Registrar authorised 889 licence applications received from FSPs, bringing the total number of authorised FSPs to 13 867 on 31 March 2010. FSP businesses range from sole proprietors to large financial institutions.

The diagram below depicts the size of FSPs by the number of key individuals and representatives linked to an FSP at 31 March 2010.

High impact	288
Medium impact	3 219
Small FSPs	10 368
Total	13 875



Recognised representative bodies

The Registrar has delegated, under section 6(3) of the FAIS Act, the consideration of applications for licences under section 8 of the FAIS Act and the consideration of applications for approval of compliance officers under section 17(2) of the FAIS Act to two recognised representative bodies, namely Moonstone Information Refinery and Forum for Assistance Business.

No further approvals of recognised bodies occurred during the reporting period.

Regulatory developments

Regulatory examinations

The revised fit-and-proper requirements, published on 15 October 2008, require FSPs who are sole proprietors, key individuals and representatives to complete regulatory examinations. To implement these examinations nationally, provision was made for professional bodies and/or industry associations to apply to the Registrar of Financial Services to be recognised as examination bodies, as per Board Notice 153 of 2008.

The Financial Planning Institute (FPI), Moonstone Information Refinery, Leselo Examination Body and the South African Institute for Financial Markets (SAIFM) were recognised on 29 June 2009 as examinations bodies as they met all the requirements set by the Registrar. Their dual responsibility is developing and setting the regulatory examination questions, and implementing the examinations.

The following milestones were reached during the reporting period:

- an external project manager was appointed;
- the Independent Examination Board (IEB) was appointed as an external moderator;
- site visits were conducted to confirm the capacity of each examination body to meet the requirements set by the Registrar;
- staff from each examination body were trained in question development methodology to ensure consistency;
- work started on the development and review of questions for each of the 31 examinations;
- questions from 12 of the 31 examinations were trialled and moderated as part of the quality assurance process;
- the electronic examination systems of each examination body were reviewed;
- uploads and downloads between the FSB and each examination body were tested;
- algorithms were developed for the format and layout of the examinations;
- a communication strategy was developed and implemented, and
- joint roadshows were held with the Financial Intermediaries Association (FIA), the Insurance Sector Education and Training Authority (Inseta) and Moonstone.

It is envisaged that the first pilot of the level 1 examination will take place in May 2010 and that the rollout will start in July 2010.

Advisory Committee on Financial Services Providers

The Minister of Finance appoints the Advisory Committee on Financial Services Providers (Advisory Committee) whose function it is to investigate and report or advise on any matter covered by the FAIS Act. Advisory Committee members, except for the Registrar and Deputy Registrar of Financial Services Providers, who are *ex officio* members, hold office for a period determined by the Minister. The Advisory Committee met four times during the review period.

Supervisory developments

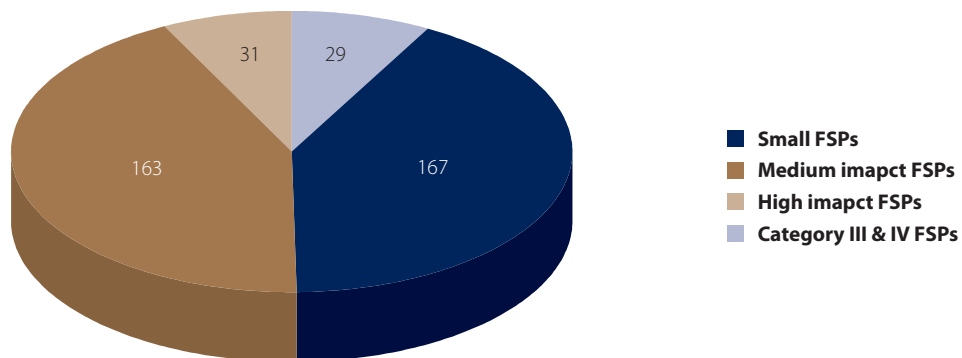
Submission of compliance reports and financial statements

All FSPs are required to submit compliance reports as prescribed, from time to time, by the Registrar and must submit financial statements annually. A project was initiated to remedy the historically poor compliance with these requirements. This, and the suspension of FSP licences for non-compliance, have increased the number of submissions.

Risk-based supervision - risk assessment visits

The Supervision department's risk-based supervision framework was further enhanced during the reporting period. The department undertook 390 risk assessment visits and FSPs were assessed for ongoing compliance with anti-money laundering legislation. The diagram below depicts the number of visits in the various categories:

Risk assessment visits 1 April 2009 to 31 March 2010



Overall compliance is satisfactory, but there are concerns.

The following trends were noted with small and medium impact FSPs:

- failure to disclose to clients certain information prescribed in sections 4, 5 and 7 of the general code of conduct;
- lack of documented relevant risk and conflict of interest management policies, internal rules prescribed in the Financial Intelligence Centre Act (FICA), client acceptance procedures, and business, business continuity and succession plans. Some had generic documents in respect of these policies and procedures. These documents were drafted by third parties on FSPs' behalf and no attempt was made to customise or implement them. Understanding of the need for a risk management plan was greater, but existing documents have limited scope. Plans for business continuity or winding up are improving but are not always practical;
- lack of understanding of their obligations in terms of section 20 of the general code of conduct governing termination of business with clients;
- failure among funeral assistance and short-term insurance businesses to keep records of advice prescribed in section 9 of the general code of conduct and non-compliance with section 8 of the code, which prescribes a suitability analysis to be conducted, and
- use of key individuals and representatives who failed to meet column 4 qualification requirements on 30 December 2009. More focus will be placed on this non-compliance during the next reporting period.

It is clear that the level of knowledge and understanding of responsibilities in terms of the FAIS Act and the requirements of the code of conduct are poor. There is significant incorrect information in the industry and roleplayers are informed incorrectly by external parties. The FSPs with compliance officers tend not to respond to FSB queries, leaving it to the compliance officer. More focus is being placed on dissemination of important information that educates FSPs on their responsibilities in terms of the Act.

Risk assessment visits to high-impact FSPs have assisted in cementing relationships and in uncovering non-compliances such as:

- instances where information submitted by the compliance officers in the compliance reports was false and was not a reflection of what occurred in the business. The offending compliance officers have been taken to task, and
- some FSPs do not have processes to establish their representatives' compliance with fit and proper requirements. Assistance was provided to establish and implement procedures.

High-level onsite visits at all 23 administrative (category III) FSPs were conducted and 14 detailed risk assessments were performed. Regulatory transgressions included poor nominee corporate governance and non-use of approved client mandates. Closer monitoring has been implemented of category III FSPs not fully compliant with the FAIS Act and subordinate legislation. Serious fraud was uncovered at Corporate Money Managers, which led to a successful application for curatorship.

Some 26 FSPs were identified as category IV FSPs and onsite visits to 15 of these were conducted. Regulatory transgressions included unregistered funeral assistance business, key individuals and representatives not meeting the fit and proper requirements, lack of accountability by these FSPs for their representatives and the non-payment of funeral claims to beneficiaries. This resulted in the withdrawal of FAIS licences and closer monitoring of recalcitrant FSPs.

Compliance practice onsite visits

During the reporting period, the Supervision department reviewed 44 independent compliance practices, most of which demonstrated acceptable compliance services to their clients. However, some areas for improvement were identified and addressed, particularly among certain smaller compliance practices, which were not compliant in all respects and provided compliance as an auxiliary service to their clients. Some cancelled their client compliance agreements after they became aware of their obligations in terms of the Act.

Financial Intelligence Centre Act

The Supervision department assessed the general compliance by FSPs with the Financial Intelligence Centre Act, 2002 (FICA) and other anti-money laundering legislation. Money laundering was incorporated as one of the risk elements in the risk-based supervision framework. Findings on FICA compliance were incorporated in risk mitigation plans sent to providers with deadlines for feedback to the Registrar. The Supervision department performed some of the visits jointly with the Financial Intelligence Centre.

Communication with FSPs

The Supervision department's two conferences - in Pretoria and in Cape Town – promoted awareness of important issues affecting FSPs. During the reporting period, the FSB issued four information circulars informing FSPs about the new fit and proper requirements, submission of returns and the debarment of representatives.

Nominee companies

A nominee company:

- that wishes to register or hold assets on behalf of long-term insurers, short-term insurers or pension funds;
- that wishes to hold securities in terms of section 36(2) of the Securities Services Act, 2004, or
- in the case of an administrative and a discretionary FSP, that wishes to hold assets on behalf of long-term insurers, short-term insurers or pension funds or holds clients' securities in the Strate environment, requires the prior written approval of the Registrar of Long-term Insurance, the Registrar of Short-term Insurance, the Registrar of Pension Funds, the Registrar of Financial Services Providers or the Registrar of Securities Services. The approval of nominee companies has been delegated to the Deputy Registrar of Financial Service Providers in the FAIS division.

Four nominee companies were approved and one extended its approval during the reporting period.

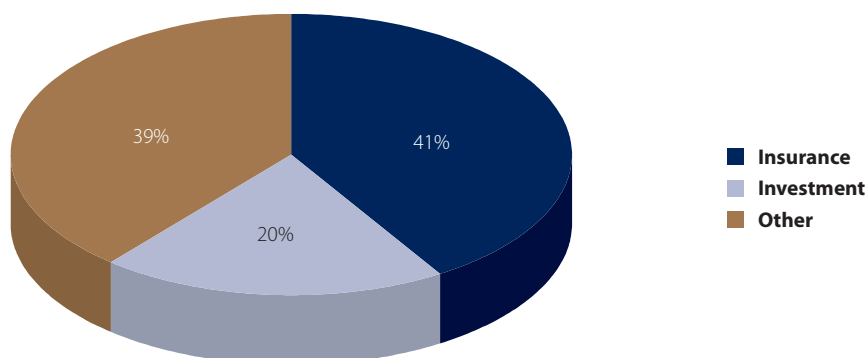
The FAIS Supervision department is reviewing all registered nominee companies in South Africa to ensure that FSPs are compliant with the FSB requirements for nominees. Two applications were declined and those nominees previously housed in a trust structure are being converted to companies by the FSPs concerned. Onsite visits were conducted of 14 nominee companies during the period.

Complaints

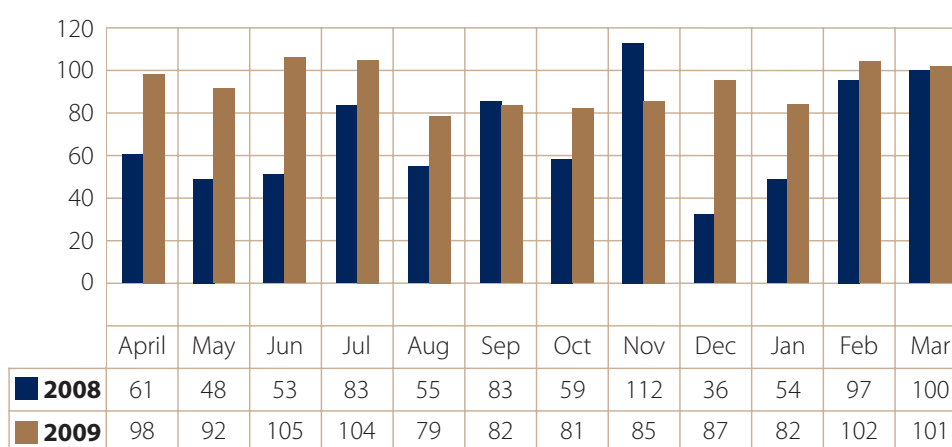
An important aspect of the Registrar's work is the screening and handling of complaints and enquiries, usually received telephonically or in writing.

The Enforcement department deals with complaints regarding bad or inappropriate advice given before 30 September 2004, as well as complaints regarding contraventions of the FAIS Act by authorised FSPs and unauthorised entities providing financial services falling within the FAIS regulatory framework. There are three categories of complaints, insurance, investment and other. Others complaints about products that do not fall within the definition of financial product and these are referred to the relevant agencies for attention. The principal purposes of complaints handling are to alert the Registrar to areas of public concern and to educate the consumer. During the review period the department received 1 098 complaints, an increase of 31% over the previously reported 841. Of these, 131 complaints remained unresolved at 31 March 2010.

Complaints received



Complaints monthly breakdown



Inspections

The Enforcement department requested formal inspections into the affairs of 9 authorised and unauthorised entities. These focused mainly on material contraventions.

Regulatory action

Suspensions and withdrawals

The Registrar is empowered to suspend or withdraw a licence if the licensee:

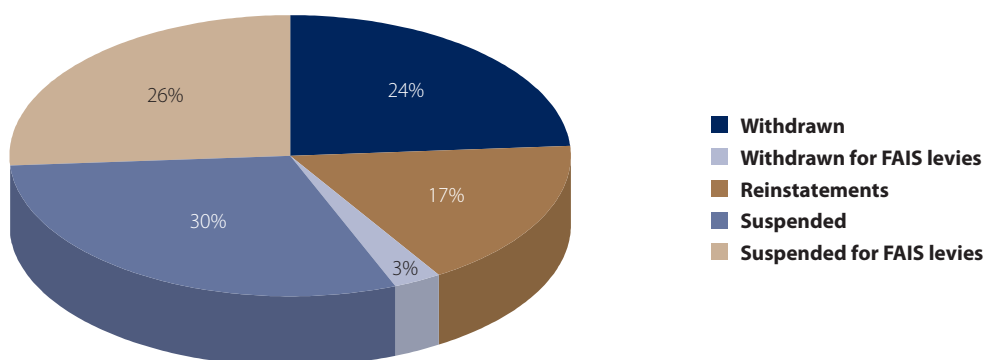
- no longer meets the requirements of fit and proper for authorised FSPs;
- did not, when applying for its licence, make full disclosure of all relevant information to the Registrar, or furnished false or misleading information;
- fails to comply with any other provisions of the FAIS Act, or
- is liable for payment of a levy in terms of section 15A of the FSB Act (this provision became effective on 1 November 2008 after the amendment of the FAIS Act).

Market Conduct and Consumer Education

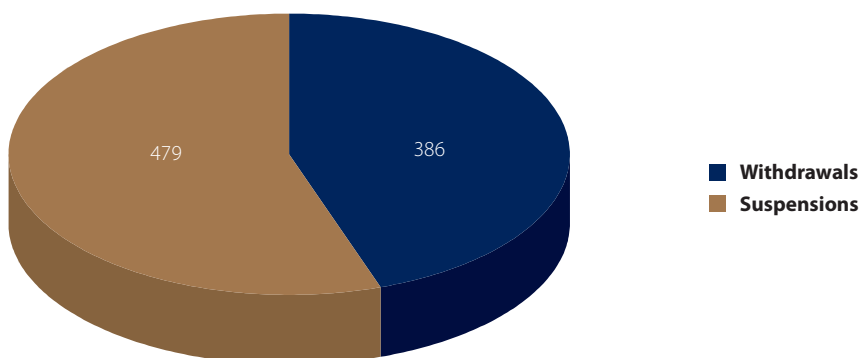
A suspension of a licence takes place in cases of less material contraventions that the licensee is able to rectify during the suspension (usually 90 days). A suspension can be lifted at any time after the conditions imposed are met. Failure to meet conditions leads to a withdrawal. During the reporting period, the Registrar suspended 479 licences compared with 40 during the previous financial year. This huge increase was attributable to the amended FAIS Act, which gave the Registrar the power to act for failure to pay levies. Some 417 suspended licensees fell foul of this requirement, which represented 87% of suspended cases. Most cases occurred during March 2010.

Licences are withdrawn for serious, non-rectifiable contraventions or following suspensions where no corrective action is taken. During the reporting period, there was a 451% increase in withdrawals from 70 previously to 386, 308 of which were for failure to pay levies.

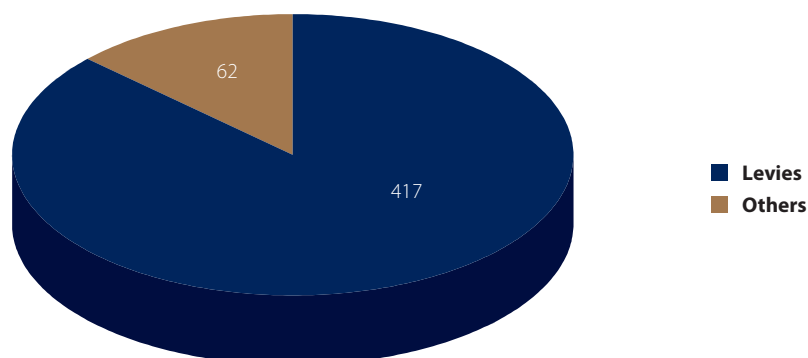
Total regulatory action



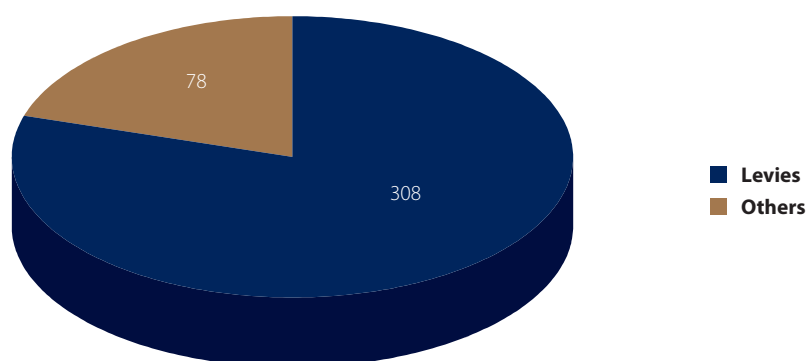
Suspensions vs withdrawals



Suspensions: levies vs others



Withdrawals: levies vs others



FAIS Ombud determinations

The Enforcement department analysed 19 determinations issued by the FAIS Ombud and took action against FSPs at fault, forcing them to implement processes to ensure that the reported incidents do not recur. Although no action was taken where complaints had been dismissed, the determinations were analysed to identify any issues relating to contraventions of the FAIS Act.

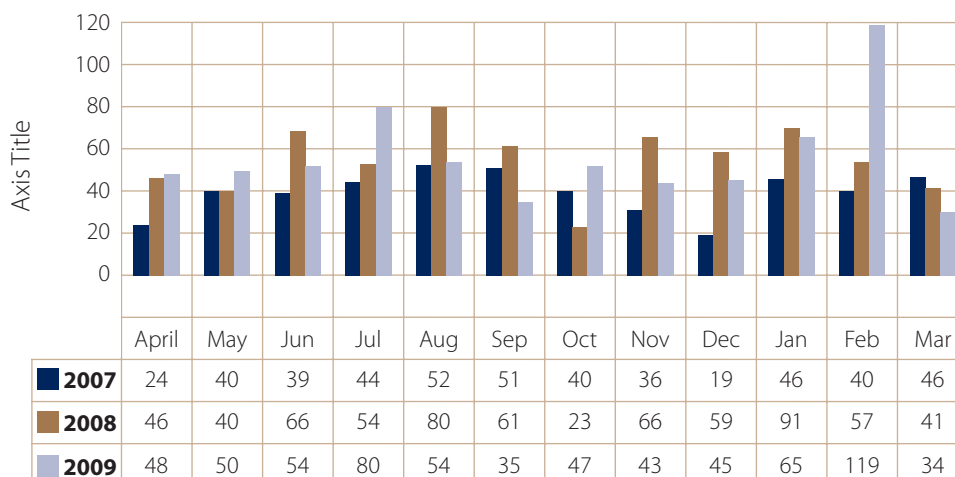
Debarments

Debarments of representatives

FSPs must ensure that all appointed representatives meet the fit and proper requirements of section 8 of the FAIS Act at all times and prohibit any representative who no longer complies from rendering financial services on its behalf by removing him or her from its register and informing the Registrar. The representative will then be listed on a central register of debarred persons.

A debarred representative may be reappointed according to the guidelines in Board Notice no 82 of 2003, Determination of Requirements of Reappointment of Debarred Representatives. An application for reappointment for a representative debarred for dishonesty and lack of integrity is considered only after 12 months from debarment date. An application for a representative debarred for failure to meet the competency requirements is considered after the attainment of the requirements. A debarred representative is not entitled to automatic reappointment after 12 months, but must prove he or she is fit and proper. During the reporting period, 438 individuals were placed on the register of debarred persons and 17 were reappointed.

Debarments



The increase in January and February 2010 was due to the fact that representatives failed to meet the 31 December 2009 qualification deadline.

Debarments imposed by the Registrar

The Registrar is empowered to debar any person or representative for a specified period if satisfied that the person:

- does not meet, or no longer meets, the requirements of section 8 of the FAIS Act, or
- has contravened or failed to comply with the provision of the FAIS Act.

Twenty nine persons were debarred by the Registrar during the review period.

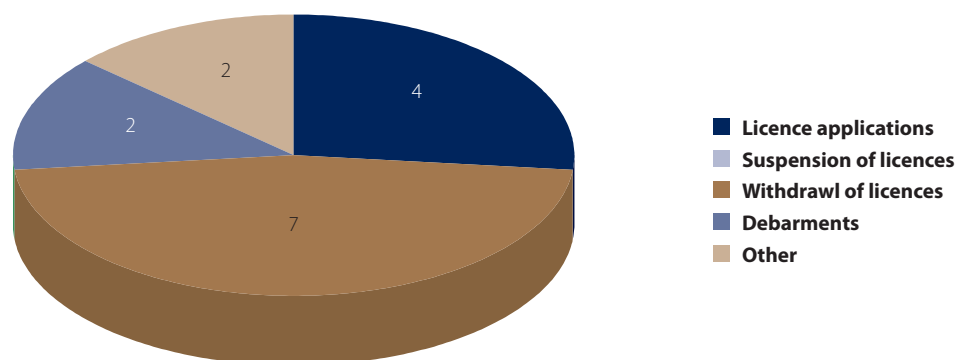
Curatorships

Corporate Money Managers was placed under curatorship for failure to honour obligations to investors, and the curatorship is ongoing. Common Cents, Fidentia and Ovation remained under curatorship during the reporting period.

Appeals

Any person aggrieved by any decision by the Registrar under the FAIS Act may appeal to the Board of Appeal established by the FSB Act. During the reporting period, 15 appeals were made against the Registrar's decisions as follows:

Appeals



CONSUMER EDUCATION

The Financial Services Board Act, 1990, as amended in 2000, mandates the FSB “to promote programmes and initiatives by financial services institutions and bodies representing the financial services industry to inform and educate users and potential users of financial products and services”.

The long-term vision of the FSB’s consumer education strategy is to enable all South Africans to manage their personal and family financial matters soundly, to eradicate irresponsible financial behaviour, to ensure that unscrupulous and unlicensed financial services institutions are not supported but reported, and to advise consumers on financial services and products, their rights and responsibilities as well as available recourse mechanisms.

Two target areas for the promotion of financial education by the FSB are education institutions, through the formal education system, and community education.

Formal education

Teacher resources

In 2008 lesson plans, posters and CDs based on the Mathematical Literacy curriculum for Grades 10 and 11 were developed, printed and used in workshops for teachers throughout the country. This project was conducted in partnership with the South African Insurance Association (SAIA). During the past year, Grade 12 Mathematical Literacy resources for teachers were produced. A total of 2 879 teachers from all provinces participated in 44 workshops between May and June 2009 to review the Grade 12 resources. As a result, provincial departments of education requested special workshops for provincial subject advisers, who play a pivotal role in promoting the use of appropriate resources that meet the required standards. The response to the resources and workshops was so positive that the partners felt it necessary to fund a further 22 workshops for an additional 925 teachers. The National Department of Education complimented the FSB on an excellent project and invited it to ensure that all teachers of mathematical literacy in South Africa are exposed to the opportunity. Grades 10, 11 and 12 resources will be revised in the coming year in tandem with curriculum changes. More workshops will be staged for educators.

Financial Guide for Youth

Global research has identified youth as seriously lacking in financial literacy, a finding confirmed in focus group discussions that formed part of a research project commissioned by the FSB in 2008. There was a lack of understanding of financial terminology, a disinterest in saving for the future or for emergencies, but a passion for shopping and acquiring goods without consideration of the consequences of over-indebtedness.

As part of its formal education initiatives, the FSB developed the *Financial Guide for Youth*, which covers topics such as personal financial planning, banks and bank accounts, investments and insurance, further studies and the world of work, payroll deductions, starting a business and recourse.

A total of 108 workshops were conducted across the provinces for 3 010 youth aged 18 to 22 years old and 6 000 copies of the guide were distributed. This popular project will continue in the coming year as part of a varsity campaign and with students exiting further education and training (FET) colleges.

Careers fairs

The SABC organises careers fairs in various provinces annually. About 4 000 high school learners and teachers attended the fair in Welkom on 29 and 30 April 2009, where the two main messages conveyed to visitors to the FSB stand were what to watch out for when starting a career and careers at the FSB. In addition to discussing with learners financial management, 2 000 brochures were distributed and Grade 12 students received copies of the *Financial Guide for Youth*. About 1 700 teachers and high school scholars attended the SABC careers fair at Bisho, Eastern Cape on 19 and 20 August 2009 in the Eastern Cape. Financial education and career messages were conveyed and educational materials distributed.

Public speaking contest

Each year the Black Brokers Forum in KwaZulu-Natal organises a public speaking contest in which 117 schools in the Port Shepstone area participate. At the past year's event, on 21 August 2009, all topics dealt with financial matters, including financial regulation and education. The FSB played a key role in providing research material for the students addressing the audience and adjudicating competition participants. The winner received, among other prizes, a bursary to cover costs of first-year university studies.

Community education

Liaison

All departmental staff members have taken part in outreach activities to meet key community and government bodies to promote the importance of consumer financial education and to explore ways of working together. Meetings were held with the South African Women's Agricultural Union (resulting in the publication of financial education material in Bouquet magazine and the organisation of financial education workshops for farmworkers), Soft Ball South Africa, the South African Bureau of Standards, the South African National Consumer Union, the National Consumer Forum – NCF (resulting in agreement that the department participate in financial education workshops coordinated by the NCF at its newly established Access to Knowledge Centre), the South African Association of Investors, the Black Brokers Forum, the Gauteng Association of People with Disabilities (resulting in staff workshops), Transnet, the Independent Communications Authority, the Magoni Tribal Authority, the Vhurivhuri Tribal Authority, Deaf SA, the Corpus Christie Church, the Department of Social Development, Shakaza Civil Association, Zion Christian Church, the Gauteng Department of Health (resulting in presentations as part of its employee assistance programme) and the Gamagarra Municipality. In addition, meetings were held with the principals of the Bonitas Funeral Scheme, the management of the Voortrekker Hospital, the North West branch of the South African Funeral Practitioners' Association, the South African Security Services Agency, the National Credit Regulator and the quality assurance manager of Seton (SA). Further interactions took place with senior representatives of provincial consumer affairs offices and other regulators through the department's membership of the Consumer Protection Forum.

Meetings took place also with the Banking Association of South Africa, Finmark Trust, African Bank, the Ombudsman for Long-term Insurance, the Credit Ombud, National Treasury, the Department of Trade and Industry, the South African Reserve Bank, the Financial Intelligence Centre, the Association for Savings and Investment, Dames Aktueel, the Association for People with Disabilities, the South African Savings Institute, the South African Soccer Legends, the School of Management and Administration of the University of Pretoria (resulting in a research paper prepared for the department on the structure of soccer in South Africa as background information for a planned financial education strategy for sports codes), the Department of Sports and Recreation (resulting in an agreement to draw up a plan for financial education for all sports codes, including the preparation of financial educational materials for sports people). Other useful alliances were forged with the National Empowerment Fund, the National Consumer Tribunal and the National Energy Regulator.

Internationally, staff of the department were invited to make presentations to the Brazilian and Mexican non-banking financial regulators on a study tour in South Africa as well as board members of the Uganda Capital Markets Authority. The FSB has since been invited to participate in events organised by these organisations.

Workshops, public engagements and media

In some cases, departmental staff are invited to make presentations on financial management at workshops or they may offer this opportunity to interested parties. In other cases, workshops may form part of national projects with teachers or be conducted as part of projects run by procured service providers. During the period under review, 94 workshops were held across the country, reaching 13 437 consumers. Other events in which the department participated included workshops organised by the South African Women's Agricultural Union, the Mmbatho Chamber of Commerce, members of the Liquor Board, Eastern Cape; Baragwanath Hospital, Dames Aktueel, the Association of People with Disabilities, the South African Association of Investors, the National Credit Regulator, Gauteng Department of Health, Mpumalanga Consumer Affairs Office, World Centre Church, Meropa Casino staff (exhibition), Gauteng Consumer Affairs Office (mall activation) and Ekurhuleni Municipality.

The following tables provide further information:

	PROVINCES (NUMBER OF WORKSHOPS AND PRESENTATIONS HELD)									TOTALS
	EC	FS	GT	KZN	LP	MP	NW	NC	WC	
Workshops	10	8	19	15	6	12	9	6	9	94
Topics covered	* The role of the FSB i) * Money management ii) * Funeral assistance business iii) Rights and responsibilities when buying insurance products									
Exhibitions held										17
Number of consumers reached										27 345
Conferences and seminars attended										4
International conferences										2
Radio interviews										27
Meetings with community organisers										8

WORKSHOPS AND PRESENTATION VENUES				
Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo
Aliwal North Queenstown Umtata Bisho	Botshabelo Koffiefontein Qwaqwa	Soweto Germiston Garankuwa Hammanskraal Suikerbosrand	New castle Eshowe Empangeni Pietermaritzburg	Lebowakgomo Vhenda Modimolle Messina
Mpumalanga	North West	Northern Cape	Western Cape	
KaBokweni KaNyamazana Tweefontein Bushbuckridge Middelburg KwaMhlanga	Mafikeng Vryburg Sibasa Rustenburg	Kimberley Springbok Calvinia Kuruman	Vredendal Paarl Worcester Parow Mitchell's Plain Claremont	

A brief review of the consumers served by the Consumer Education department indicates that the average income of consumers in LSM 1-5 is R1 500 per month, while those in LSM 6–10 earn on average R10 000 per month. Consumers in the rural areas, for the most part, do not have bank accounts, but live on government grants and have funeral policies. They are highly indebted and tend to be victims of financial scams. More women than men (aged between 25 and 80) attended the workshops.

The media have been helpful with discussions and follow-up interviews with staff of the department. Meetings were held with various radio station producers and a television producer to encourage the use of the important consumer financial information available through the FSB and other regulators. Included in these discussions were representatives from Radio 2000, Shift (SABC TV), Dr George Mukhari Hospital Radio, Letlhabilie Community Radio, Lesedi FM and Radio Riverside.

Radio interviews were undertaken with Dr George Mukhari Hospital Radio, Radio Letlhabilie Community Radio, Star Radio, Radio Phalaphala and Ukozi FM. Staff participated in 27 radio interviews in English, isiZulu and Sotho during the review period.

Partnerships

South African Insurance Association (SAIA)

In addition to the FSB and SAIA educational resources for teachers project, the partners collaborated in the education of commuters at taxi ranks throughout South Africa during 2009/10.

TAXI RANKS	PROVINCE	NUMBER OF COMMUTERS PER DAY
Taxido Junction Taxi Rank	Gauteng	444 000
Springs Taxi Rank	Gauteng	171 000
Rustenburg Taxi Rank	North West	376 540
Klerksdorp Main Rank	North West	167 500
Nelspruit Plaza Taxi Rank	Mpumalanga	181 972
Witbank Taxi Rank	Mpumalanga	195 372
Polokwane Taxi Rank	Limpopo	269 000
Thohoyandou Taxi Rank	Limpopo	42 000
Welkom Power Road Taxi Rank	Free State	343 710
Newcastle Taxi Rank	KwaZulu-Natal	130 784
Port Shepstone Taxi Rank	KwaZulu-Natal	147 400
Pietermaritzburg Taxi Rank	KwaZulu-Natal	127 300
Richards Bay Taxi Rank	KwaZulu-Natal	110 000
Khayelitsha Taxi Rank	Western Cape	83 750
Nyanga Taxi Rank	Western Cape	53 600
Umtata Taxi Rank	Eastern Cape	385 000
Mdantsane Taxi Rank	Eastern Cape	221 000
Kimberley Taxi Rank	Northern Cape	67 000
TOTAL		3 652 928

This has been an informative programme for the taxi rank community, with financial education messages delivered through television, radio broadcasts into taxis, radio broadcasts on train stations, CDs played in taxis as well as interactive presentations.

National Treasury

National Treasury (NT) chairs a workgroup including representatives from several FSB departments, including Consumer Education. The group was established to develop a policy document from NT's micro-insurance discussion document. As part of this, and in preparation for the introduction of micro-insurance legislation, a proposal has been prepared for a pilot project to educate consumers about insurance. The project will be implemented in 2010/11.

National Department of Education

Having expressed satisfaction with the teaching resources and workshops facilitated by the FSB and the SAIA, the National Department of Education (NDoE) invited the partners to deliver the 'Managing your Money' project to all teachers of mathematical literacy. In addition, it invited the FSB to use the *Financial Guide for Youth* to run workshops for exiting students at 50 FET colleges.

Department of Sports and Recreation

Representatives of the Department of Sport and Recreation (DSR) and the FSB discussed organising workshops on financial education for DSR staff and at all levels of sport codes. A workgroup will prepare a plan for implementation.

Department of Social Development

Staff members made presentations on consumer issues for provincial coordinators and at national workshops for the aged. The presentations were important as the coordinators were not aware of bodies such as the FSB and referred complaints to the South African Police Service.

National Consumer Forum

The NCF is a coalition of several consumer-related organisations establishing Access to Knowledge Centres (A2K) throughout South Africa. The first, a pilot, was launched in KwaMahlanga and provides information services on topics such as healthcare and municipal matters. Staff have undertaken to work with the Access to Knowledge Centre by making information available and facilitating workshops on personal financial management.

South African Savings Institute

The South African Savings Institute (SASI) coordinates National Savings Month and plays a key role in the Teach the Children to Save project with schools and in a festive season campaign. These projects aim to inculcate the habit of drawing up a budget and saving regularly. The organisation is also active in the varsity campaign, where exhibits are displayed and information sessions organised during the student orientation weeks. During the reporting period, the FSB participated with the South African Savings Institute in these activities.

Revision and translation of consumer education booklets

The FSB's three consumer financial education booklets are the source of content for all FSB financial education projects. The booklets have been printed and booklet 1, which has been translated into Afrikaans, Sepedi, Sotho, isiZulu and isiXhosa, is being used in nationwide workshops. The booklets have been posted on the FSB website.

Brochure development and translation

The brochures on the role of trustees, collective investment schemes, short-term insurance and the FSB are ready for translation into five languages and printing. The brochures will be distributed at consumer workshops and presentations. Brochures planned for the coming year cover financial advisory and intermediary services, capital markets, investment in shares, complaints handling, long-term insurance and retirement.

National consumer financial education strategy

The FSB, in keeping with its mandate, consulted broadly with several stakeholders on the overall implementation of a more coordinated approach to consumer education. Three documents were produced, namely the national consumer financial education strategy discussion paper; the national consumer financial education framework and the national consumer financial education strategy. The last-mentioned will not be an FSB strategy, the initiative of a broad-based group of members representing various constituencies in finance and other sectors. The central coordinating body, once established, will expand on content priorities and the implementation plan, which will be preceded by a baseline study. NT is considering its role in terms of policy.

Interactive consumer education website

Consumer Education staff, with the Information and Communication Technology department, are driving the development of an interactive consumer education website that will enable consumers and companies to communicate directly with the department on financial education matters.

Research into the measurement of consumer education programmes

A toolkit guide to the monitoring, evaluation and assessment of consumer education was developed for ease of reference and has been made available to the financial and financial education sectors. The guidelines are on the FSB website and have been distributed to stakeholders for comment.

Retirement fund trustee training toolkit

A need has been expressed for the training of retirement fund trustees. The department and the Retirement Funds division are developing an electronic toolkit based on the FSB's PF130 on corporate governance. The toolkit of the Pensions Regulator in the United Kingdom has informed the process.

International activities

Organisation for International Cooperation and Development (OECD)

The FSB is a member of the OECD's International Network on Financial Education (INFE), of the advisory committee of the INFE and FINCONET (formerly known as the International Forum for Financial Consumer Protection and Education). As part of its work with INFE, the FSB participates in two expert subgroups that deal with financial education in schools and the measurement of financial education programmes. In addition, staff presented papers at the INFE meetings in Paris in May 2009.

The department has responded to draft research papers and has developed a case study of the implementation of financial education in the South African formal education system. It has also prepared a document on South Africa's learning framework in which financial education is part of the formal education system. The contents of these documents will contribute to international best practices for financial education in schools and could become recommended best practices by the OECD. The FSB will participate in an international pilot survey to test 20 core questions being prepared by the OECD to determine the feasibility of collecting internationally comparable data on financial education.

Staff presented two papers at the OECD-Brazil International Conference on Financial Education in 2009 and presented a paper on financial education for the financially excluded at the OECD-Reserve Bank of India Workshop in Bangalore in March 2010.

The FSB and the OECD will host the annual International Conference on Financial Education, the expert subgroup and advisory committee meetings in October 2011. Running concurrently with these events will be the Global Forum and meetings hosted by the FSB, the OECD and the International Organisation of Pensions Supervisors (IOPS).

An FSB staff member was invited by Ambassador Andrew Young and John Hope Bryant of the Hope Foundation to present a paper on financial education in schools at the Operation Hope Financial Literacy Summit in Washington DC in June 2009.

Committee of Insurance, Securities and Non-banking Financial Authorities (CISNA)

The FSB, as part of its commitment to the South African Development Community (SADC) conducted a consumer education familiarisation programme for senior representatives of regulatory authorities of SADC from 11 to 15 May 2009. Eighteen delegates attended from Swaziland, Mozambique, Ghana, Kenya, Uganda, Zambia, Malawi and Namibia. Participants interacted with representatives of organisations and financial bodies about consumer protection legislation and education initiatives in South Africa, with a view to gathering enough information for the development of financial education plans and strategies for their countries. Responses to the programme were unanimously positive and a similar initiative is planned for May 2010.

The Financial Services Consumer Education Foundation (Foundation)

In 2004, the FSB established an independent trust to receive donations for consumer education programmes. The department coordinates the FSB's secretariat function to the Foundation. The past year saw the revision of the service level agreement between the Foundation and the FSB and of the trust deed of the Foundation. In addition, the South African Revenue Service has approved tax benefits to Foundation donors under Section 18a of the Income Tax Act.

The following Foundation-funded projects were managed by the department in the review period:

- Stokvel TV: a DVD and the Daily Sun newspaper were used to convey financial management messages to consumers through church networks and informal savings clubs;
- national workshop programme: a basic generic financial education programme with information and activities to illustrate the principles of wealth creation and wealth preservation, and
- publication of financial education articles in a magazine for teachers.

Funding consumer education

Industry levies are not used to fund promotional activities performed by the FSB to fulfil its mandate to promote the education of consumers. The department is given an operating budget from the levies, but identifies and negotiates with possible funding partners to conduct joint initiatives.

Financial Services Board discretionary fund

Fines for late filing of reports and other non-compliances are deposited in the FSB's discretionary fund. The department can access these funds by making submissions to the Executive Committee and, following approval, to the Audit and Risk Management Committee of the Board. Generally, the discretionary fund has funded the printing of brochures and has contributed to the partnership projects with the SAIA.

Use of discretionary funds: 1 April 2009 – 31 March 2010

No	Project	Amounts
1.	Radio interviews	26 726
2.	Teacher development	800 000
3.	Updating, translating and printing of consumer education booklets	411 647
5.	Articles in Bouquet magazine	18 438
	TOTAL	R 1 256 811

Financial Services Board cost centre

As indicated, the FSB does not use levies for projects, but it does fund the department's operational costs. These costs amounted to R5 405 912 for the year ended 31 March 2010.

INSURANCE

The Insurance division of the FSB supervises the long-term and short-term insurance industries in terms of the Long-term Insurance Act, 1998, and the Short-term Insurance Act, 1998. In South Africa only insurers registered in terms of these Acts may conduct business.

The division consists of four departments, focusing on registration requirements, the financial soundness of insurance companies, compliance and the regulatory framework. It is a 49-strong team headed by a deputy executive officer, with four heads of department, seven managers, seven specialists, 24 analysts and six administrative staff.

This report deals with an overview of the long-term and short-term insurance industries. The general section deals with matters common to both.

LONG-TERM INSURANCE INDUSTRY

During the review period, the division registered two new long-term insurers and one composite reinsurer and did not cancel the registration of any insurer. During the previous financial year, the division registered five new long-term insurers and cancelled the registration of two insurers.

The number of long-term insurers registered at 31 March was as follows:

Types of insurers	2009	2010
Insurers		
Typical insurers	30	31
Niche insurers	8	9
Linked insurers	15	15
Cell captive insurers	7	7
Assistance insurers	10	10
Insurers in run-off	9	9
Reinsurers		
Long-term only	3	3
Long- and short-term (composite)	3	4
TOTAL	85	88

Every insurer or reinsurer is required to be registered for a specific class or classes of business, namely assistance, disability, fund, health, life, and/or sinking fund.

The main external challenges facing the long-term insurance industry are:

- volatility in equity prices, drop in interest rates and rising credit risk due to the global financial crisis;
- economic slowdown;
- increased lapses and surrenders due to economic conditions;
- changes in business distribution channels, and
- the move from investment products to risk products.

The internal challenges are:

- quality of risk management, internal controls and governance, including outsourcing of core functions;
- the need to update information and administrative systems;
- attracting and retaining skilled staff, and
- adequate asset liability matching of long-dated annuity contracts and investment guarantees, due to the limited supply of suitably long-dated fixed income assets.

Regulatory issues involve:

- adequate compliance with general regulatory requirements;
- changes to the commission structure for investment policies and the consequent change in behaviour by intermediaries;
- matters pertaining to the conduct of consumer credit insurance business;
- the proposed introduction of a risk-based capital approach, and
- developments in International Financial Reporting Standards (IFRS).

There are two main transformation challenges:

- uncertainties about the Financial Sector Charter's impact on broad-based black economic empowerment targets, and
- addressing the needs of the low-income market by introducing appropriate and affordable products.

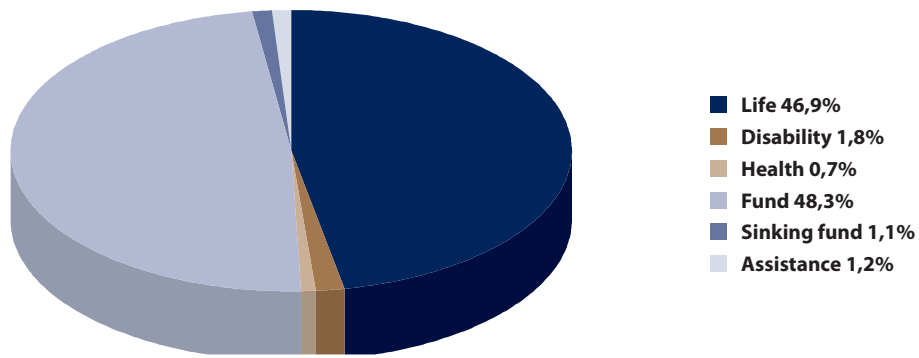
Financial overview

Premium income

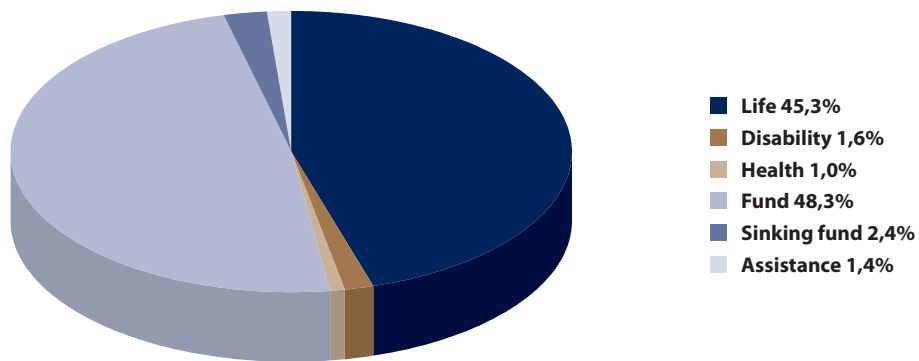
Unaudited figures indicate that net premium income for long-term insurers for the calendar year 2009 totalled R207,8 billion (2008: R253,7 billion). Premiums from business that was transferred between insurers could not be identified separately.

Insurance

2009 Net premium per class R207.8 billion



2008 Net premium per class R253.7 billion

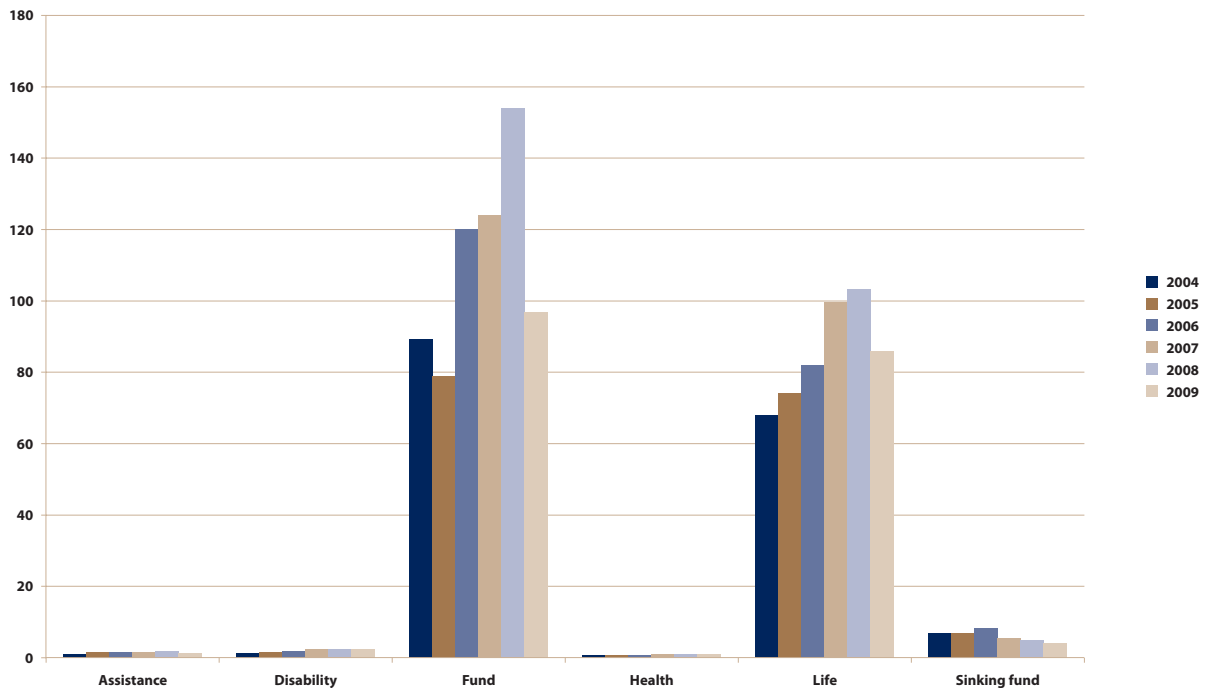


Benefits

Unaudited figures indicate that long-term insurers paid R191,5 billion in benefits for the calendar year 2009 (2008: R267,3 billion). Benefits from business transferred between insurers could not be identified separately.

The following diagram details the benefits:

Benefits total: R191.5 billion



Assets

Unaudited figures indicate that the total assets of the long-term insurance industry in South Africa increased by 6,7% to R1 468 billion, as at 31 December 2009 (2008: R1 375,4 billion).

	Calendar years					
	2007		2008		2009	
	R million	%	R million	%	R million	%
Fixed interest rate stock, deposits and cash	313 856	22	351 212	26	372 579	25
Shares	711 184	50	622 696	45	697 302	48
Fixed properties	50 128	4	55 774	4	193 336	4
Miscellaneous assets, loans and mortgages	191 696	13	209 033	15	57 839	13
Foreign approved assets	153 430	11	136 733	10	146 947	10
TOTAL	1 420 295	100	1 375 448	100	1 468 003	100
% increase		9,1		(3,2)		6,7

Surplus assets to capital adequacy requirement

The ratio of surplus assets to capital adequacy requirement (CAR) indicates the financial strength of a long-term insurer. The median for long-term insurers at 31 December 2009, based on data available at the time of writing, was 2,5 (2008: 2,8). This compares favourably with the minimum requirement of one.

The following table shows the financial strength of the long-term insurance market at December 2007, 2008 and 2009:

Surplus assets to CAR	Number of insurers		
	2007	2008	2009
Covered 0-1 times	3	3	2
Covered 1-2 times	21	24	21
Covered 2-5 times	31	31	37
Covered 5-10 times	12	13	10
Covered 10+ times	3	2	4
TOTAL	70	73	74

Insurers with a CAR cover below one are instructed to implement corrective measures.

Transfer of business

No transfer of business took place during the reporting period.

The substitution of Momentum Group Limited's liabilities with Old Mutual Life Assurance Company (South Africa) Limited's liability towards 52 policyholders was noted by the Registrar of Long-term Insurance on 8 September 2009.

Regulatory developments

Important regulatory developments included new requirements for calculating the value of the assets, liabilities and CAR of long-term insurers, drafting of the binder regulations and enhanced consumer protection from time-barring clauses in policy contracts and for contractual savings products.

The Insurance Laws Amendment Act is covered under 'General'.

Notice issued by the Registrar

The final Board Notice on 'Prescribed requirements for the calculation of the value of the assets, liabilities and CAR of long-term insurers' was published in Government Gazette No 32916 of 5 February 2010. The effective date of the Board Notice is 28 February 2010.

The new requirements required some insurers to inject additional capital into the business on or before 28 February 2010. The Registrar, in terms of paragraph 10.1 of Board Notice 14 of 2010, conditionally relaxed the Minimum Capital Adequacy Requirement (MCAR) in paragraph 9.1.3 of the Board Notice. The relaxation was effective from 28 February 2010 to 30 June 2010 and insurers needing to apply for company-specific relaxation of the MCAR effective from 1 July 2010 had to submit their applications on or before 31 March 2010.

The Registrar proposed amendments to the statutory returns under the Long-term Insurance Act, a move supported by the Advisory Committee on Long-term Insurance. These amendments were published as notices in Government Gazette No 33113 on 16 April 2010.

Policyholder Protection Rules

A further notice by the Registrar of Long-term Insurance was published in Government Gazette No. 32536 on 4 September 2009 to inform interested parties of the intention to promulgate a variation of Rule 16 of the Policyholder Protection Rules (Long-term Insurance), 2004. The Advisory Committee on Long-term Insurance considered the final wording of the proposed rule amendment during February 2010. The draft notice will be submitted to NT for consideration by the Minister during the second quarter of 2010.

Implementation of statement of intent

The statement of intent (Sol) signed between the Minister of Finance and the life industry in December 2005 committed life companies to retrospective measures to improve policyholder values for past and existing investment policies, where contractual changes resulted in values below policyholders' reasonable benefit expectations. This was given effect through regulations implemented on 1 December 2006, covering contractual changes to investment policies that occurred after 1 January 2001.

Retrospective improvements were to be implemented within three years of the effective date of regulations that is by 1 December 2009. At the time of signing the Sol, the industry estimated a R3 billion effect on the long-term insurance industry for both retrospective and prospective adjustments to policy values of old or existing policies in the event of early terminations or premium reductions (the R3 billion is to be funded exclusively by shareholders).

Information from insurers reflects that the effect of retrospective value enhancements on investment policies where causal events (for example full or partial surrenders) occurred between 1 January 2001 and 1 December 2006 was approximately R1,7 billion at 31 December 2007. This is roughly in line with commitments.

The Insurance division is drafting a survey to gather updated statistics from insurers and information from the industry to assess the effectiveness of the campaign informing consumers of their right to claim enhanced benefits from long-term insurers in certain cases. The Association for Savings and Investment South Africa (ASISA) reported that a mass media campaign towards the end of 2009 would be undertaken by its affected member offices.

The Pension Funds Adjudicator (PFA) issued three important rulings on causal event charges imposed when retirement annuity fund members reduced or ceased contributions to their retirement annuity funds. The complainants were charged the regulatory causal event charge when they reduced contributions and were again charged the maximum when they ceased contributions a few months later. The independent actuary appointed by the PFA found that this was an unsound practice since the second respondents recouped a portion of their non-recouped expenses from the first causal event charges. Thus, the PFA found that there was maladministration of the funds because there were excessive causal event charges and the complainant's fund values were incorrectly computed. These practices are not necessarily a contravention of the current wording of the Regulations, but they are not in line with the spirit of the Sol or the Regulations.

The division intends providing guidance on maximum causal event charges that can be applied in terms of Part 5A of the Regulations issued under the Long-term Insurance Act, in the event of multiple causal events.

Micro-insurance

The Micro-insurance Workgroup met in July 2009 to review the comments received on the Micro-insurance Discussion Paper and to amend the proposal to implement a micro-insurance regulatory framework.

NT is conducting the final series of consultations with various stakeholders and a policy statement will be issued soon. Draft legislation will follow for implementation in 2012.

Advisory Committee

The Advisory Committee on Long-term Insurance is a statutory committee appointed by the Minister of Finance to investigate and advise on matters relating to the long-term insurance industry. The committee held three meetings during the period under review.

The members of the Advisory Committee on Long-term Insurance are Dube Tshidi (chairperson), Jonathan Dixon (deputy chairperson), Terrence Chauke, Prem Govender, Jennifer Preiss, Jayduth Ramsunder, Rob Rusconi, Desmond Smith, Phillip Strachan and Mary Vilakazi.

Their term of service is 1 October 2008 to 30 September 2011.

Supervisory developments

Information letters

Information letter 3/2009 (LT&ST) of 3 August 2009 was issued, requesting information on cell captive and similar arrangements by 31 August 2009.

Directives

Two draft directives were prepared during the year under review:

- Draft Directive 146.A.i (LT) - Application of linked policies as defined in the Long-term Insurance Act. The issuing of this Directive has been delayed because of its cross reference to the draft Directive on the treatment of securities lending transactions until the finalisation of the last-mentioned Directive, and
- Draft Directive 154.A.i (LT) - The treatment of securities lending transactions. The Directive was circulated to both the long-term and short-term insurance industries for comment during December 2009. The feedback indicated a number of fundamental needing discussion and debate. A small workgroup has been established for the purpose, including participants from industry.

Directive 127.B.i (LT) was issued on 24 November 2009 to provide policy guidelines to South African insurers selling policies into South Africa through their offshore branches. The Directive became effective on 1 January 2010.

Inspections

During the review period the inspection into the affairs of one long-term insurer was finalised. Another inspection was requested and is still in progress.

Enforcement

The Enforcement Committee dealt with a matter that generated a fine of R300 000 for the company misleading the public by falsely advertising itself as an insurance company.

Meetings were held with the SAPS Commercial Crimes Unit (CCU) in Polokwane and the National Prosecuting Authority (NPA) in Thohoyandou regarding three cases being investigated by the law enforcement agencies after referral by the FSB. There was also a meeting with CCU Head Office in Pretoria about current and future referrals.

Curatorship

On 7 July 2009, the North Gauteng High Court, subsequent to an urgent application by the FSB, placed the long-term insurance business of New Era Life Insurance Company Limited under provisional curatorship. The application followed the discovery of serious corporate governance and internal control concerns within the insurer and a number of contraventions of various Acts, including the Long-term Insurance Act, 1998 by the insurer.

On 3 September 2009, the Court granted a final order.

The curatorship was extended to 31 August 2010 to give the main shareholder of New Era a further opportunity to address concerns about the company's shareholding.

Unregistered insurance business

The Insurance division continued to name and shame in national newspapers entities conducting unregistered insurance business. The notices also called on the public to be cautious when buying funeral insurance policies by ensuring that the entities are underwritten by a registered long-term insurer. The offending entities have been referred to the NPA for prosecution.

During the period under review, a list of 14 entities was published in September 2009 in the Sowetan and a second list of 13 entities appeared in the Sowetan and the Daily Sun in March 2010.

SHORT-TERM INSURANCE INDUSTRY

During the year, the division registered two new short-term insurers and one composite reinsurer and cancelled the registration of one insurer. In the previous financial year, the division registered four new short-term insurers and cancelled the registration of two.

The number of short-term insurers registered at 31 March was as follows:

Types of insurers	2009	2010
Insurers		
Typical insurers	26	25
Niche insurers	35	34
Cell captive insurers	11	11
Captive insurers	11	10
Insurers in run-off	13	17
Other	3	3
Reinsurers		
Short-term only	6	6
Short- and long-term (composite)	3	4
TOTAL	108	110

Every insurer or reinsurer is required to be registered for a specific class or classes of business, namely accident and health, engineering, guarantee, liability, miscellaneous, motor, property and/or transportation.

The main external challenges facing the short-term insurance industry are:

- volatility in equity prices coupled with decrease in the interest rates and rising credit risk due to the global financial crisis;
- premium pressures due to economic conditions and the underwriting cycle;
- limited reinsurance capacity available in the local market;
- increased competition from new entrants, and
- natural catastrophes and climate change.

Internally, the challenges are:

- effective management of costs;
- availability of historical data;
- oversight and control over intermediaries, and
- quality of risk management and governance, including outsourcing of core functions.

Regulatory issues involve:

- adequate compliance with general regulatory requirements;
- adequate compliance with requirements for binder agreements;
- matters pertaining to the conduct of consumer credit insurance business;
- the proposed introduction of a risk-based approach to regulatory capital, and
- developments with International Financial Reporting Standards (IFRS).

There are two transformation challenges:

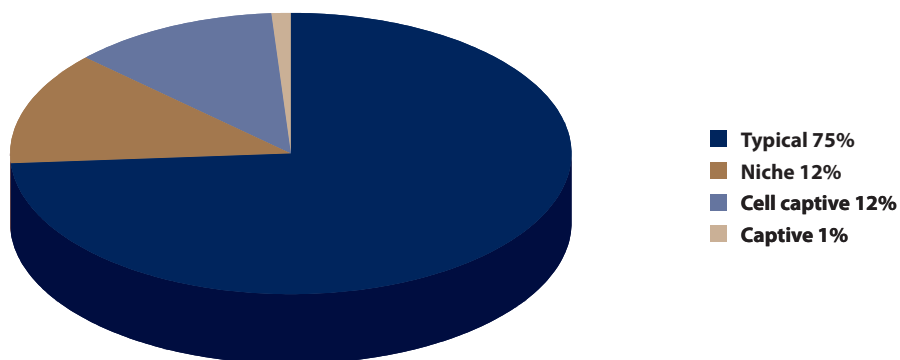
- uncertainties about the Financial Sector Charter's impact on broad-based black economic empowerment targets, and
- addressing the needs of the low-income market by introducing appropriate and affordable products.

Financial overview

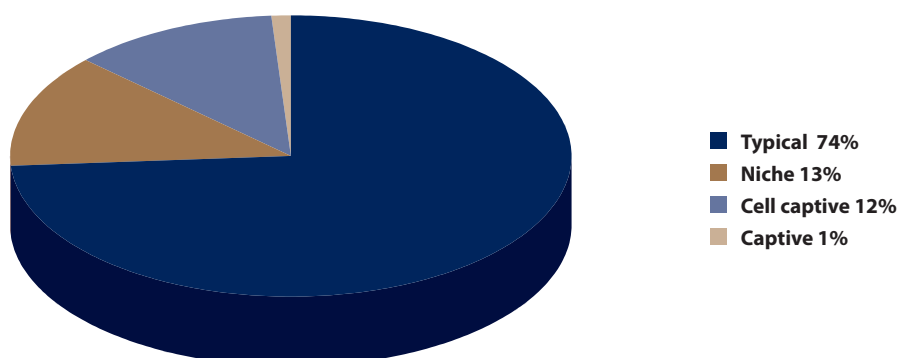
Premium income

Unaudited figures for 2009 indicate an increase of 10% (2008: 15%) in gross premiums written by primary short-term insurers. The following charts show the split among gross premiums written by typical insurers and by specialist and captive insurers respectively, excluding that of Sasria Limited (Sasria), for the calendar years 2008 and 2009.

2009 Gross premiums written R68,1 billion



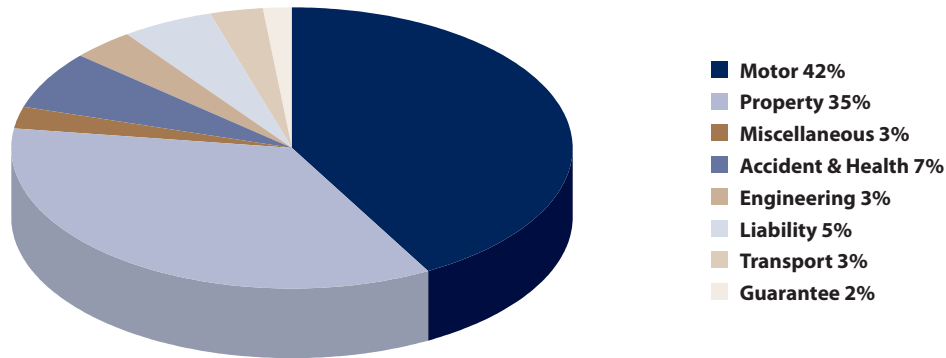
2008 Gross premiums written R61,8 billion



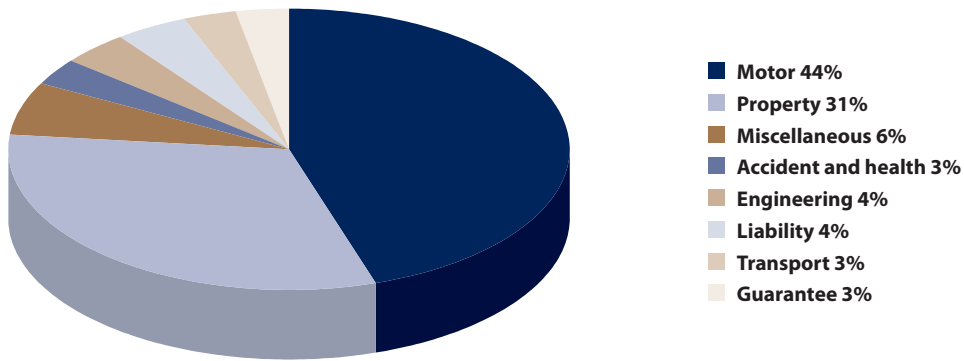
Insurance

The following charts show the unaudited net premiums per class of short-term insurance business for short-term insurers for the calendar years 2008 and 2009, excluding those of Sasria.

2009 Net premiums per class total R50.9 billion



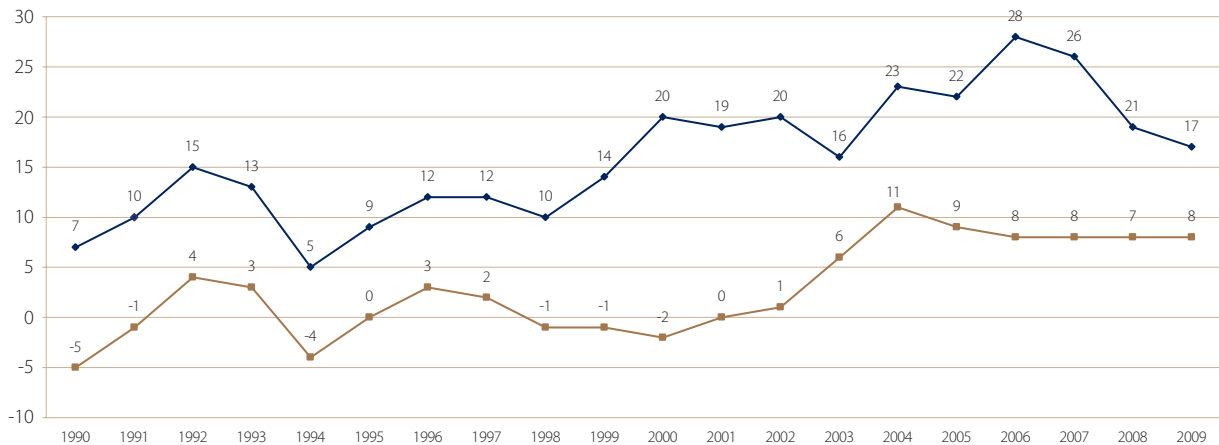
2008 Net premiums per class total R45.6 billion



Operating results

The following graph shows how underwriting results of primary insurers, excluding Sasria, have fluctuated over the past 20 years and how the combined underwriting and investment results compare over the same period (figures for 2009 are unaudited).

**Underwriting results and investment income
(As a percentage of net premiums)**



Assets

Unaudited 2009 figures indicate that the total value of investments of the short-term insurance industry, excluding that of Sasria and reinsurers, increased by 18% as reported at December 2009 (2008: [-2%]).

	2007		2008		2009	
	R million	%	R million	%	R million	%
Shares	23 949	36	19 073	28	20 141	25
Debtors and debentures	13 112	20	13 319	20	14 675	18
Stocks	5 570	9	6 323	9	9 184	12
Cash and deposits	22 678	34	28 451	42	34 349	43
Fixed assets	658	1	797	1	1 837	2
TOTAL	65 967	100	67 963	100	80 186	100
% Increase		17,5		(2,0)		18

Surplus asset ratio

Short-term insurers, excluding Sasria, which submitted unaudited quarterly reports at 31 December 2009, disclosed significant surplus asset ratios, with the median surplus asset ratio at 49% (2008: 67%), well above the required minimum of 15%. The following table shows the financial strength of the short-term insurance market at December 2007, 2008 and 2009, expressing net surplus assets as a percentage of net premiums written by the institution.

Surplus asset ratio	Number of insurers		
	2007	2008	2009
Below 15%	0	2	1
Between 15% and 20%	1	1	1
Between 20% and 25%	3	5	4
Between 25% and 30%	7	3	4
Between 30% and 40%	6	15	14
Between 40% and 50%	11	8	9
Between 50% and 100%	20	18	18
Above 100%	34	33	29

Curatorship

South Union Reinsurance Company Limited was placed under final curatorship on 5 October 2004 to protect the interests of policyholders following the inability of the company to submit annual financial returns.

On 23 March 2010, the North Gauteng High Court lifted the curatorship subject to conditions such as recapitalisation of the company and various limitations on its investments and dividend payments. Also, South Union is not allowed to conduct new business for two years from the lifting of the curatorship and has been placed in run-off for that period.

Transfer of business

No transfer of business took place during the reporting period.

Regulatory developments

Important regulatory developments include new requirements for calculating the value of the assets, liabilities and CAR of short-term insurers, drafting of binder regulations and enhanced consumer protection from time-barring clauses in policy contracts.

The Insurance Laws Amendment Act is covered under 'General'.

Notices issued by the Registrar

The final Board Notice on 'Prescribed requirements for the calculation of the value of the assets, liabilities and CAR of short-term insurers' was published in Government Gazette No 32993 of 1 March 2010, having taken effect on 28 February 2010. Similarly, the final Board Notice on 'Prescribed requirements for the minimum amount of the security to be provided by or on behalf of a Lloyd's underwriter' was published in Government Gazette No 32993 of 1 March 2010, having taken effect on 28 February 2010.

The Registrar proposed amendments to the statutory returns under the Short-term Insurance Act, a move supported by the Advisory Committee on Short-term Insurance. These amendments were published as Notices in Government Gazette No 33113 on 16 April 2010.

Policyholder Protection Rules

A further Notice by the Registrar of Short-term Insurance was published in Government Gazette No 32536 on 4 September 2009 to inform interested parties of the intention to promulgate a variation of Rule 7.4 of the Policyholder Protection Rules (Short-term Insurance), 2004. The Advisory Committee on Short-term Insurance considered the final wording of the proposed rule amendment during February 2010. The draft Notice will be submitted to NT for consideration by the Minister during the second quarter of 2010.

Micro-insurance

The developments regarding micro-insurance reported under regulatory developments in the category 'Long-term insurance industry overview' include the short-term insurance business.

Advisory Committee

The Advisory Committee on Short-term Insurance is a statutory committee appointed by the Minister of Finance to investigate and advise on matters relating to the short-term insurance industry. The committee held three meetings during the period under review.

The members of the Advisory Committee on short-term insurance are: Dube Tshidi (chairperson), Jonathan Dixon (deputy chairperson), Mohammed Akoob, Caroline da Silva, Sumarié Greybe, Jeremy Leach, Moses Moeletsi, Junior Ngulube, Jackson Raseroka and Adam Samie.

Their term of service is 1 October 2008 to 30 September 2011.

Supervisory developments

Information letters

The following information letters were issued during the reporting period:

- Information letter 3/2009 (LT&ST) - Request for information on cell arrangements and similar arrangements, issued on 3 August 2009 and requesting feedback by 31 August 2009;
- Information letter 4/2009 (ST) - Request for information on indemnity cover for registered health practitioners, issued on 3 August 2009 and requesting feedback by 21 August 2009;
- Information letter 8/2009 (ST) – Solvency assessment and management regime, issued on 4 December 2009, with a response deadline of 15 January 2010;
- Information letter 1/2010 (ST) - Request for information on past termination of binder agreements and related unilateral cancellation of short-term insurance policies, issued on 31 March 2010, with a deadline for feedback of 1 June 2010.

Directives

Draft Directive 152.A.i (ST) - Application of provisions of the Short-term Insurance Act to the Road Accident Fund was drafted during the year. The FSB Board considered the draft Directive on 4 December 2009 and referred it for discussion with NT and other stakeholders.

Two directives were issued during the year:

- Directive 149.A.ii (ST) on the process to be followed when insurance is placed with an offshore insurer, issued on 17 December 2009 and effective from 1 January 2010. The directive sets out the changes to the current process in dealing with applications from intermediaries in terms of section 8(2)(d) of the Short-term Insurance Act and explains the circumstances and process in terms of which South African policyholders can approach offshore insurers (without the assistance of an intermediary) to place insurance, and

- Directive 151.A.i (ST) - Request for information prior to termination of binder agreements and unilateral terminations of short-term insurance policies, issued on 31 March 2010 and effective from 1 April 2010. The Directive enhances the reporting requirements for all short-term insurers terminating binder agreements, including cases where the termination results in a unilateral cancellation of a book of policies in terms of Rule 7.3 of the Policyholder Protection Rules (Short-term Insurance) made under section 55 of the Short-term Insurance Act, 1998 (Act no 53 of 1998).

Directive on advance repair payments

Directive 97.A.ii(ST), which addresses motor vehicle warranty and the extended motor vehicle warranty business, was issued on 31 July 2008 to the short-term insurance industry, with an effective date of 1 August 2008.

The Directive set out the views of the FSB on lawful business conduct and stipulates the sections in the Short-term Insurance Act governing conduct in the motor vehicle warranty and extended motor vehicle warranty cover industry. The Directive requires an insurer to report to the FSB if it is underwriting extended motor warranty cover.

During the reporting period, on-site visits were conducted at 11 insurance companies that sell motor warranties and extended motor warranties. Visit reports have been prepared and reflect that the companies have aligned their practices to Directive 97.A.ii(ST) on advance repair payments, but that some still have to align their practices with regards to the requirements for security to be provided where premiums are collected by intermediaries as prescribed in the regulations. The recommendations are being followed up.

Prosecutions

During the period under review, a short-term insurer was found guilty of contravening licence conditions. A fine of R5 000 was imposed and the Registrar is recovering the inspection costs.

ROAD ACCIDENT FUND

The Road Accident Fund (RAF) is a public entity established by the Road Accident Fund Act, 1996 (Act no 56 of 1996) to administer the payment of compensation for loss or damage wrongfully caused by the driving of motor vehicles.

The FSB supervises the RAF in terms of the Financial Supervision of the Road Accident Fund Act, 1993, which subjects the RAF, as far as possible, to supervision appropriate to its insurance function.

The total liabilities of the fund at 31 March 2009 exceeded its assets by R39,9 billion. The following table reflects the financial position of the RAF over the past six years:

	31 March 2004 R'million	31 March 2005 R'million	31 March 2006 R'million	31 March 2007 R'million	31 March 2008 R'million	31 March 2009 R'million
Total assets	768	1 708	4 357	4 208	3 297	3 265
Total liabilities	19 325	21 559	22 728	24 448	31 125	43 228
Surplus assets	(18 557)	(19 852)	(18 370)	(20 240)	(27 828)	(39 963)

Following deliberations by the Parliamentary Portfolio Committee on Transport on 18 March 2008 and subsequent discussions with NT, the executive officer of the FSB will invoke the powers conferred on him in the Financial Supervision of the Road Accident Fund Act through draft Directive 152.A.i and reporting requirements for the RAF being finalised by the Insurance division.

LLOYD'S BUSINESS

The Act permits Lloyd's to carry on short-term insurance business in South Africa through Lloyd's correspondents, who are authorised by Lloyd's representative office in South Africa.

Lloyd's correspondents do not submit individual returns to the FSB, as the reporting function has been consolidated so that the representative office submits a single return. Lloyd's operated in all eight classes of business and the audited total gross premium income during 2009 was R1 759 million (2008: R1 561 million).

GENERAL

Insurance Laws Amendment Act

The Minister declared 28 February 2010 the effective date for sections 1(f), 17, 27(a), 39, 40, 41(a), 42, 43, 54 and 56 of the Insurance Laws Amendment Act no 27 of 2008 (ILAA), which deal with maintenance of the financial soundness of short-term insurers. The notice was published in Gazette no 32993 of 1 March 2010. Sections 17, 18, 45 and 46, which have not yet taken effect, will become effective on a date or dates yet to be determined.

The task teams with representation from NT, the FSB, industry associations and fellow regulators that have been constituted to draft regulations for demarcation between health insurance and medical schemes business and binder agreements respectively, continued their work during the year. The ILAA prescribes that the regulations must be tabled in Parliament. Due to the complexities involved, this will be done during 2010.

Consumer Protection Act

The Consumer Protection Act no 68 of 2008 (the CPA, enacted on 28 April 2009) regulates consumer protection in general and makes mention of insurance laws, among other laws, administered by the FSB.

Item 10 of Schedule 2 of the CPA reads: "The exclusion of the Short Term Insurance Act, 1998 (Act no 53 of 1998) and the Long Term Insurance Act, 1998 (Act no 52 of 1998), is subject to those sector laws being aligned with the consumer protection measures provided for in this Act within a period of 18 months from the commencement of this Act, failing which the provisions of this Act will apply". The CPA will become effective 12 months after the enactment thereof, on 28 April 2010. Item 10 of Schedule 2 will, therefore, take effect on 28 October 2011.

A detailed assessment of the implications of the CPA was undertaken and recommendations formulated on the most appropriate manner in which to address the implications. The recommendations are being considered.

International Monetary Fund/World Bank ROSC assessment

The International Monetary Fund (IMF)/World Bank conducted a ROSC (report of the observance of standards and codes) assessment of South Africa from 19 to 29 March 2010. The assessment is based on the Insurance division's observance of IAIS core principles. The outcome of the assessment, which is a follow-up of the FSAP conducted in 2008, was not available at the report date.

Competition Commission engagement

The Insurance division and the Competition Commission are planning to enter into an agreement on concurrent jurisdiction, cooperation and information exchange.

Risk-based supervision

Risk-based supervision evaluates the risk profile of the financial condition, future strategy, management processes and compliance with applicable laws and regulations by an institution. It is a tool to assess, monitor and prioritise supervisory focus and to allocate supervisory resources.

Risk-based supervision, which has been integrated into most of the division's operational activities, is ongoing and allows the division to continue to assess supervisory areas for further improvement, including enhanced stress-testing capabilities. In terms of the capacity-building initiative with the Office of the Superintendent of Financial Institutions (OSFI), the Canadian prudential regulator, training continued in August 2009 and February 2010.

The division presented the risk-based supervisory methodology to industry representatives at the Insurance Industry Regulatory Workshop in October 2008 and delivered an update in January 2010. A risk-based supervisory framework has been developed and distributed across the division for comments. Once finalised the framework will be published for public comment.

On-site visits

The Insurance division continues to conduct on-site visits to assess the risk profile of an insurance company and the inherent risks of its significant activities, control of these activities, the effectiveness of risk management control functions and the capital and earnings position of the insurer.

Fifteen full on-site visits were conducted during the year under review. As part of the shift to risk-based supervision, the division conducted pilot risk assessments on insurers in the on-site visit plan for the year. These pilots combined a refinement of risk-based supervision and the company's individual risk assessment. The following concerns were noted:

- poor corporate governance, particularly in small insurers;
- poor oversight over outsourcing arrangements;
- undue reliance on individuals, that is key-person risk, and
- information technology system challenges.

Insurance group supervision

The Insurance division continues to review insurance groups with the cooperation of their management. The reviews are quarterly for the five largest groups and annually for others.

The investigation is continuing into the introduction of a formal approach to insurance group supervision and international developments are closely monitored.

To enhance supervision of insurance groups internationally, lead insurance supervisors have launched supervisory colleges attended by supervisors from jurisdictions of other group companies. A representative of the Insurance division attended a supervisory college in the UK in November 2009. The FSB, with the Bank Supervision department of the South African Reserve Bank, has introduced quarterly cross-sector supervisory colleges to discuss the major domestic banking and insurance groups.

Solvency Assessment and Management project

The FSB promotes the soundness of insurance companies through the effective application of international regulatory and supervisory standards. The Insurance division, with the Actuarial Insurance team and the Chief Actuary of the FSB, is developing a new solvency regime for the South African long- and short-term insurance industries.

The Solvency II Directive was adopted by the European Parliament on 22 April 2009 and endorsed by the Council of Ministers on 5 May 2009, thus concluding the legislative process for adoption. The implementation date for European Union countries is expected to be by the end 2012.

The basis of the Solvency Assessment and Management (SAM) project regime will be the principles of the Solvency II Directive, as adapted to South African circumstances where necessary. As an overarching principle, the recommendations arising from SAM should meet the requirements of a third country equivalence assessment under Solvency II.

Solvency II is based on three pillars:

- Pillar I – quantitative requirements, dealing with such issues as the valuation of assets and liabilities and the setting of capital requirements. This may be based on a standardised model prescribed by the supervisor or an insurer's own internal model approved by the supervisor;
- Pillar II – qualitative requirements, including standards and guidance on governance, internal controls, risk management and supervisory processes, and
- Pillar III – reporting and disclosure.

The SAM project proposed implementation date is 1 January 2014, whereon the requirements of the SAM regime will become effective for all insurers. Some transition mechanisms will be put in place from 2012.

To achieve these target dates, a cooperative process has been put in place with the active participation of experts from the industry and other stakeholders.

Financial Intelligence Centre Act

The Insurance division oversees compliance by long-term insurers with the Financial Intelligence Centre Act (FICA) and monitoring has been incorporated into the on-site visit programme. No material non-compliance has been identified during the on-site visits.

Industry enquiry on market practices related to consumer credit insurance

In the Insurance divisions previous report it was mentioned that the former Life Offices Association and SAIA initiated an enquiry into problem areas in the consumer credit insurance market to combat undesirable practices and enhance consumer protection.

The industry appointed a panel of enquiry chaired by Judge Peet Nienaber, which released a report on 22 April 2008. National Treasury and the FSB are formulating a joint project plan to address shared concerns highlighted in the report.

During the year under review, the FSB and the National Credit Regulator discussed joint reporting structures and it is envisaged that the information gathered quarterly from insurers will inform views on trends and patterns in the consumer credit insurance market.

Consumer complaints (short-term and long-term insurance)

During the period under review, the Insurance division received 54 complaints, 71% of which were resolved. The outstanding complaints are being investigated.

Treating Customers Fairly project

The Treating Customers Fairly (TCF) project is an outcomes-focused regulatory approach aimed at bringing about behavioural change in financial institutions so that there is consistently fair treatment of consumers.

A task team has been formed consisting of representatives of departments in the FSB that supervise industries selling retail financial products. A consultant for the project is assisting in drafting a discussion paper on TCF to be published in early 2010.

The team held workshops in November 2009 with various stakeholders, including fellow regulators, ombudsman offices, and NT and industry representatives. The workshop introduced the TCF concept and its application to the South African financial sector.

A workshop is planned with the Financial Services Authority (FSA), the UK financial regulator, to share information and experiences and to seek comments on the discussion paper.

A TCF framework will be drawn up supported by proactive supervision, appropriate incentive structures and visible enforcement.

Regulatory workshops: long-term and short-term insurance industries

The Insurance division hosted on 21 January 2010 a regulatory workshop for the long-term and short-term insurance industries to discuss recent and future local and international insurance regulatory developments. The sessions were well attended and covered the following topics:

- binder regulations;
- the SAM project;
- update on risk-based supervision;
- the TCF project;
- update on IAIS papers;
- Compliance department matters, and
- Registration department matters.

INTERNATIONAL COOPERATION

CISNA

CISNA was established in June 1998 as a sub-committee of the Committee of Senior Treasury Officials within SADC structures. It comprises the Insurance and Retirement Funds Sub-committee and the Capital Markets Sub-committee and its members are supervisory authorities of capital markets, retirement funds, collective investment schemes, insurance companies and providers of intermediary services from SADC countries. CISNA also addresses consumer education matters. CISNA, whose secretariat is located at the FSB, meets at least biannually.

The CISNA meeting, in Lilongwe, Malawi from 16 to 18 September 2009, resolved that a strategic planning meeting be arranged to plan the way forward for CISNA and that a working paper be prepared for the meeting by a task team.

The Insurance and Retirement Funds Sub-committee adopted the following three papers and appointed a new joint technical committee to drive the harmonisation project for insurance and retirement funds in the region:

- paper on the impediments to harmonising insurance regulatory frameworks in SADC;
- summary of assessments done on IAIS, and Insurance Core Principles 11, 12 and 13, and
- summary report on insurance market indicators for SADC countries from 2001-7;
- Statistical information on retirement funds for SADC countries 2000-2007 with the exception of Lesotho, Malawi, Mozambique and Tanzania, which are drafting and implementing retirement fund laws.

A joint meeting of the two technical committees on the harmonisation project of the Sub-committee on Insurance and Retirement Funds was held at the FSB on 11 and 12 June 2009.

Later in the year, the SADC Secretariat hosted and funded meetings of the Insurance and Retirement Funds technical committees on harmonisation on 8 and 9 February 2010, and the CISNA strategic plan task team meeting on 5 and 6 February 2010 in Botswana.

IAIS

Established in 1994, the IAIS represents insurance regulators and supervisors of about 190 jurisdictions worldwide. Its objectives include cooperation to improve supervision; to maintain efficient, fair, safe and stable insurance markets, and to contribute to global financial stability.

The deputy executive officer (DEO): Insurance has been appointed IAIS regional coordinator for the sub-Saharan Africa region and member of the Executive Committee of IAIS. He attended that committee's retreat in Miami Beach, Florida, USA, from 17 to 19 January 2010.

The DEO also attended a Market Conduct Sub-committee meeting in Guernsey in May 2009.

The DEO and two senior representatives from the Insurance division attended:

- the IAIS tri-annual and the 16th Annual General Conference in Rio de Janeiro, from 19 to 24 October 2009. The theme for the conference was 'Insurance as a means of socioeconomic development - financial crisis and the future of insurance markets', and
- the IAIS tri-annual meeting from 24 to 26 February 2010 in Basel, Switzerland.

The specialist: regulatory framework attended a multilateral memorandum of understanding (IAIS MMoU) on cooperation and information exchange seminar for insurance supervisors in Budapest, Hungary on 29 January 2010, which clarified the process to become a signatory authority to the IAIS MMoU. The division is planning to become a signatory authority during 2010.

The DEO and other staff members attended the IAIS Solvency and Actuarial Issues Sub-committee meeting from 2 to 4 March 2010 (including a joint meeting with the IAA Solvency Sub-committee) and regional information session: developments in international insurance risk management and supervision on 5 March 2010 in Cape Town.

The Insurance division participated in a number of IAIS surveys.

Association of African Insurance Supervisory Authorities (and the African Insurance Organisation)

The Association of African Insurance Supervisory Authorities (AAISA) is an independent forum for exchanging views on common issues and promoting cooperation among supervisory authorities.

The FSB is a member of the African Insurance Organisation (AIO), which promotes the development of strong institutional leadership in Africa.

RETIREMENT FUNDS AND FRIENDLY SOCIETIES

The Retirement Funds and Friendly Societies Division of the FSB is mandated by the Pension Funds Act and the Friendly Societies Act to supervise retirement funds and friendly societies respectively.

The division comprises four departments, with the following responsibilities:

Department	Responsibilities
Licensing and registration	<ul style="list-style-type: none"> Registration of the rules and amendments to the rules of funds and friendly societies Approval of pension fund administrators
Prudential supervision	Analysis of annual financial statements
Surveillance and enforcement	Conduct of compliance visits and management of risk-based supervision
Research and policy	Conduct of research and establishment of policy

At 31 March 2010, the division had 74 staff members - one deputy executive officer, four heads of department, one senior specialist, seven managers, 16 specialist analysts, 12 senior analysts, 13 analysts, four junior analysts, 11 support staff and five secretaries.

During the review period, the pension fund industry dealt with the following fund-related issues:

- increased withdrawals due to significant job losses in the economy;
- sharp increases in employers failing to pay member contributions in industries affected by the recession;
- the negative effect of an administrator's liquidation on approximately 200 pension funds, and
- attracting and retaining trustees with experience and expertise.

Regulatory factors included:

- matters pertaining to surplus apportionment;
- changes to the regulatory architecture following the issuing of a number of directives, pension fund (PF) circulars and information circulars;
- monitoring of curatorships and involvement in the associated criminal and civil matters, and
- an increased number of appeals to the FSB Appeal Board against decisions of the Registrar.

Industry overview

At 31 March 2010, there were 10 699 registered retirement funds supervised by the FSB. The latest available statistics are for the year ended 31 December 2008 and are from the Government Employees Pension Fund (GEPF), Transnet and Telkom funds, bargaining council funds not registered with the FSB and 59% of registered funds that submitted financial statements. The last-mentioned constitute about 70% of the assets of funds registered with the FSB.

The funds' failure to submit financial statements can be attributed to demand placed on the auditing profession following the FSB's lifting of audit exemptions previously granted to certain categories of funds and to systems challenges among insurers underwriting retirement funds.

Financial overview

The following statistics are the latest available for retirement funds and friendly societies.

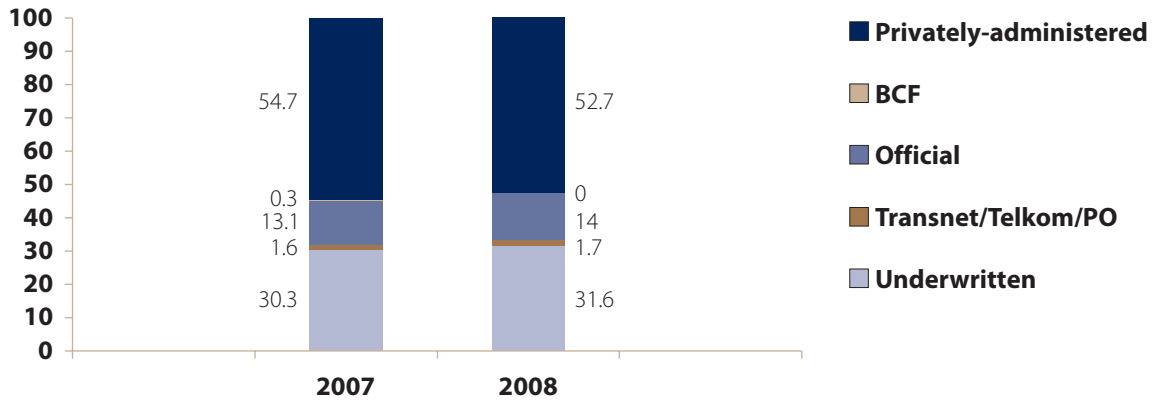
RETIREMENT FUNDS: FINANCIAL YEAR ENDING 31 DECEMBER 2008						
Financial year ending	2006	Change %	2007	Change %	2008	Change %
Number of funds	13 143	(1,8)	12 758	(2,9)	11 271	(11,7)
Membership ('000)	11 192	11,1	10 991	(1,8)	10 497	(4,5)
Contributions (R'm)	81 156	8,0	91 157	12,3	98 991	(8,6)
Benefits paid (R'm)	91 045	5,9	108 784	19,50	142 344	30,9
Assets (R'm)	1 620 923	26,2	1 938 569	19,6	1 924 984	(0,7)
FRIENDLY SOCIETIES: FINANCIAL YEAR ENDING 31 DECEMBER 2008						
Financial year	2006	Change %	2007	Change %	2008	Change %
Number of funds*	83	(15,3)	91	9,6	91	0
Membership ('000)	454	0,2	396	(12,8)	104	(73,,7)
Contributions (R'000)	52 423	10,3	72 357	38,0	58 262	(19,5)
Benefits paid (R'000)	43 502	20,1	63 351	45,6	41 871	(33,9)
Assets (R'000)	462 804	30,8	589 966	27,5	449 799	(23,8)

* Some 107 (2007: 106) friendly societies were exempt from submitting returns in 2008 in terms of Section 3 of the Friendly Societies Act (as amended) where annual income does not exceed R100 000.

Membership

Total membership of retirement funds in South Africa at 31 December 2008 was 10 496 541, 8 557 228 of whom were active members and 1 939 313 pensioners, deferred pensioners and dependants. Some double counting is unavoidable, as certain individuals are members of more than one fund.

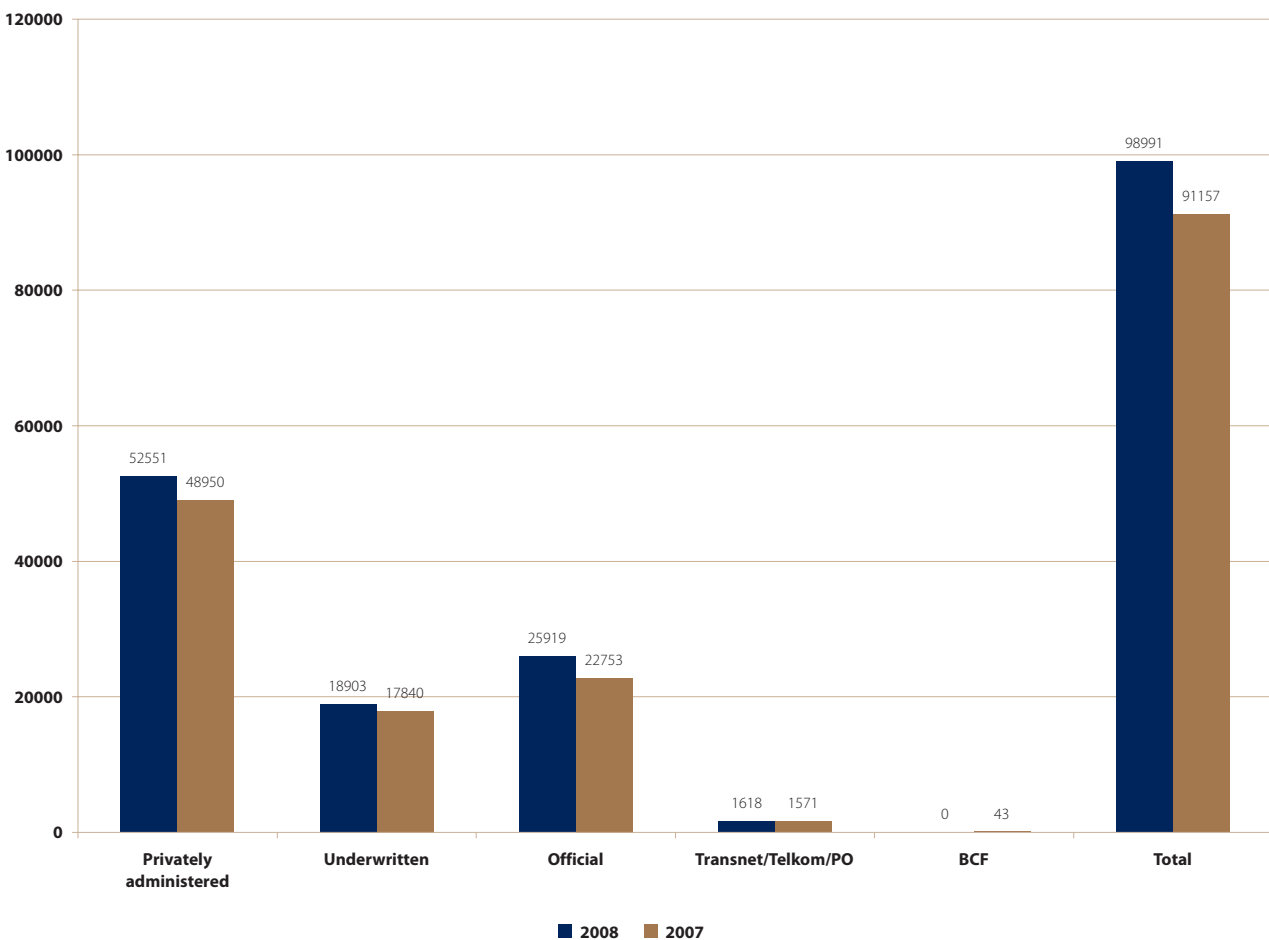
Retirement Funds and Friendly Societies



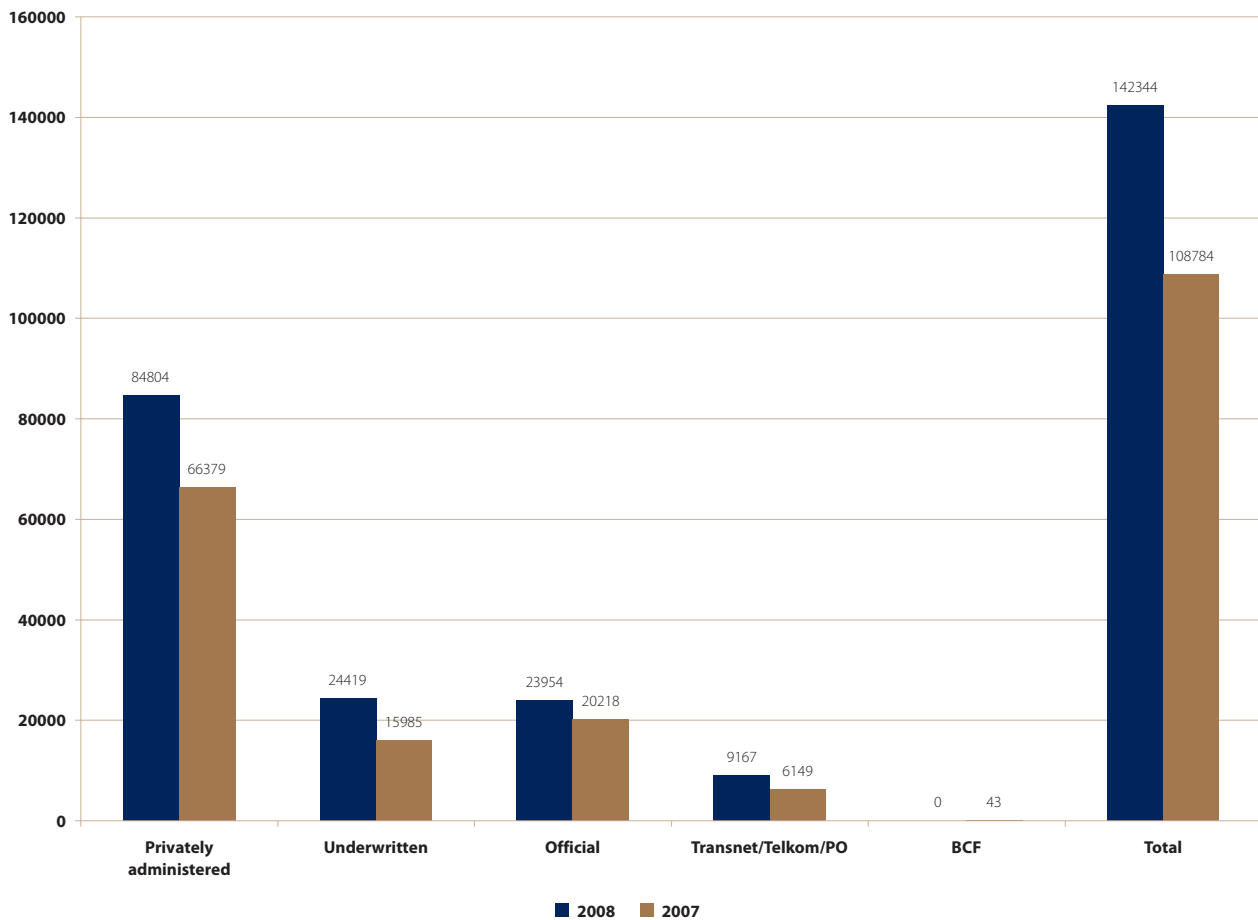
Contributions

Total contributions received by retirement funds in South Africa increased by 8,6% from R91,1 billion in 2007 to R99 billion in 2008.

CONTRIBUTIONS (R million)



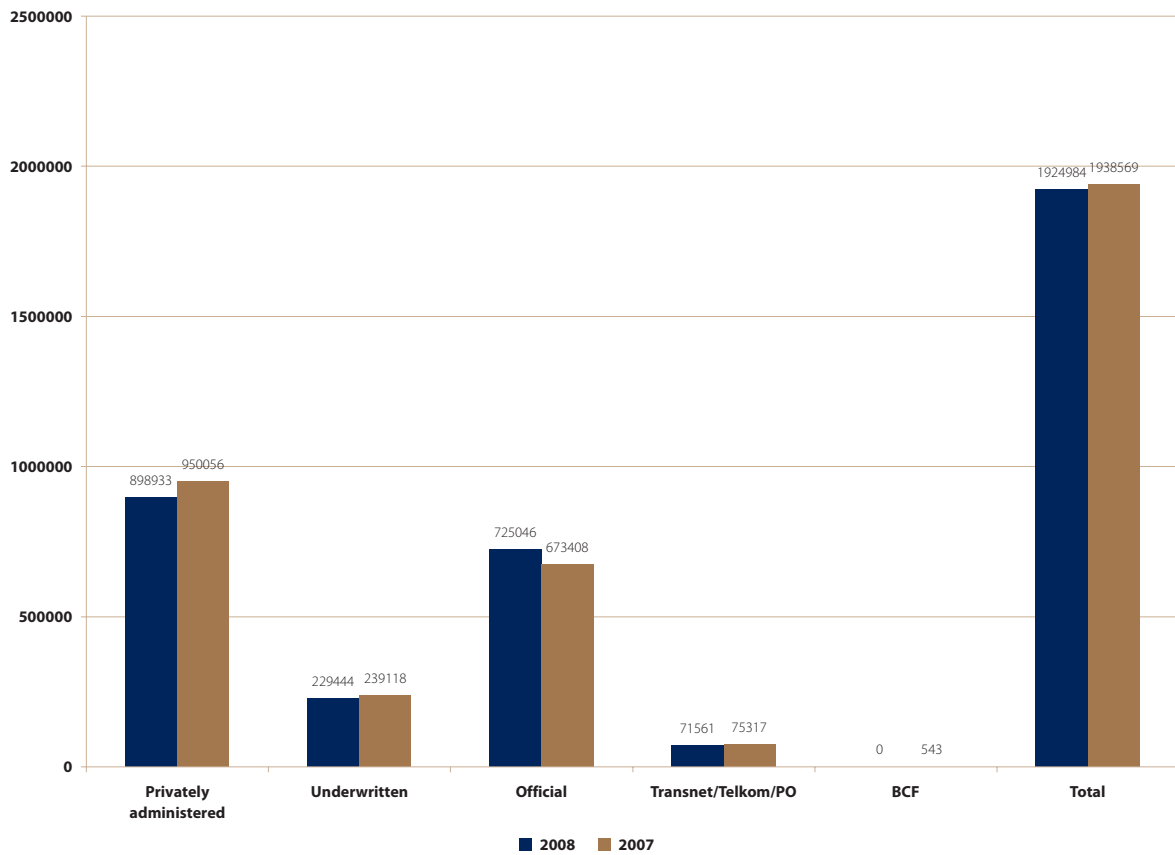
Benefits



Total benefits paid by retirement funds in South Africa, which include pensions, lump sums on retirement, death and resignations, increased by 30,8%, from R108,8 billion in 2007 to R142,3 billion in 2008.

Assets

Retirement fund industry assets decreased by 0,7%, from R1 938 billion in 2007 to just under R1 924 billion in 2008. The net assets of privately administered funds decreased by 5,4%, from R950 billion in 2007 to R898 billion in 2008.



Supervision

The following supervisory activities took place during the year under review:

Activity	Number
New registrations of funds	50
Umbrella schemes: registration of participating employers	4 148
On-site visits	223
Consolidated or amended rules registered	2 292
Transfers between registered funds approved	2 264
Liquidation and termination of funds	1 029
Umbrella schemes: termination of participating employers	1 441
Number of administrators to whom section 13B licences were issued	20
Number of administrators whose section 13B licences were withdrawn	59

Note: The table does not include cases in progress, but not yet approved.

Regulatory issues

Inspections

No inspection reports were issued during the review period. Investigations are ongoing into four pension funds and one administrator.

On-site visits

In line with risk-based supervision, 288 on-site visits were conducted on funds identified as high impact. After calculating the risk rating, most funds visited were classified as low to medium risk funds.

On-site visits were conducted on four administrators to assess compliance with the Pension Funds Act. These administrators subsequently addressed all the Registrar's concerns.

A further 14 on-site visits on funds were conducted following complaints received by the Registrar. These complaints were resolved during the on-site visits.

Appeals to the FSB Appeal Board and High Court litigation

The Registrar of Pension Funds continued to attend to appeal matters and civil litigation.

During the review period, 19 new appeals were lodged, including those against the Registrar's:

- decision to impose administrative penalties in terms of Section 37 of the Pension Funds Act on fund administrators who failed to submit annual reports timeously;
- rejection of statutory actuarial valuations;
- refusal to note nil returns submitted by funds in terms of Section 15B of the Act;
- decision to appoint a specialist tribunal after a fund's failure to submit its surplus apportionment scheme in the prescribed period;
- decision to approve and register rule amendments retrospectively;
- approval of a surplus apportionment scheme;
- decision to hold a fund liable for inspection costs pursuant to an inspection of the fund under the Inspection of Financial Institutions Act and
- decision to appoint a board to a fund in terms of Section 26 of the Act due to the fund's failure to appoint a properly constituted board in the prescribed period.

Several appeals were withdrawn before the hearing stage, but six appeals were scheduled to be heard during the review period. One of these was withdrawn before the hearing and the Registrar decided not to seek a cost order against the appellants. The Registrar withdrew his opposition to two appeals against the decision not to approve and register certain rule amendments on the advice of senior counsel that the Registrar's opposition had no prospect of success in the light of a previous judgment by the Supreme Court of Appeal (SCA). The Registrar has since registered the rule amendments.

Written determinations were delivered in three appeals.

One involved the Registrar's decision to refuse objections to a fund's preliminary liquidation and distribution accounts and to instruct the liquidator to proceed with the liquidation. The dispute focused mainly on the manner in which the surplus allocations to stakeholders were calculated by the fund's valuator. As the surplus formed the bulk of the remaining assets in the fund upon liquidation, it was agreed that the fund would approach the Actuarial Society of South Africa to assist *pro bono* with the recalculation of a sample of the surplus allocations to satisfy the appellants. Although the Appeal Board postponed the hearing the appellants were still unable to produce the recalculated figures and the Appeal Board, rejecting a request for a further postponement, dismissed the appeal and the liquidation proceeded. The second was an appeal against the Registrar's refusal to approve and register a rule amendment that would have allowed the employer a contribution holiday from 1 October 1991 to December 2001. The appeal was upheld and the Registrar was ordered to register the rule amendment.

The third appeal involved the Registrar's decision to appoint a board to a fund in terms of section 26(2) of the Act, made on the grounds that persons claiming to have been elected as trustees by the members of the fund were purporting to be members of the board. In the Registrar's view, no election had taken place and, contrary to the rules of the fund, individuals had not been chosen by the members of the fund but by their trade unions. The appellants' application for interim relief in terms of Section 26(3) of the Financial Services Board Act was heard with the main appeal by the Appeal Board. The appeal was dismissed and the parties were ordered to pay their own costs.

Two decisions of the Appeal Board were taken on review to the High Court and subsequently on appeal to the Supreme Court of Appeal (SCA).

In one matter, the Registrar had refused to approve and register a rule amendment because it would have, *inter alia*, reduced minimum benefits payable to members who resigned before retirement and would have been inconsistent with the Pension Funds Act. The SCA held that the amendment was not inconsistent with the Act and that the dismissal of the appeal against the Registrar's refusal to register it was materially influenced by errors of law and must be reviewed and set aside. The Registrar was directed to register the amendment, which he did.

In the other matter, the Registrar had rejected the fund's Section 15F application as the allocation of surplus to the fund's employer reserve account had not been properly negotiated among the stakeholders in terms of Sections 15B and 15C of the Act. The SCA dismissed the appeal, advising that the Registrar was not entitled to refuse the Section 15F application because of an alleged inequitable allocation.

Several other matters were taken before the High Court and the SCA in the review period.

A pension fund member successfully applied to the High Court to declare a rule amendment invalid that reduced the value of his benefit. The SCA overturned the part of the High Court judgment that the Pension Funds Adjudicator can and should strike down registered rule amendments of pension funds. The views of the Adjudicator and the Registrar were therefore upheld.

In several cases, funds applied to the High Court to review and set aside the Registrar's approval of their surplus apportionment schemes on the basis that when the schemes were lodged they contained material errors, which were subsequently uncovered, and about which the Registrar could not reasonably have known when the scheme was approved. The Registrar did not oppose the applications and the High Court has already found in favour of the funds in some of the cases.

Another case saw a fund and its participating employer apply to the High Court to set aside a determination by the Pension Funds Adjudicator that an instruction by the employer to the fund to withhold the withdrawal benefit of a certain member due to his alleged misconduct was contrary to Section 37D of the Act and the rules of the fund. As supervisor of the Act, the Registrar was cited as the third respondent. Since no relief was sought against the Registrar and as he had a peripheral interest in the outcome, he decided not to oppose the application or to lodge a report with the High Court.

Having failed in a first High Court appeal, an aggrieved stakeholder in a fund's Registrar-approved surplus apportionment scheme lodged a application for the High Court to set aside an order that all surplus payouts and the fund's liquidation be stopped, pending the finalisation of the application. The Registrar will oppose this second application.

A union successfully interdicted respondents including the fund and the Registrar in terms of a High Court interim order, from taking further steps to effect amendments to the registered rules of the fund until the Court had ruled on the main application. The High Court subsequently dismissed the main application, holding that the union and other parties had showed no prejudice to the resolution made by the board of the fund to effect the rule amendment and that the rule amendment was in any event eventually passed unanimously. The rule amendment was subsequently registered by the Registrar's office.

A pension fund administrator sought relief in the High Court against another administrator to change its name as it was confusingly similar. Although the FSB was cited as the fourth respondent, no relief was sought against it, but its interest in the matter spans the Pensions, FAIS and Insurance divisions. The matter was ongoing at year end.

A fund issued a summons against the Registrar and 23 other defendants, claiming R1,9 billion for alleged losses arising from injudicious investments in agricultural futures. The Registrar filed an exception to the claim and stressed that he owes no duty of care to the fund in terms of the Act, common law or the Constitution. The exception was dismissed with costs and the matter has proceeded to trial. The Registrar's plea has been filed with the High Court.

Pension fund circulars, information circulars and directives

The following were issued during the period under review:

- Directive PF No 4, on 8 June 2009, dealing with voluntary or partial dissolution of a fund;
- Interpretation Note No 1 of 2010, dated 1 March 2010, on minimum pension increases;

- Interpretation Note No 2 of 2010, dated 1 March 2010, on fund return and processing of mismatches;
- Interpretation Note 3 of 2010, dated 24 March 2010, on reserve accounts in the rules.
- Circular PF no 132, dated 21 July 2009, withdrawal of Pension Fund Circulars;
- Information Circular PF No 3 of 2009, dated 12 May 2009, requesting umbrella funds to submit statistical information of participating employers;
- Information Circular PF No 4 of 2009, dated 15 December 2009, clarifying the requirement for approval of foreign-based entities providing investment administration services or giving advice to South African pension funds;
- Information Circular PF No 1 of 2010, dated 3 March 2010, exemptions granted in respect of investments of pension funds held outside South Africa; and
- Information Circular PF No 2 of 2010, dated 8 March 2010, clarifying whether Section 37C is applicable to withdrawal benefits when a member dies subsequent to withdrawal.

Prosecution

The prosecution is proceeding of those involved in the unlawful scheme involving, among others, the laundering of surplus assets of a number of pension funds. By year end, a number of the accused had entered into plea bargains with the NPA. The High Court trials for the remaining accused should start in 2010.

Outlook

One of the main focuses of the Retirement Funds Division is input into the social security and retirement reform discussions. Other coming developments include the tightening by the Registrar of regulations pertaining to Section 13B administrators through the introduction of new conditions and the finalisation of an amendment updating Regulation 28 (investment spreading for funds).

Future supervisory process improvements will include:

- * an online web interface for real-time monitoring of applications;
- * utilising intelligent software for effective and efficient interrogation and analysis of financial information of supervised entities;
- * promoting a move from the current paper-based submissions to online submission of fund rules and amendments.

In conjunction with the FSB's Consumer Education department, the Pensions department will play a key role in the development of an e-learning toolkit for use by pension fund trustees.

Internationally, the department will continue its role in the activities of the International Organisation of Pension Supervisors, the OECD Working Party on Private Pensions and SADC's Committee of Insurance, Securities and Non-banking Financial Authorities.

CAPITAL MARKETS

Scope of supervision

The Capital Markets department of the FSB is responsible for the supervision of South African licensed exchanges, central securities depositories and clearing houses in terms of the Securities Services Act, 2004 (SSA). The department strives to ensure sound, efficient and fair capital markets and related services for the trading, clearing and settlement of securities, including appropriate mechanisms for investor protection.

Industry review

JSE Limited

At 31 March 2010, 533 individuals were members of the South African Institute of Stockbrokers (2009: 527), 317 of whom (2009: 312) were practicing members in 60 equity member firms (2009: 59). The JSE Limited (JSE) is the only licensed exchange in South Africa that trades in equities. In August 2001, it took over the business of the South African Futures Exchange (SAFEX), which became the Equity Derivatives Division and the Commodity Derivatives Division of the JSE. SAFEX Clearing Company (Pty) Ltd (SAFCOM) is a licensed clearing house for the JSE derivative instruments in terms of the SSA. In June 2009, JSE merged with the Bond Exchange of South Africa (BESA) and took over all operations of the bonds market.

JSE market participants

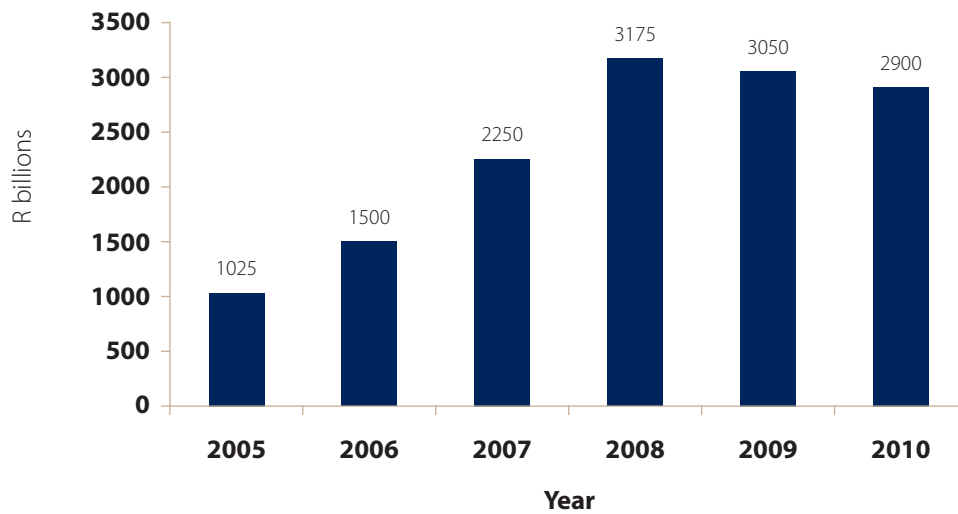
The JSE had 60 equities members and 127 equity derivatives members in 2010 compared to 59 members and 123 members respectively in 2009. The number of dealers has also increased. There were 504 JSE equity derivatives dealers and 440 commodity derivatives dealers in 2010, an increase from 464 equity derivatives dealers and 422 commodity derivatives dealers in 2009. The number of Yield-X dealers, however, decreased significantly from 485 in 2009 to 428 in 2010. Bond dealer numbers remain relatively stable.

Performance indicators

The number of companies with shares listed on the JSE totalled 405 in 2010. Turnover of shares, including off-order book trades, for the year ended 31 March 2010 amounted to R2 908,3 billion (2009: R3 057,4 billion), representing approximately 21,7 million trades (2009: 18,3 million trades).

The average number of trades per day was 87 338 in 2010 (2009: 72 772). New equity capital raised on the JSE amounted to R99,7 billion, 23,24% more than the R80,9 billion raised in the previous year. Liquidity, measured on the basis of equity turnover as a percentage of market capitalisation, amounted to 39,7% for the year compared to 65,9% in the previous year. Market capitalisation of all securities listed on the JSE amounted to R6 143,2 billion at 31 March 2010. This ranks the JSE the 19th largest stock exchange in the world in terms of market capitalisation.

JSE value traded - Years ended 31 March



Data Source: JSE Information Services

FTSE/JSE indices

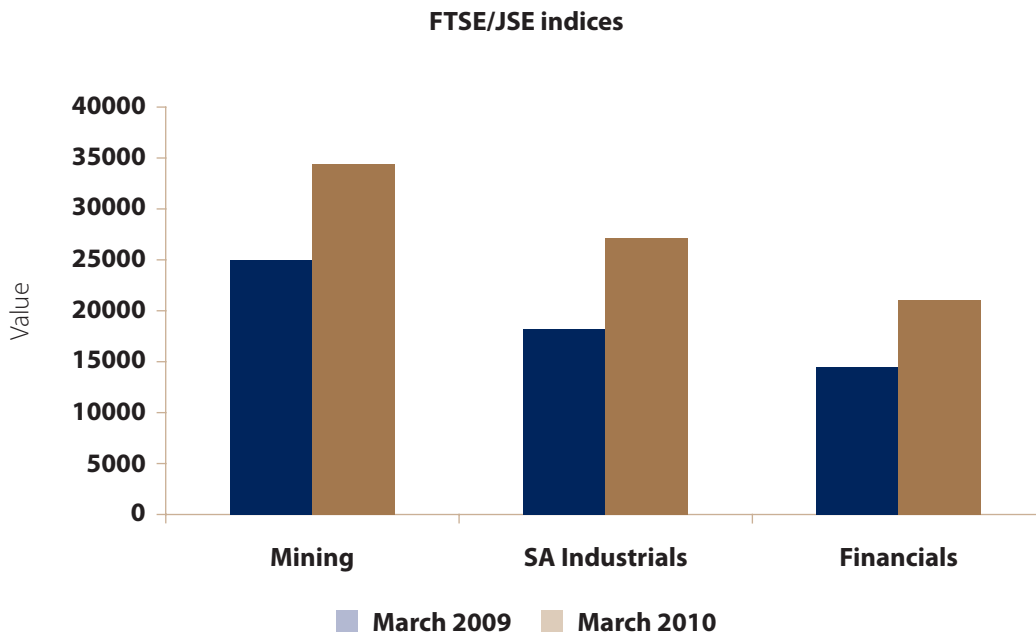
During the reporting period, an increase in all the indices below was recorded. The financial index took a major lead, followed by industrials. These figures are indicated in the following table:

Month	*ALSI	**ALSI 40	***FINI 15	****INDI 25
March 2009	20 363,9	18 441,6	5 438,0	15 195,7
March 2010	28 747,6	25 833,4	8 060,9	22 330,0
Increase over the period	41,2%	40,1%	48,2%	47,0%

Note:	Index	Explanation
*ALSI	FTSE/JSE All Share Index	This index is made up of the top 99% of companies listed on the JSE's Main Board ranked by market capitalisation
**ALSI 40	All Share Top 40 Index	The All Share 40 Top Companies Index is an equity index intended to reflect the performance of the South African ordinary share market as a whole. A relatively small proportion of the total number of securities listed on the JSE is incorporated into the index on the basis that movements in the share prices of the constituent companies can be said to represent the movement of the market as a whole. Companies selected for inclusion in the ALSI 40 Index are generally larger companies of sound financial standing, having widely traded and marketable shares.
*** FINI 15	FTSE/JSE Financial 15 index.	This index comprises the 15 largest financial shares listed on the JSE.
****INDI 25	FTSE/JSE Industrial 25 index	This index comprises the top 25 industrial companies listed on the JSE.

Source: JSE Information Services

During the reporting period, increases in the mining indices, industrial indices and the financial indices were recorded, as indicated in the following graph:



Data Source: JSE Information Services

Equity Derivatives Division

The Equity Derivatives Division (EDD), which covers the equity indices and individual equity futures and options, has been in operation since 1990. The EDD traded 175 million contracts for the year ended March 2010. This represents a 66% decrease over the 515 million contracts traded for the year ended March 2009. The turnover value of R3 516 billion represents a decrease of 26,7% compared to the previous year (R4 799 billion).

Overall performance for the year under review was as follows:

	Deals	Contracts	Rand value (R billion)
Financial futures	1 424 572	147 802 004	3 444
Financial options	17 676	27 236 747	72
TOTAL	1 442 248	175 038 751	3 516

Commodity Derivatives Division

The Commodity Derivatives Division (CDD), formed in 1995 and previously called the Agricultural Products Division, covers commodities futures and options on white maize and yellow maize, sunflower seed, wheat and soyabeans. It has established itself as an effective price risk management facility and price discovery mechanism for grains in South and

Southern Africa. The majority of trades on the CDD are in white maize derivatives. However, this percentage is shrinking, with wheat futures now representing almost 13% of trades.

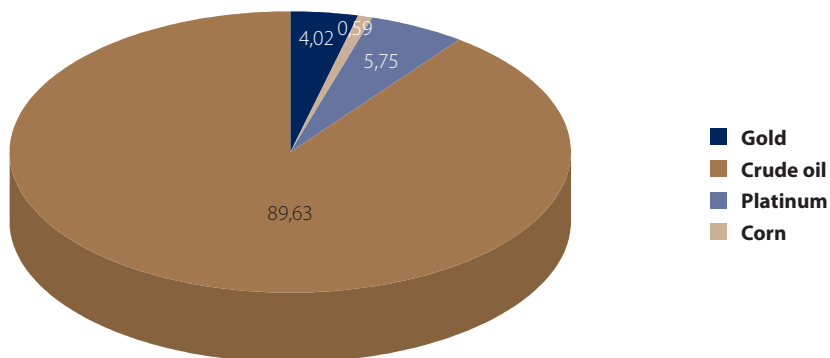
The total volume of contracts traded on the commodities market for the period under review was slightly down, with reduced market volatility and fewer clients participating. The introduction of the cash-settled Chicago corn contract in late January was an addition to the existing product range, providing local investors with exposure to the international corn contract.

The partnership with a software company to facilitate the delivery of electronic silo receipts in completion of futures contracts has progressed, the trend being to increase the number of deliveries using electronic receipts. Although limited actual tonnages have been delivered, it is believed that moving from a paper environment to an electronic one has improved the security and efficiency of the delivery process on the Exchange and in the cash market.

Volumes traded through the CDD totalled 1 998 733 contracts for the year ended March 2010, a decrease of about 17% compared to 2 418 950 contracts in 2009. The turnover value decreased to R227 billion in 2010 (2009: R333 billion) as a result of decreased commodity prices. Overall performance for commodities futures and options was as follows:

	2009	2010
No of contracts	2 418 950	1 998 733
Value	R333 billion	R227 billion

Foreign referenced commodities at end - March 2010



The piechart above shows a percentage of total number of foreign referenced commodities traded for March 2010. The chart remained dominated by corn (89,63%) and platinum (5,75%) with other commodities, especially crude oil, contributing less.

JSE interest rate market

The value traded on the JSE's interest rate market, Yield X, grew by 22% from R143 billion traded for the period ending 31 March 2009 to R170 billion traded for the period ending 31 March 2010.

Market information for the period 1 April 2009 to 31 March 2010 for all Yield X instruments is shown in the following table:

INSTRUMENT	Year ended 31 March 2009		Year ended 31 March 2010	
	NO OF CONTRACTS	CONTRACT VALUE (R million)	NO OF CONTRACTS	CONTRACT VALUE (R million)
Spot bonds	103	280		
Fras			106 200	2 431
Bond options	57 945	241	41 855	24
Bond futures	447 819	50 854	278 405	52 074
Govi futures and other indices futures	10 333	28 692	18 758	56 939
Currency futures	6 493 830	63 389	7 085 359	57 559
Currency options	352 682	240	922 318	939
TOTAL	7 362 712	143 696	8 452 895	169 966

Warrants

Warrants are long dated put or call options issued by a third party on individual or baskets of securities of listed companies. At 31 March 2010, there were 135 listed warrants (2009: 148). Five warrant issuers are active in the South African market. The total value of trades in warrants for the year ended 31 March 2010 amounted to R2,5 billion (2009: R3,2 billion).

JSE bonds market

The merger of BESA and the JSE became effective on 22 June 2009 following strong support from BESA shareholders and the granting of the necessary FSB approvals. Following the merger, the JSE provided a platform for the listing of rand-denominated debt securities issued by central and local government, public enterprises and other corporate entities.

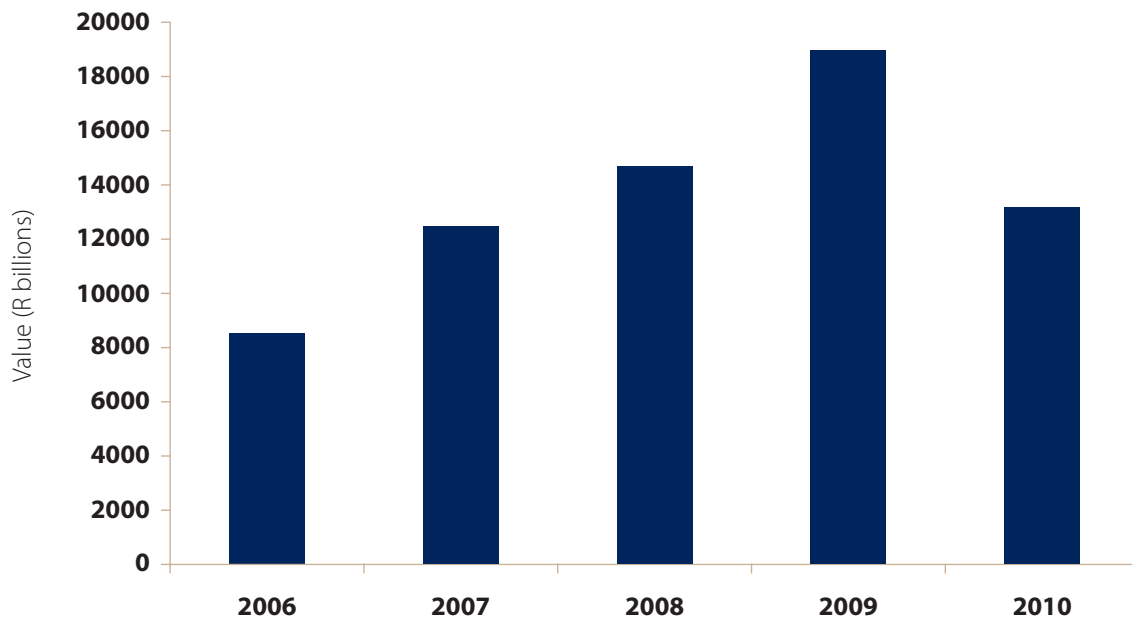
Performance for the year under review was as follows:

	Year ended 31 March 2009	Year ended 31 March 2010	Change
Nominal turnover	R18 997 billion	R12 906 billion	(32%)
Transactions	375 946	317 633	(15%)

Trading value on the bonds market showed a decrease of 32% during the year under review, compared to an increase of 30% in the previous year. During the review period, the velocity of the turnover reported on the JSE bonds market was 1,3, indicating that the rate of activities on the bonds stock moved at 1,3 in 2010 compared to 23 in 2009 as indicated by the negative percentage change.

The sluggish reduction in turnover reported on the JSE is evident from the following graph:

Bond market turnover: Years ended 31 March



Data Source: JSE Information Services

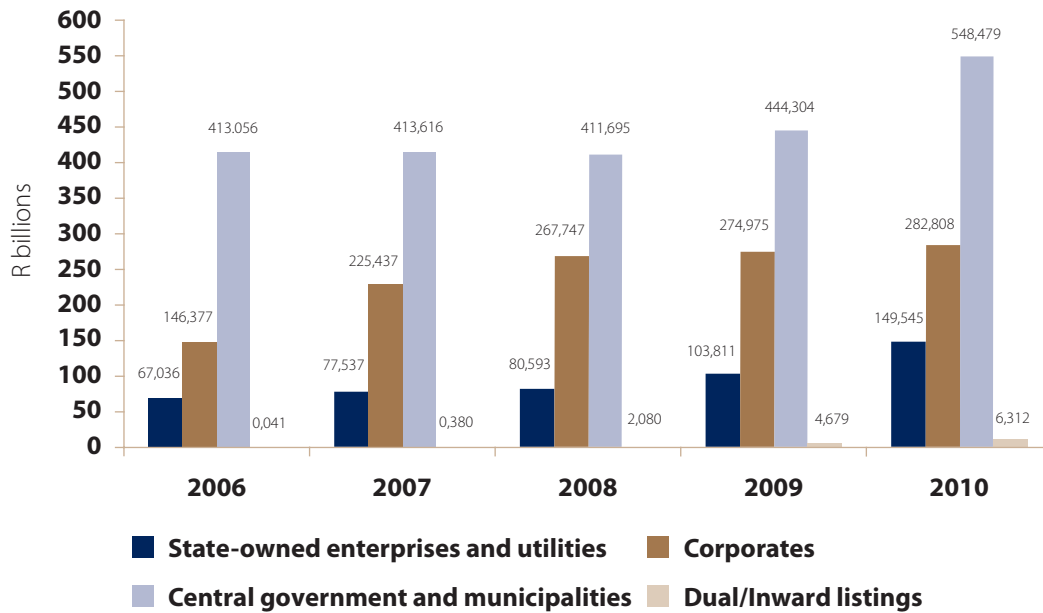
At 31 March 2010, 1 065 bonds issued by 109 issuers were listed by the JSE bonds market. The nominal value amounted to R987,1 billion (2009: R827,7 billion), an increase of 19,3%.

The debt securities (nominal value) profile listed on the JSE bonds market is reflected in the following table and graph:

Issuer	31 March 2009 (R'billion)	%	31 March 2010 (R'billion)	%
Central government	R436,2	52,7	R536,7	54,3
Municipal	R8,0	1,0	R11,8	1,2
Public enterprises and utilities	R103,8	12,5	R149,6	15,2
Corporate	R275,0	33,2	R282,8	28,7
Dual/Inward listings	R4,7	0,6	R6,3	0,6
TOTAL	R827,7	100	R987,1	100

The central government issued 52,7% worth of total bonds in 2009 and 54,3% in 2010. Furthermore, corporate issuers contributed 33,2% in 2009 and 28,7% in 2010, a slight decrease of 4,5%.

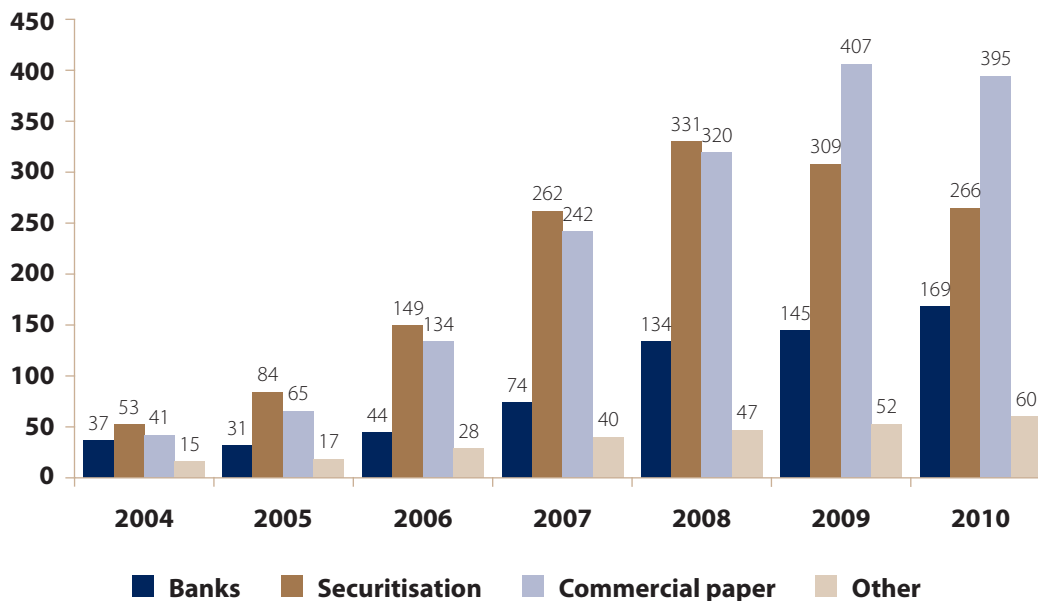
Bond market nominal value: Years ended 31 March



Data Source: JSE Information Services

Corporate issues listed on the JSE bonds market remain dominated by bank issues and securitisation in the form of asset-backed securities. Central government and municipalities have been the dominant issuers since 2006. In the year under review, these bonds issued cumulated to R548,5 billion. There was also a significant increase in dual/inward listings of bonds - from R0,041 billion in 2006 to R6,3 billion in the year under review.

Growth in corporate bonds listings: Ended 31 March



Data Source: JSE Information Services

The growth rate in commercial paper and securitisation remains relatively steady. Bank-issued bonds have gained momentum relative to securitisation and commercial paper.

Central securities depository

Strate Limited (Strate)

Strate is licensed by the FSB in terms of the SSA as a central securities depository (CSD) for equities and bonds, and as a clearing house for bonds.

Description	Bonds	Equities
Number of securities held on accounts at the CSD at 31 March 2010	865	967
Value of securities held on accounts at the CSD at 31 March 2010	R 1,017 trillion	R 4,17 trillion
Number of settlement instructions processed at the CSD from 1 April 2009 to 31 March 2010	734 720	5 318 462
Value of settlement instructions processed at the CSD from 1 April 2009 to 31 March 2010	R 21,27 trillion	R 2,84 trillion
Value of corporate actions payments processed at the CSD from 1 April 2009 to 31 March 2010	R 325,42 billion	R 194,39 billion

The nominal value of bond holdings under management at Strate amounted to R1,017 trillion at 31 March 2010. The figure represents 99,2% of fixed income instruments listed on the JSE bonds market for electronic settlement. The total value of dematerialised equities listed on the JSE was R4,17 trillion on 31 March 2010.

Industry developments

South African Securities Markets Investor Protection Fund

On 23 March 2000, Strate created the Dispossessed Members Fidelity Fund Trust (the Trust) to protect investors by compensating members of securities listed on the JSE dispossessed by the dematerialisation of their shares by Strate.

In 2006, a new trust, the South African Securities Markets Investor Protection Fund (the Fund), replaced the Trust. The Fund was formed by a deed of trust between the trustees of the Trust and the trustees of the Fund.

The trustees of the Fund are:

RG Cottrell (chairperson), R Loubser, L Mojela, N Mtoba and C Maynard.

The sole objective of the Fund is the protection and promotion of the rights of consumers of services (investors) offered by the South African securities markets and may include:

- funding the costs of litigation instituted by the FSB for a contravention of or a failure to comply with the SSA;

- funding research into mechanisms for the protection of the securities markets, and hence the rights of investors in those markets, against market abuse as contemplated in the SSA;
- promotion of awareness among investors of their rights and the channels available to them to seek recourse if their rights have been infringed, and
- promotion of investors' awareness of the dangers to which they may be exposed due to pressure from unscrupulous persons operating in the securities markets.

The total assets of the Fund on 31 March 2009 were valued at R23,8 million and this increased to R25,6 million at 31 March 2010. The Fund has appointed an independent external auditor to audit its financial statements.

The trustees met on 21 April 2009 and 8 December 2009 and considered a number of projects for which the funds could be used. The following projects were approved:

- funding of R300 000 for the appointment of a temporary investigator to assist the Directorate of Market Abuse with investigations backlogged by the financial crisis, and
- funding of R600 000 to commission a report on the regulation of over-the-counter (OTC) derivatives in South Africa.

The Fund is registered as a non-profit organisation and a public benefit organisation and is therefore tax-exempt. The FSB supports the Fund in respect of administrative, secretarial, legal and financial functions, which are rendered under a service level agreement between the two parties.

Introduction of a securities ownership register

On 17 November 2009, the FSB asked Strate Ltd to investigate, with relevant stakeholders, the possible introduction of a securities ownership register (SOR) and to provide the FSB with quarterly progress reports on this project. A workgroup has been appointed and is consulting stakeholders.

Instead of a big bang approach, Strate has implemented systems to receive details of beneficial ownership at the close of each business day rather than monthly. It is believed that a SOR will enhance transparency and efficiency of the financial markets by making beneficial ownership information easily accessible to the central securities depository and the issuers, whilst reducing the cost of beneficial ownership information downloads.

Move to T+3 for the settlement of equities

The JSE is preparing a blueprint for the move from T+5 to T+3, detailing action plans and identifying barriers to the move. Phase 2 of the project was completed with the consolidation of the input of the workgroups into a business requirements specification report and Phase 3, involving impact analysis and Implementation, is underway. Thereafter, the JSE and its stakeholders, will launch a market education exercise informing investors and the public of the effects on the clearing and settlement system of the move to T+3. This project relies on the JSE's systems replacement programme and Strate's corporate enhancement project. The FSB is updated quarterly on progress.

Dematerialised money market

The first money market instruments were traded and settled in dematerialised form on 22 February 2010. National Treasury started auctioning dematerialised treasury bills on that day, whilst the South African Reserve Bank issued its dematerialised debentures from 24 February 2010.

JSE and BESA merger

On 11 May 2009, the FSB approved the merger of the JSE and BESA, a move that was also sanctioned by the High Court of South Africa, the Competition Commission and Tribunal, the Minister of Finance and the Securities Regulatory Panel. It ended BESA's status as a separate legal body, and the new entity assumed the name JSE Limited. The merger was finalised with a sale of business agreement between the JSE and BESA, effective 1 July 2009.

The FSB's approval was subject to its approval of the integration plan and the fixed income growth strategy. Further, the JSE would agree not to increase its fee for two years from the merger date to avoid negatively affecting the bond market. The FSB subsequently approved the integration plan and is closely monitoring its implementation. The fixed income growth strategy is being developed in consultation with the FSB and National Treasury.

Anonymous block trading facility

After consultation with market participants, the JSE has proposed to the FSB the introduction of an anonymous block trading facility (also called alternative pools of liquidity or dark pools). In their traditional state and practice, as found in Europe and the United States, dark pools are traded off-exchange where there is no transparency and proper disclosure. The JSE proposes trading the pools on the exchange, with greater post-trade transparency. It is believed that anonymity trading will reduce market impact on large on-exchange trades and be cost effective.

JSE's system replacement programme

The JSE is still upgrading its information technology to reduce operational costs and provide more flexible, reliable and stable next-generation technologies. Whilst it had engaged an external service provider, it has now internalised the system replacement programme (SRP), reconfiguring and expanding its information technology (IT) team to maintain and develop its IT environment. In 2010, the IT team will conclude the insourcing of the market services solution and progress the SRP through systems integration testing. The move was prompted by factors such as the systems change at the London Stock Exchange (LSE). The LSE, with which the JSE has a business and technology agreement, intends to move its trading system onto the Millennium IT systems during 2011.

Preferred clearing and settlement structure

The Financial Markets Advisory Board (FMAB) has established the Clearing and Settlement Sub-committee to investigate and recommend a preferred clearing and settlement structure for South Africa. A report prepared by the Sub-committee in consultation with stakeholders will be submitted to the FMAB for discussion.

Supervisory developments

Financial Markets Advisory Board

The FMAB met on 1 April 2009, 23 November 2009 and 25 March 2010. Issues discussed included:

- new securities and financial instruments to be launched by the exchange, which may have policy implications;
- introduction of a securities ownership register by Strate;
- trading costs compared to those of other foreign exchanges;
- the JSE/BESA merger;
- the clearing and settlement structure for South Africa;
- synoptic postmortem reports on regulatory measures that worked well during the economic crisis;
- initiative to introduce a central ownership register;
- Strate's proposed membership to Link Up Markets;
- status of the G20 recommendations on the financial crisis;
- proposed amendments to the SSA;
- identification of systemic risk;
- the JSE's project on the shortening of the settlement cycle for equities, and
- Strate's project on the failure of a central securities depository participant.

Self-assessment returns for self-regulatory organisations (SROs)

The JSE and Strate completed self-assessment returns for SROs to ensure that the exchange and central securities depository fulfil their supervisory duties in terms of the SSA and to formalise the FSB's supervision of SROs.

Regulation of the OTC market

In response to recent developments in the South African market and the global financial crisis, the FSB is considering regulating certain securities traded over the counter. This follows the recommendation of the Group of 20 countries Working Group 1 on Enhancing Sound Regulation and Strengthening Transparency. The objective is to enhance transparency and reduce risks associated with the trading, clearing and settlement of OTC securities. The Securities Services Act, 2004 provides a basis on which the OTC market could be subjected to some form of regulation. A workgroup representative of stakeholders has been established to assist the FSB.

Regulation of credit rating agencies

As a result of the G20 recommendation that securities regulators should formally register credit rating agencies and a few recent questionable ratings in South Africa, the FSB has appointed a Credit Ratings Agencies (CRA) Working Group to consider ways of regulating credit rating agencies. A draft CRA Bill and a discussion document have been prepared and are being discussed with stakeholders.

Legislative developments

Amendments to the Securities Services Act, 2004

The FSB is amending the SSA in line with best international practice and to ensure that the Act:

- continues to meet its objectives and the objectives of financial regulation in general;
- is aligned with international developments and standards, and
- was and is effective in mitigating the effect of the financial crisis.

The FSB has invited submissions only from the self-regulatory organisations at this stage. A workgroup has been established to consider the proposed amendments and to agree on the proposed principle amendments. The Bill has been prepared and will be submitted to National Treasury.

Financial sector assessment programme

In terms of the 30 International Organisation of Securities Commissions (IOSCO) principles, a financial sector assessment programme was undertaken from 15 to 26 March 2010 to assess whether the South African securities legislation is compliant with best international practice. A number of FSB departments, the JSE, Strate and various supervised financial institutions were involved in the assessment. The assessment went extremely well, with most of the principles fully and/or broadly implemented, and no principle assessed as not implemented. The final assessor's report is awaited.

International cooperation

IOSCO Annual Conference 2011

The FSB has been awarded the bid to host the 2011 Annual Conference of IOSCO, which will be held at the Cape Town International Convention Centre from 17 to 21 April 2011. To ensure success, it was deemed necessary to appoint a professional conference organiser. Preparations are well advanced.

Memoranda of understanding

Apart from being a signatory to the IOSCO and the Southern African Development Community (SADC) multilateral memoranda of understanding (MoUs), the FSB has concluded bilateral MoUs with 50 regulatory authorities to facilitate and improve the exchange of information and cooperation on enforcement among securities regulators. During the reporting period, the FSB signed MoUs with the Non-bank Financial Institutions Regulatory Authority of Botswana (September 2009) and the Malta Financial Services Authority (November 2009).

Further MoUs are to follow.

FSB securities familiarisation programme

A successful securities familiarisation programme was hosted by the department from 24 to 28 August 2009. Apart from exchanging views on the regulatory regimes in the participating countries, delegates were met with representatives of, among others, the JSE, Strate and the collective investment schemes industry.

The next programme will be held from 23 to 27 August 2010.

IOSCO meetings

IOSCO's objectives include cooperation in promoting high standards of regulation to maintain just, efficient and sound markets. Member countries exchange information to promote the development of domestic markets and unite their efforts for the effective surveillance of market transactions and enforcement against offences.

The FSB actively participates in the IOSCO Executive Committee, Emerging Markets Committee (EMC) and its working groups, EMC Advisory Board, Africa/Middle East Regional Committee, the Screening Group and a number of taskforce meetings.

IOSCO investigations

The FSB participated in the following IOSCO investigations by completing questionnaires:

- suspension of redemption in respect of CIS;
- status of implementation of International Financial Reporting Standards (IFRS) and IFRS for small and medium enterprises (SMEs);
- conflicts of interest regulations, and
- survey on practices relating to securitisation and securitised debt instruments in emerging market countries.

The FSB submitted comments on the following reports of IOSCO's Technical Committee:

- regulation of short selling;
- policies on direct electronic access, and
- unregulated financial markets and products.

Committee of Insurance, Securities and Non-banking Financial Authorities (CISNA)

CISNA met from 16 to 18 September 2009 in Malawi, discussing topics such as:

- market developments in CISNA member countries;
- assessment of member's regulatory frameworks in terms of the IOSCO benchmark methodology;
- unregulated financial markets and products in SADC capital markets, and
- harmonisation of financial regimes.

CISNA project - harmonisation of financial regimes

CISNA has established a Market Development Sub-committee (MDS) to address barriers to the development of capital markets in SADC through harmonising or standardising procedures and regulatory requirements, thereby eliminating any regulatory arbitrage. The MDS met in Malawi on 16 September 2009 and in Zimbabwe on 25 and 26 February 2010 to discuss its work programme. Good progress has been made.

The following projects have been finalised:

- licensing/approval of investment managers;
- licensing/approval of broker-dealers;
- prospectus requirements;
- requirements for collective investment schemes, and code of conduct for market intermediaries.

COLLECTIVE INVESTMENT SCHEMES

Introduction

The FSB, through the Collective Investment Schemes (CIS) department, supervises collective investment schemes in securities (including fund of funds and feeder funds structures), in property and in participation bonds in terms of the Collective Investment Schemes Control Act, 2002 (CISCA). Under the Act, the department also approves foreign collective investment schemes (FCIS) to market their products in South Africa.

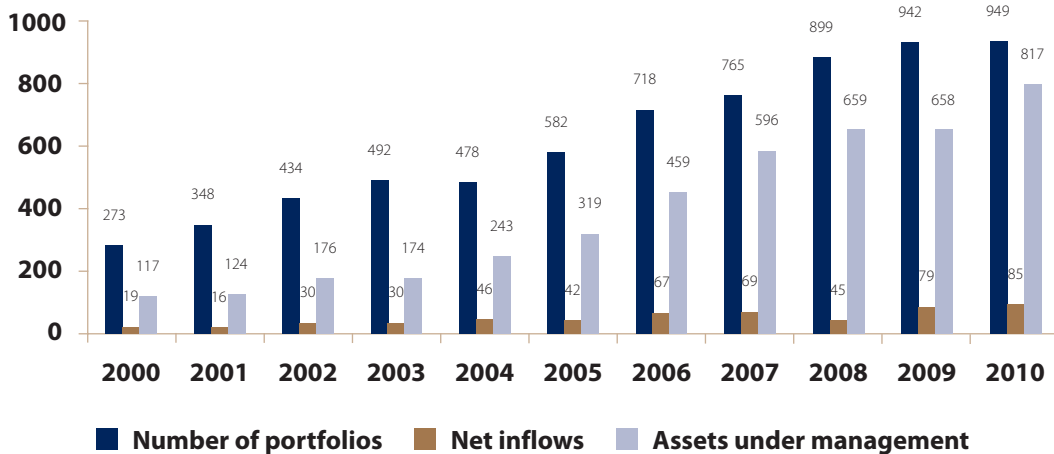
Industry overview

South African collective investment schemes in securities

The South African CIS industry has recovered well in the aftermath of the financial crisis. Total assets under management at the end of March 2010 increased to R817 billion, compared to R658 billion in March 2009, a growth of 24%.

Ten years ago, the industry offered 273 portfolios and today investors have a choice of 949. A decade ago, the industry had assets under management of R117 billion compared to R817 billion as at 31 March 2010.

Assets for CIS in securities (Local)

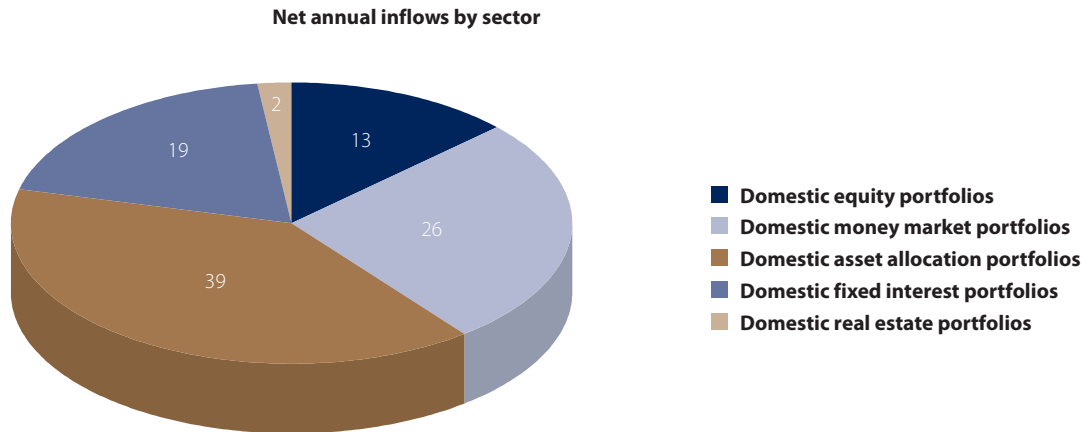


During the last year, the industry attracted positive inflows despite lingering market uncertainty. Net annual inflows of R85 billion were recorded.

At 31 March 2010, the net inflows were more evenly distributed among the portfolio sectors (asset allocation portfolios, money market portfolios, fixed interest portfolios and equity portfolios), but the domestic asset allocation portfolios were preferred. These portfolios attracted 39% of the net annual flows, followed by money market portfolios (26%), fixed interest portfolios (19%), equity portfolios (13%) and real estate portfolios (2%).

Collective Investment Schemes

Domestic asset allocation portfolios invest across the equity, bond, money and property markets. These portfolios have become popular with investors and advisers alike, since they provide diversification across asset classes in one portfolio.

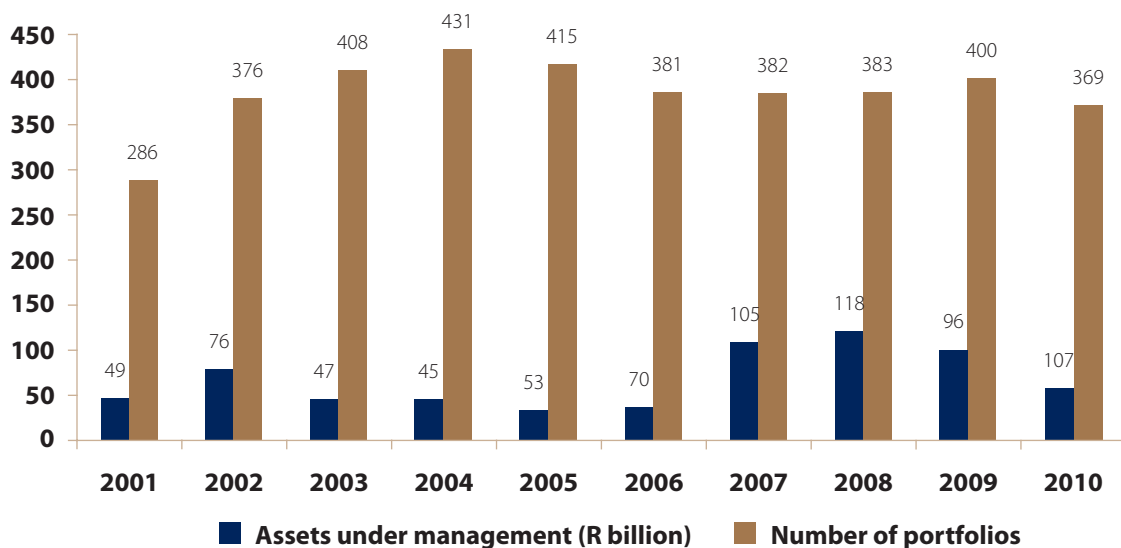


Foreign collective investment schemes in securities

Foreign collective investment scheme portfolios are denominated in foreign currencies such as US dollar, pound, euro and yen and are offered by foreign collective investment schemes. These portfolios can be marketed to South African investors only if they are registered with the Office of the Registrar of Collective Investment Schemes. Local investors wanting to invest in these funds must comply with Reserve Bank regulations and will be using their foreign capital allowance of R4 million per individual.

The number of foreign currency-denominated portfolios on sale in South Africa dropped from 400 at the end March 2009 to 369 at the end of March 2010 as a result of foreign managers rationalizing their businesses.

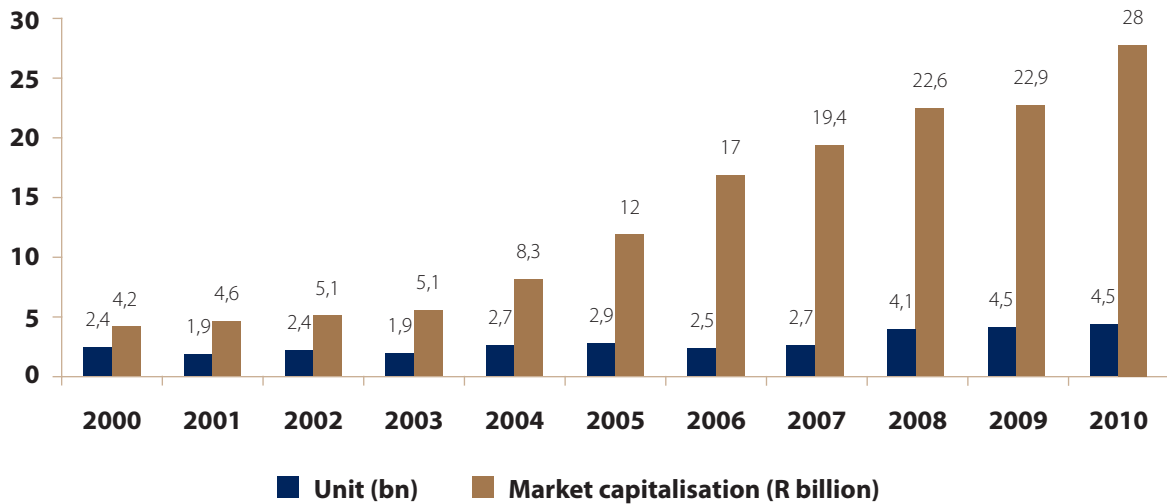
Gross inflows for the year ended 31 March 2010 amounted to R44.7 billion against outflows of R36.5 billion. Resulting in net inflows of R8 billion. The amount invested at 31 March 2010 was R107 billion against R96 billion at March 2009, an increase of 11%.



Collective investment schemes in property

The number of participatory interests in the industry increased to 4,5 billion at 31 March 2010. Their market capitalization was R28 billion compared to R23 billion at March 2009.

Participatory interest and market capitalisation of CIS in property



Collective investment schemes in participation bonds

The aggregate amount owing to the 21,936 participants at 31 March 2010 was R3,5 billion. There are five schemes in operation and 1491 registered participation bonds.

Regulatory developments

Revision of Notice 1503 of 2005

The revision of this notice was placed on hold as the desirability of portfolios consisting of only unlisted investments needed to be reconsidered. The industry, through the Association for Savings and Investment South Africa (ASISA), was asked to submit a memorandum explaining the proposed amendments. The notice is being redrafted in line with the Undertaking for Collective Investment in Transferable Securities (UCITS) III, which permits unlisted investments to a limit of 10%.

Shariah compliant portfolios

Requests for the recognition of Shariah compliant financial instruments formed part of the revision of Notice 1503. This process was separately completed and Notice 131 of 2010 was issued, which permits investments in securities that comply with Shariah rules. This should make CIS investments more attractive to both local and foreign investors.

Real estate investment trusts (REITs)

Negotiations are ongoing among the FSB, National Treasury; and property loan stock companies. The structural and liquidity requirements of CIS that are beneficial to investor protection remain an issue.

Dividend income funds

Representatives of National Treasury, the FSB, the South African Revenue Service (SARS) SARS and ASISA met during the year to discuss issues affecting dividend income portfolios and their tax implication. SARS is investigating the tax status of such portfolios. The FSB had issued circular 11 concerning disclosure on dividend income portfolios to all managers and trustees of CIS in securities.

MARKET ABUSE

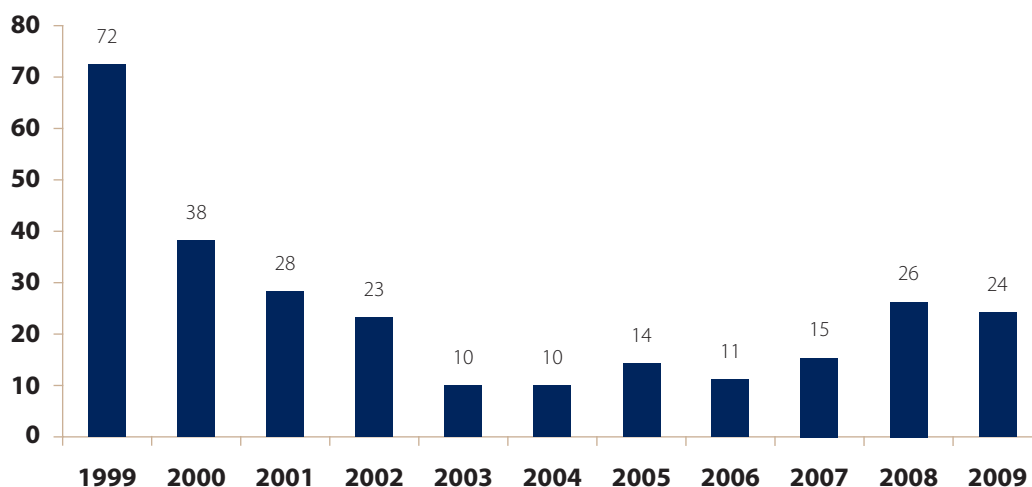
The Directorate of Market Abuse (DMA) is a committee of the FSB and is responsible for combating market abuse. Three forms of market abuse are prohibited in terms of the Securities Services Act, 2004, namely insider trading, prohibited trading practices (market manipulation) and the publication of false or misleading statements relating to listed companies.

The DMA comprises representatives from the FSB, financial markets, legal and accounting professions, the insurance industry, the fund management industry, the banking industry, the Ministry of Finance, the South African Reserve Bank and the Shareholders' Association of South Africa.

New cases during 2009

During the year, the DMA registered 15 new cases for investigation, bringing the total number of cases reported since inception to 271. Six of the new cases involve possible insider trading, five market manipulation and five false reporting. One is an investigation into both insider trading and false reporting. In addition, the DMA investigation team assisted the Australian Securities and Investment Commission and the Jersey Financial Services Commission with two investigations.

The following graph sets out the incidents reported each year of alleged market abuse since inception of the DMA and its predecessor. The statistics until 2005 relate only to insider trading.



Completed investigations for 2009

During the year under review, the DMA held four meetings and considered 17 completed investigations. Eleven of these were closed because there was no, or insufficient, evidence of a contravention of the SSA. Six cases were referred to the Enforcement Committee, established in terms of the SSA.

Enforcement action

The six cases referred to the Enforcement Committee were:

- a case of insider trading in Wescoal Holdings Limited shares against M Meyer, a designated adviser to AltX companies. The Enforcement Committee imposed an administrative penalty of R150 000 on Meyer;
- a case of alleged insider trading in Sentula Mining Limited (Sentula) shares against N van der Merwe and J Pieterse, managing directors of subsidiaries of Sentula. The matter is pending before the Enforcement Committee;
- a case of alleged market manipulation in Cape Empowerment Trust Limited and Beige Holdings shares against T Pretorius, a derivatives trader at the JSE. The matter is pending before the Enforcement Committee;
- a case of false reporting against Wescoal Holdings Limited. The Enforcement Committee imposed an administrative penalty of R100 000 on the company, and
- a case of false reporting against J Holland, a former employee of Sentula. The case could not proceed because Holland has left the country.

Outlook

The global economic crisis caused an increase in the new cases registered for investigation by the DMA, but this effect has diminished and a decline is expected in the number of new cases in the next financial year.

The DMA reviewed its legislation and has prepared amendments that will, once they become law, enhance its ability to enforce anti-market abuse provisions.

Enforcement Committee

On 1 November 2008, the FSB Enforcement Committee was established by an amendment to the Financial Institutions (Protection of Funds) Act, 28 of 2001, replacing the Capital Markets Enforcement Committee. The Enforcement Committee is an administrative tribunal that has jurisdiction to impose penalties, compensation orders and cost orders against persons who contravene any FSB law.

It could adjudicate only on market abuse matters.

Committee determinations

During the period under review the Enforcement Committee considered cases against 24 respondents, 23 of whom were found to have contravened an FSB law – 18 the anti-market abuse provisions, two FAIS legislation, three CIS legislation and one insurance legislation.

Penalties of R5 457 635 were imposed on the 23 respondents, the money to be used for consumer education and protection of the investing public.

Outlook

The Enforcement Committee has substantially enhanced the registrars' enforcement capability and the process has proved more efficient and more cost effective than other enforcement options. Nevertheless, certain contraventions must be referred to the criminal prosecuting authorities.

CORPORATE GOVERNANCE

Introduction

The FSB Board is fully committed to sound corporate governance practices espoused in the King Code. In so doing, the Board recognizes the importance of conducting business with due regard to fairness, accountability, transparency and ethically whilst monitoring performance and compliance with statutory requirements.

Composition of the Board and its role

The FSB Board is comprised of ten non-executive board members. The members of the Board are appointed by the Minister of Finance with due regard to the interests of users and providers of financial services, including financial intermediaries, and public interest. During the reporting period, Ms Makgoshi Phetla-Lekhethe and Ms Tshidi Mokgabudi resigned from the Board.

The Board remains primarily responsible for setting strategy, overall policies and performance criteria. It exercises leadership, integrity and judgement in directing the FSB in a manner based on transparency, accountability and responsibility. Authority for the day-to-day management of the FSB activities is delegated to the Executive Officer and Executive Committee. The role and responsibilities of the Board are defined in section 3 of the Financial Services Board Act (Act 97 of 1990) and the Board Charter.

Delegation of authority

The Board has the authority to lead and oversee the business activities of the FSB. The Board developed governance structure of Board committees and has delegated some of its authority by means of a comprehensive delegation-of-authority framework to the Executive Officer and to the Executive Committee. The delegation of authority assists decision making and delivery of strategic objectives without exonerating the Board of its accountability and responsibilities for the FSB.

Materiality framework

The Board approved a framework of acceptable levels of materiality and significance in accordance with compliance with the Public Finance Management Act (PFMA).

Executive Committee

In terms of the provisions of the FSB Act, the Executive Committee performs the functions of the Board between meetings of the Board. However in terms of statute and the FSB's delegation of authority, certain matters are still reserved for approval by the Board and /or the Minister of Finance.

Board Secretary

All Board members have access to the advice and services of the Board Secretary, who is responsible for ensuring compliance with corporate governance procedures. The Board Secretary provides procedural guidance to board members on their responsibilities within the prevailing regulatory and statutory environment and the manner in which such responsibilities should be discharged.

Board meetings

Board meetings are held at least once a quarter. In addition to these meetings, whenever circumstances dictate, special meetings are convened. During the year under review, five scheduled Board meetings were held and no additional meetings were convened. Members of EXCO attend Board meetings on an ex officio basis. Details of attendance by each Board member including attendance at committee meetings of the Board are set out in the table below.

Name of Board Member	27/05/2009	29/ 06/2009	28/09/2009	04/12/2009	26/03/2010
A Sithole(Chairperson)	✓	✓	✓	✓	✓
H Wilton (Deputy Chairperson)	✓	✓	✓	✓	✓
J Mogadime	✓	✓	✓	✓	✓
AMM Mokgabudi	A	✓	A	✓	A
PJ Sutherland	✓	✓	✓	✓	✓
BM Hawkworth	✓	✓	✓	✓	✓
Z Bassa	✓	✓	A	✓	A
Phetla-Lekhethe	✓	✓	#	#	#
M Ncube	A	✓	A	✓	A
J Cross	A	A	✓	A	A

✓ Denotes Attendance; A Denotes Apologies; # Denotes resigned during the year

Committees of the Board

The Board exercises its oversight role over the FSB activities through a governance structure comprising various sub committees. The committees are responsible for ensuring that the FSB complies with relevant legislation, Codes of Good Corporate Governance and practices. Each committee has its own terms of reference. The terms of reference of all committees are reviewed annually in line with governance best practice.

Audit and Risk Management Committee

The objective of the committee is to assist the Board with its responsibility of safeguarding the assets of the FSB, ensuring that all control systems are in place and also to evaluate and advise the Board on the adequacy of risk management processes and strategies. The committee ensures that identified risks are monitored and appropriate measures are put

in place and implemented to manage such risks. The committee meets at least once a quarter. Details of attendance of meetings by each committee member are set out in the table below.

Name of committee member	20/05/2009	19/06/2009	14/09/2009	20/11/2009	03/03/2010	23/03/2010
BM Hawkworth (Chairperson)	✓	✓	✓	✓	✓	✓
H Wilton	✓	✓	✓	✓	✓	✓
PJ Sutherland	✓	✓	✓	✓	✓	✓
M Ncube	A	A	✓	A	A	A

✓ Denotes Attendance; A Denotes Apology

Human Resources Committee

This committee's function is to ensure that the FSB's human resources strategy and policies are implemented. The Committee meets at least once a quarter. Details of attendance of meetings by each committee member are set out in the table below.

Name of committee member	18/06/09	11/09/09	06/11/09	04/03/2010
H Wilton (Chairperson)	✓	A	✓	A
J Mogadime	✓	✓	✓	✓
Z Bassa	✓	✓	✓	✓
M Phetla-Lekhethe	✓	#	#	#

✓ Denotes Attendance; A Denotes Apologies; # Denotes resigned

Remuneration Committee

The committee ensures that the FSB's remuneration strategy and policies are implemented. The committee reviews compensation matters, benchmark salaries of staff and make recommendations to the Board. The Committee meets at least once a quarter. Details of attendance of meetings by each committee member are set out in the table below.

Name of committee member	18/06/09	11/09/09	06/11/09	04/03/10
H Wilton (Chairperson)	✓	A	✓	A
J Mogadime	✓	✓	✓	✓
Z Bassa	✓	✓	✓	✓
M Phetla-Lekhethe	✓	#	#	#

✓ Denotes Attendance; A Denotes Apologies; # Denotes Resigned

Licensing Committee

The Committee's function is to ensure that the Registrar (Executive Officer) acts in terms of legislation administered by the FSB in discharging his duties. The committee meets at least once a month. Details of attendance of meetings by committee members are set out in the table below.

Committee member	07/04/09	12/05/09	09/06/09	07/07/09	11/08/09	08/09/09	13/10/09	10/11/09	08/12/09	09/02/10	09/03/10
M Vermaas	✓	✓	A	A	✓	✓	A	✓	✓	✓	✓
B Hawksworth (Chairperson)	✓	✓	✓	✓	✓	✓	✓	✓	A	✓	✓
M E Johnston	✓	✓	✓	A	✓	✓	✓	✓	✓	✓	✓
S Moraba	✓	✓	✓	✓	A	A	✓	✓	✓	A	✓
N Tshombe	✓	✓	✓	A	✓	✓	✓	✓	✓	✓	✓
E T Thipa	✓	✓	✓	A	✓	✓	✓	A	A	✓	✓
S S Mphahlele	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
J Mogadime	A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
M Phetla - Lekhethe	✓	✓	✓	✓	#	#	#	#	#	#	#

✓ Denotes Attendance; A Denotes Apologies; # Denotes Resigned

Litigation Committee

The committee oversees the litigation process of the FSB for claims against or by the FSB. The committee meets at least once a quarter. Details of attendance of meetings by each committee member are set out in the table below.

Name of committee member	12/06/2009	04/09/2009	13/11/2009	02/03/2010
PJ Sutherland (Chairperson)	✓	✓	✓	✓
AMJ Pinnock	✓	✓	A	✓
P Kingston	A	✓	✓	A
A Loubser	✓	✓	A	✓
Z Bassa	✓	A	✓	A
M Ncube	A	✓	A	A
M Mofomme	✓	✓	A	✓
T Mokgabudi	A	A	✓	A
N Cassim	n/a	A	✓	A

✓ Denotes Attendance; A Denotes Apologies; n/a Denotes not yet appointed

Legislative Committee

The function of the committee is to scrutinize proposed legislation or amendments to existing legislation relating to the supervisory functions of the FSB. The committee meets at least once a quarter. Details of attendance of meetings by each committee member are set out in the table below.

Name of committee member	12/06/2009	04/09/2009	13/11/09	02/03/2010
T Mokgabudi (Chairperson)	A	✓	✓	A
HB Falkena	✓	✓	✓	✓
M Katz	✓	A	A	✓
A Meyer	✓	✓	✓	✓
PJ Sutherland	✓	✓	✓	✓
E Mphahlele	✓	A	A	A
M Phetla-Lekhethe	✓	#	#	#

✓ Denotes Attendance; A Denotes Apologies; # Denotes resigned during the year.

Pension Funds Adjudicator Committee

The role of this committee is to assist the FSB in providing guidance on administrative affairs of the Office of the Pension Funds Adjudicator. The committee is comprised of members who possess expert knowledge on pension funds matters. The committee meets at least once a quarter. Details of attendance of meetings by each committee member are set out in the table below.

Name of committee member	18/05/09	18/06/2009	11/09/2009	16/11/2009	03/03/2010
J Mogadime (Chairperson)	✓	✓	✓	✓	✓
K Biggs	A	✓	A	✓	A
PJ Sutherland	✓	✓	✓	✓	✓
DP Tshidi	✓	✓	✓	✓	✓
J Boyd	✓	✓	✓	✓	✓
M Mthombeni	n/a	n/a	n/a	n/a	✓
M Ncube	A	✓	✓	A	A
M Makume	n/a	✓	✓	✓	A

✓ Denotes Attendance; A Denotes Apology; n/a Denotes not yet appointed

FAIS Ombud Committee

The function of this committee is to assist the FSB Board in providing guidance on the administrative affairs of the office of the FAIS Ombud. The committee meets at least once a quarter. Committee meetings were suspended during the third quarter of the year due to the listing of the office of the FAIS Ombud as a schedule 3A entity in terms of the PFMA. However committee meetings would be resumed in the next financial year as the Board of the FSB is the accounting authority for the office of the FAIS Ombud with effect from 1 April 2010.

Details of attendance of meetings by each committee member are set out in the table below.

Name of committee member	20/05/2009	19/06/2009	14/09/2009
Z Bassa (Chairperson)	✓	✓	✓
B Hawksworth	A	✓	✓
P Matlala	✓	✓	A
B Naidoo	✓	✓	✓
M Ncube	A	A	✓

✓ Denotes Attendance; A Denotes Apology

Report by the Audit And Risk Management Committee on the Financial Statements for the year ended 31 March 2010

The Audit and Risk Management Committee is a sub-committee of the Board of the Financial Services Board (FSB Board) and consists of only non-executive Board members. The committee's overall objective is to assist the FSB Board to ensure that adequate systems and controls are in place, ensuring that the assets are safeguarded, assessing the going concern status, reviewing the financial information and preparing the annual financial statements.

The committee also ensures that management identifies significant risks associated with the environment in which the FSB operates and develops a framework to manage these. The risk management strategy has been developed, incorporating a fraud prevention plan covering strategic, operational and financial risks.

The committee meets at least three times a year and the members of the FSB Executive Committee, the risk officer, compliance officer, internal auditors and the external auditors attend by invitation. The committee is advisory, not executive and does not perform any management functions or assume any management responsibilities. Its role is that of an independent and objective adviser and it operates as an overseer, making recommendations to the Board for final approval.

Internal control systems

The members of the Audit and Risk Management Committee are satisfied that the system of internal controls are adequately designed to cover organisational, financial and operating risks. The control system provides reasonable, but not absolute assurance that the entity's assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are either prevented or detected, on time. These controls are monitored throughout the organisation by management and employees with the necessary delegation of authority and segregation of duties.

Based on the review of effectiveness and detailed reports provided by the internal auditors, the members of the Audit and Risk Management Committee are not aware of any significant weakness or deficiency in the organisation's system of internal controls.

Risk management

The effectiveness and relevance of the risk management strategy and fraud prevention plan is assessed regularly given the dynamic environment in which the FSB operates. Risks identified as significant to the FSB are regularly evaluated and the risk management plan is reviewed accordingly. A business continuity plan, which includes a disaster recovery plan, has been implemented and is tested regularly.

Internal auditing

The Audit and Risk Management Committee oversees the internal audit function. The role of internal auditors is to provide support to management and the Audit and Risk Management Committee in discharging their responsibilities. The internal audit function provides independent and objective evaluation of the organisation's system of internal control and any significant business risks and exposures are brought to the attention of management and the committee. The internal audit function is outsourced to an independent firm on contract, renewable annually for three years.

Financial statements

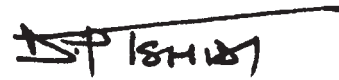
The members of the Audit and Risk Management Committee have reviewed and evaluated the financial statements of the FSB for the year ended 31 March 2010 and are satisfied that the statements comply with the requirements of the Public Finance Management Act No.1 of 1999, as amended, and the South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board, replacing the equivalent SA Statements of GAAP. The going concern principle was adopted in preparing the financial statements.

The committee, at its meeting of 17 June 2010, recommended the financial statements to the FSB Board for approval.



H Wilton

Chairperson: Audit and Risk Management Committee



DP Tshidi

Executive Officer

STATEMENT OF COMPLIANCE

The Financial Services Board (FSB) to the best of its knowledge, information and belief has taken reasonable steps to comply with applicable legislation, including policies, procedures and codes of governance in the financial year 2009/2010.

The regulatory framework (applicable legislation, policies, procedures and codes of governance) which in the opinion of the Compliance Committee of the FSB, is material to the operations of the FSB and enables the FSB to effectively execute its mandate, can be accessed on the FSB's website.



H Wilton

Chairperson: Audit and Risk Management Committee



DP Tshidi

Executive Officer

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE FINANCIAL SERVICES BOARD FOR THE YEAR ENDED 31 MARCH 2010

REPORT ON THE FINANCIAL STATEMENTS

Introduction

I have audited the accompanying financial statements of the Financial Services Board, which comprise the statement of financial position as at 31 March 2010, the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 102 to 140.

Accounting Authority's responsibility for the financial statements

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the Financial Services Board Act, 1990 (Act No 97 of 1990) (FSB Act). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

As required by section 188 of the Constitution of South Africa, section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) of South Africa and section 17(4) of the FSB Act, my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting

policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Financial Services Board as at 31 March 2010, and its financial performance and its cash flows for the year then ended in accordance with South African Standards of General Recognised Accounting Practice and in the manner required by the PFMA and the FSB Act.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the PAA of South Africa and General notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009 I include below my findings on the report on predetermined objectives, compliance with the PFMA, the FSB Act and financial management (internal control).

Findings:

Predetermined objectives

No matters to report.

Compliance with laws and regulations

No matters to report.

INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA and the FSB Act, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the deficiencies identified during the audit.

No matters to report.

Auditor - General.

Pretoria

31 July 2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

REPORT BY THE MEMBERS OF THE BOARD ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

The Board acknowledges its responsibility for the preparation and integrity of the financial statements and related information included in the annual report. In order for the Board to discharge these responsibilities, as well as those bestowed on it in terms of the 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 generally accepted business practice, as well as policies and procedures established by the Board and independent oversight by the Audit and Risk Management Committee.

The financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) including any interpretations of such Statements issued by the Accounting Standards Board. The financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Board believes that the FSB will be a going concern in the year ahead and has, for this reason, adopted the going concern basis in preparing the financial statements.

The financial statements for the year ended 31 March 2010, as set out on pages 103 to 140, were approved by the Board on 30 June 2010 and were signed on its behalf by:



AM Sithole
Chairperson



DP Tshidi
Executive Officer

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2010

Figures in Rand	Note(s)	2010	2009
Assets			
Current assets			
Cash and cash equivalents	3	133 309 912	136 321 216
Accounts receivable	4	28 958 435	36 245 847
Inventories	5	162 869	354 913
Prepayments		863 812	2 486 833
		163 295 028	175 408 809
Non-current assets			
Property, plant and equipment	6	27 359 163	7 862 791
Intangible assets	7	1 136 411	1 153 225
Non current investments	8	29 954 050	22 524 529
		58 449 624	31 540 545
Total assets		221 744 652	206 949 354
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	9	52 271 445	26 931 947
Levies and fees received in advance		9 122 712	10 611 342
Provision for legal fees		1 200 000	1 200 000
		62 594 157	38 743 289
Non-current liabilities			
Post-retirement medical aid fund obligation	10	20 675 279	18 249 502
Pension fund plan obligation	11	-	3 687 000
		20 675 279	21 936 502
Total liabilities		83 269 436	60 679 791
Net assets		138 475 216	146 269 563
Net assets			
Discretionary reserve	12	13 116 721	11 420 697
Contingency reserve	12	33 449 490	29 316 299
Fair value reserve	12	8 250 157	1 402 456
Accumulated funds		83 658 848	104 130 111
Total net assets		138 475 216	146 269 563

Annual Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE AS AT 31 MARCH 2010

Figures in Rand	Note(s)	2010	2009
Revenue			
Levies	16	316 791 315	250 695 804
Fees and service charges		17 703 583	18 206 113
		334 494 898	268 901 917
Other income	17	4 925 495	10 685 177
Operating expenses			
Advisory and other committee fees		(4 409 989)	(3 230 340)
Amortisation charge and useful life adjustment	7	(756 361)	(832 305)
Contribution towards funding of the Office of the Ombud for FSPs	18	(22 931 784)	(19 253 291)
Contribution towards funding of the Office of the PFA's	18	(37 923 960)	(33 399 059)
Depreciation and useful life adjustment	6	(5 655 858)	(4 803 210)
Executive management remuneration	19	(15 116 595)	(14 510 548)
External audit fees	20	(1 809 213)	(1 477 182)
Internal audit fees		(727 401)	(911 048)
Legal fees		(6 184 243)	(5 393 607)
Loss on disposal of assets		(198 892)	(2 960)
Non-executive board members fees	19	(946 085)	(1 103 612)
Operating lease rentals - buildings		(20 444 872)	(14 664 081)
Other operating expenses		(43 093 142)	(40 255 239)
Professional and consulting fees		(5 456 290)	(4 000 614)
Net provision for credit losses	21	(8 944 205)	(3 702 347)
Salaries, staff benefits, training and other staff costs		(192 525 648)	(172 015 399)
		(367 124 538)	(319 554 842)
Operating deficit		(27 704 145)	(39 967 748)
Finance costs	29	(6 922)	(1 078)
Income from investments	22	13 069 019	22 662 589
		13 062 097	22 661 511
Deficit for the year		(14 642 048)	(17 306 237)

STATEMENT OF CHANGES IN FUNDS AND RESERVES

Figures in Rand	Discretionary reserve	Contingency reserve	Fair value reserve	Total reserves	Accumulated funds	Total net assets
Balance at 1 April 2008	9 235 845	28 011 129	8 796 602	46 043 576	1 24 926 370	170 969 946
Changes in net assets						
Adjusting entry	(3 558 296)	-	-	(3 558 296)	3 558 296	-
Net income (losses) recognised directly in net assets	(3 558 296)	-	-	(3 558 296)	3 558 296	-
Surplus for the year	-	-	-	-	(17 306 237)	(17 306 237)
Total recognised income and expenses for the year	(3 558 296)	-	-	(3 558 296)	(13 747 941)	(17 306 237)
Prior year adjustment	3 558 296	-	-	3 558 296	(3 558 296)	-
Transfer from accumulated funds to discretionary reserve	3 490 022	-	-	3 490 022	(3 490 022)	-
Transfer from discretionary reserve to contingency reserve	(1 305 170)	1 305 170	-	-	-	-
Fair value adjustment	-	-	(7 394 146)	(7 394 146)	-	(7 394 146)
Total changes	2 184 852	1 305 170	(7 394 146)	(3 904 124)	(20 796 259)	(24 700 383)
Balance at 1 April 2009	11 420 697	29 316 299	1 402 456	42 139 452	104 130 111	146 269 563
Changes in net assets						
Surplus for the year	-	-	-	-	(14 642 048)	(14 642 048)
Fair value adjustment	-	-	6 847 701	6 847 701	-	6 847 701
Transfer from accumulated funds to discretionary reserve	1 305 170	-	-	1 305 170	(1 305 170)	-
Transfer from accumulated funds to discretionary reserve	390 854	-	-	390 854	(390 854)	-
Transfer from accumulated funds to contingency reserve	-	4 133 191	-	4 133 191	(4 133 191)	-
Total changes	1 696 024	4 133 191	6 847 701	12 676 916	(20 471 263)	(7 794 347)
Balance at 31 March 2010	13 116 721	33 449 490	8 250 157	54 816 368	83 658 848	138 475 216

Note(s)

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CASH FLOW STATEMENT AS AT 31 MARCH 2010

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Receipts			
Sale of goods and services		348 522 869	261 041 703
Interest income	22	12 847 870	22 241 734
Dividends received	22	490 664	719 949
		361 861 403	284 003 386
Payments			
Payments made to employees and suppliers		(336 862 441)	(304 911 611)
Finance costs		(6 922)	(1 078)
PRM liability movement		2 425 777	2 681 356
Pension fund obligation movement		(3 687 000)	3 687 000
		(338 130 586)	(298 544 333)
Net cash flows from operating activities	23	23 730 817	(14 540 947)
Cash flows from investing activities			
Acquisition of property, plant and equipment	6	(26 056 222)	(5 199 267)
Proceeds on disposal of property, plant and equipment		705 100	6 895
Acquisition of intangible assets	7	(750 759)	(527 621)
Proceeds from sale of other intangible assets		11 212	117 105
Acquisition of non current investments	8	(6 464 993)	(6 637 418)
Proceeds from sale of financial assets		5 813 541	8 514 253
Net cash flows from investing activities		(26 742 121)	(3 726 053)
Net increase/(decrease) in cash and cash equivalents		(3 011 304)	(18 267 000)
Cash and cash equivalents at the beginning of the year		136 321 216	154 588 216
Cash and cash equivalents at the end of the year	3	133 309 912	136 321 216

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Basis of preparation*

The Financial Services Board (FSB) is a National Public Entity as specified in Schedule 3A of the Public Finance Management Act (PFMA), Act No. 1 of 1999 (as amended by Act 29 of 1999). The principle accounting policies applied in the preparation and presentation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

The Board's financial statements are prepared in compliance with Generally Recognised Accounting Practice (GRAP), as determined by Directive 5 (Determining the GRAP Reporting Framework) issued by the Accounting Standards Board (ASB) in accordance with Section 55 and 89 of the Public Finance Management Act, Act No. 1 of 1999 (as amended by Act 29 of 1999).

These financial statements are prepared in concurrence with the going concern principle and on an accrual basis with the measurement base applied being the historical cost unless stated otherwise.

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 FSB 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 pronouncements of other stand setters, as identified by the ASB on an annual basis. Those relevant to the FSB are listed below:

Title of standard	Standard
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 17	Property Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 102	Intangible Assets
IPSAS 20	Related Party Disclosures
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 39	Financial Instruments: Recognition and Measurement

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, as detailed above, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

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 which could affect the carrying amounts of certain assets and liabilities at the reporting date. Actual results in the future could differ from estimates which 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.

Standards and amendments to standards issued but not effective

The following standards and amendments to standards have been issued but are not effective.

Standard	Summary and impact	Effective date
GRAP 18 – Segment Reporting	This standard establishes principles for reporting financial information by segments.	Issued by the ASB – March 2005
	The impact on the financial results and disclosure is considered to be minimal.	Effective date – To be determined by the Minister of Finance
GRAP 21 – Impairment of Non-cash generating Assets	This standard prescribes the procedures that apply to determine whether a non-cash generating asset is impaired and to ensure that impairment losses are recognised.	Issued by the ASB – March 2009
	The impact on the financial results and disclosure is considered to be minimal.	Effective date – To be determined by the Minister of Finance
GRAP 23 – Revenue from Non exchange transactions	This standard prescribes the requirements for the financial reporting of revenue from non-exchange (grants and transfer payments transactions).	Issued by the ASB – February 2008
	The impact on the financial results and disclosure is considered to be minimal.	Effective date – To be determined by the Minister of Finance
GRAP 24 – Presentation of Budget Information in the Financial Statements	This standard requires a comparison of budget and actual amounts and an explanation for material differences.	Issued by the ASB – November 2007
	The impact on the financial results is considered to be minimal. However the impact on disclosure is significant.	Effective date – To be determined by the Minister of Finance
GRAP 25 - Employee Benefits	The standard prescribes the accounting treatment and disclosure for employee benefits.	Issued by the ASB – November 2009
	The impact on the financial results and disclosure is considered to be minimal.	Effective date – To be determined by the Minister of Finance

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Standard	Summary and impact	Effective date
GRAP 26 - Impairment of Cashgenerating Assets	This standard prescribes the procedures to determine whether a cash generating asset is impaired and to ensure that impairment losses are recognised.	Issued by the ASB – March 2009
	The impact on the financial results and disclosure is considered to be minimal.	Effective date – To be determined by the Minister of Finance
GRAP 104 – Financial Instruments	This standard establishes principles for recognising, measuring, presenting and disclosing financial instruments.	Issued by the ASB – October 2009
	The impact on the financial results and disclosure is considered to be minimal.	Effective date – To be determined by the Minister of Finance
Improvements to the Standards of GRAP	Improvements are proposed to the following standards of GRAP: GRAP 1- 4, 9-14, 16-17, 19 and 100 as part of the ASB's improvement project.	Proposed effective date is 1 April 2011
	The impact on the financial results and disclosure is considered to be minimal.	
Amendment to IFRS 7 – Financial Instruments: Disclosures	<p>Presentation of finance cost.</p> <p>Amendment dealing with improving disclosures of financial instruments. This standard will not have an impact on the financial results or disclosure as it has been removed from the framework prescribed in Directive 5 for periods beginning on 1 April 2010.</p>	<p>Issued by the IASB in March 2009 but the effective date was back dated to 1 January 2009.</p> <p>As per confirmation with the ASB, this standard is not effective for the year ended 31 March 2010.</p>
Amendment to IFRS 7 – Financial Instruments: Disclosures	<p>Clarifications of disclosures</p> <p>The amendment to the Standard clarifies certain disclosures. This standard will not have an impact on the financial results or disclosure as it has been removed from the framework prescribed in Directive 5 for periods beginning on 1 April 2010.</p>	1 January 2011
IFRS 9 – Financial Instruments	<p>New standard issued relating to the classification and measurement of financial assets, which will replace the relevant portions of IAS 39.</p> <p>This standard will not have an impact on the financial results or disclosure as it has been removed from the framework prescribed in Directive 5 for periods beginning on 1 April 2010.</p>	1 January 2013
Amendment to IAS 19 – Employee Benefits	<ul style="list-style-type: none"> - Curtailments and negative past service cost - Plan administration costs - Replacement of term "fall due" <p>Guidance on contingent liabilities</p> <p>The impact on the financial results and disclosure is considered to be minimal.</p>	<p>Issued by the IASB in March 2009 but the effective date was back dated to 01 January 2009.</p> <p>As per confirmation with the ASB, this standard is not effective for the year ended 31 March 2010.</p>

Standard	Summary and impact	Effective date
Amendment to IAS 32 – Financial Instruments: Presentation	<p>Certain financial instruments will be classified as equity whereas, prior to these amendments, they would have been classified as financial liabilities.</p> <p>This standard will not have impact on the financial results or disclosure as it has been removed from the framework prescribed in Directive 5 for periods beginning on 1 April 2010.</p>	<p>Issued by the IASB in March 2009 but the effective date was back dated to 1 January 2009.</p> <p>As per confirmation with the ASB, this standard is not effective for the year ended 31 March 2010</p>

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 Board'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.

Critical accounting estimates and assumptions

Depreciation

During each financial year, management reviews the assets within property, plant and equipment to assess whether the useful lives and residual values applicable to each asset are appropriate.

Impairment of debtors

The Board conducts annual tests to determine whether debtors have suffered any impairment, in accordance with the accounting policy stated in 1.4 below.

Post employment benefits

The cost of certain guaranteed minimum benefits in terms of defined contribution 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 rate 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*

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 or fair value of the item can be measured reliably.

Property, plant and equipment, comprising leasehold improvements, computer equipment, furniture, fittings and equipment as well as motor vehicles, is stated at cost less accumulated depreciation and any accumulated impairment losses.

Leasehold improvements are written off over the expected period of the relevant lease agreements. Paintings and sculptures are included in furniture, fittings and equipment at cost. All other items of property, plant and equipment are depreciated on a straight-line basis at rates which will reduce their book values to estimated residual values over their estimated useful lives.

The following depreciation rates per annum have been applied:

Computer equipment	33.33%
Furniture, fittings and equipment	10% to 20%
Motor vehicles	20%

Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are charged against income.

1.3 *Intangible assets*

Costs associated with the acquisition of computer software are recognised as assets and are amortised over their estimated useful lives (not exceeding three years). Computer software licences and costs associated with the development or maintenance of computer software programs are recognised as an expense as incurred.

1.4 *Impairment of non-financial assets*

The carrying amounts of material assets of the Board are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any indication exists, the recoverable amount is estimated as the higher of net realisable value and value in use.

In assessing the value, the expected future cash flows from the asset is discounted to its present value using a discount rate that reflects current market assessment of the time value of money and risks specific to the asset. An impairment loss is recognised whenever the carrying amount of the cash-generating unit exceeds the recoverable amount.

For an asset that does not generate cash inflows and is largely independent of those of other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. An impairment loss is recognised in the income statement whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined (net depreciation) had no impairment been recognised in prior years.

1.5 *Financial assets*

Financial assets are classified in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired and is determined at initial recognition.

Loans and receivables

Loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the balance sheet date in which case they would be classified as non-current assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that comprise non-current investments. These are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Investments are initially recognised at fair value plus transaction costs. 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. They are subsequently carried at fair value and loans

When investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of financial performance as gains and losses. Interest on investments calculated using the effective interest method is recognised in the statement of financial performance as income from investments. Dividends received from non-current investments are recognised in the statement of financial performance as part of income from investments when the right to receive payments is established. The fair values of quoted investments are based on current market prices.

At statement of financial position date an assessment is done on whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of non-current investments, a significant or prolonged decline in the fair value of the investment below its cost is considered as an indicator that the investment is impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the statement of financial performance. Impairment losses recognised in the statement of financial performance on equity instruments are not reversed through the statement of financial performance.

Trade receivables

Trade 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 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 original 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.

Trade and other payables

Trade 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.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise. Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

1.6 Inventories

Inventories comprise stationery and consumables and are carried at cost. The cost of the inventories comprises the cost of purchase and is determined on the weighted average method. Obsolete, redundant and slow-moving inventories are identified on a regular basis and are written down to their net realisable values.

1.7 Foreign currency transactions

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 statement of financial performance, except when deferred in equity as qualifying cash flow hedges.

1.8 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

Retirement benefits

The Board contributes to a pension fund and to an unfunded defined benefit post-retirement medical aid plan. The pension fund is a defined contribution plan with a defined benefit guarantee for employees who were members of the fund at 31 March 2000. Only pensioners and employees who were in service at 1 January 1998 are eligible for benefits under the post-retirement medical aid plan.

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 medical 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.

1.9 Revenue recognition

Revenue comprises levies raised, fees and service charges and inspection cost recoveries. Revenue is recognised when the amount of revenue can be measured reliably, it is probable that future economic benefits will flow to the Board and specific criteria have been met as described below.

Levies

All registered entities are required to pay annual levies to maintain their licences in terms of the Financial Services Board Act, 97 of 1990. Levies are raised in terms of the regulations published in the Government Gazette and are accounted for on an accrual basis.

Levy rebates

The FSB is funded through levies charged to industry and over-recovered levies in excess of the FSB'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.

Fees and service charges

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.

1.10 Income from investments

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividends

Dividends are recognised when the right to receive payment is established, which is normally on the last day to register.

Surplus/loss on realisation of investments

The net surplus/loss on realisation of investments constitutes the difference between the consideration received and the carrying value of the investments at the date of realisation. In determining the carrying value of investments realised, the first-in-first-out method is applied.

1.11 Fines and penalties

Fines and penalties raised for late submission of returns are recognised on an accrual basis less impairment. The income from fines and penalties is credited to the statement of financial performance, but as this income is not considered to form part of the normal operating activities of the Board, it is transferred to the discretionary reserve (refer to notes 12 and 17).

1.12 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease (refer to note 25).

1.13 Related parties

All payments to executive management and non executive members of the Board are classified as related party transactions (refer note 19). Transactions and balances with National Departments of Government and State controlled Entities which occur other than in accordance with the operating parameters established are also regarded as related party transactions and are disclosed separately in the notes to the financial statements (refer note 18).

1.14 Share capital/contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.15 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.

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 deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. Financial risk management

Financial risk factors

The Board is exposed to a variety of financial risks as a consequence of its operations, namely market risk, credit risk and liquidity risk. The Board'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 by the finance department under approved policies. The Board 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

Foreign exchange risk

The Board 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 as well as investments in off-shore collective investment schemes. The risk relating to off shore collective investment schemes is managed by an investment manager in terms of their mandate. Accordingly, the Board's exposure to foreign currency risk is minimised.

At 31 March 2010, if the currency had weakened or strengthened by 10% against the US dollar with all other variables held constant, the deficit for the year would have been R67 523 (2009: R124 526) higher or lower on foreign exchange gains or losses on translation of US dollar denominated transactions. The deficit for the year was less sensitive to movement in Rand/US dollar exchange rates in 2010 than in 2009 because of the lower value of US dollar denominated transactions in 2010.

The off shore investment portfolio would have been R454 944 (2009: R407 645) higher or lower arising from unrealised foreign exchange gains or losses on translation of US dollar-denominated off shore investment schemes classified as available-for-sale.

At 31 March 2010, 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 R52 575 (2009: R7 790) higher or lower on foreign exchange gains or losses on translation of UK pound denominated transactions.

Asset price risk

The Board is exposed to equity securities price risk because of its investments, which are classified on the statement of financial position as available-for-sale. 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 Board'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 Board's surplus for the year and on reserves. The analysis is based on the assumption that the All Share Index had increased/decreased by 15% (2009: 25%) with all other variables held constant and all the Board's investments moved according to the historical correlation with the index:

Economic entity

	Impact on surplus for the year		Impact on reserves/ investment portfolio	
	2010	2009	2010	2009
All Share Index	-	-	3 333 232	3 960 603

Reserves would increase/decrease as a result of gains/losses on non-current investments classified as available-for-sale.

Cash flow and fair value interest rate risk

The Board 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 Board does not have any interest-bearing borrowings and therefore there is no adverse exposure relating to the interest rate movements. Should the balances held on call and fixed deposits remain constant the Board's interest income will fluctuate R1 249 015 for every 100 basis point fluctuation in the prime interest rate.

Credit risk

Financial assets that potentially subject the Board to concentrations of credit risk consist primarily of cash and cash equivalents as well as accounts receivable. Cash and cash equivalents in excess of the Board's immediate operational requirements are outsourced to a fund manager for investment in approved registered financial institutions. The investment mix is controlled by the Board. Credit risk with regard to accounts receivable is limited as the Board is a regulatory body and levies and other fees are charged in terms of legislation.

The FSB investment policy limits investments to A1-rated banks, with a maximum of 50% invested in any one bank. The table below shows the percentage invested compared to the total cash invested and balance of cash and cash equivalents invested in five major banks in excess of the Board's immediate requirements (ie. call and fixed deposits excluding current account balances) at the statement of financial position date:

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Notes to the Annual Financial Statements for the year ended 31 March 2010

	2010		2009	
	Percentage of funds invested	Balance R	Percentage of funds invested	Balance R
Absa Limited	20,6%	25 913 052	21,5%	26 870 656
First National Bank Limited	20,8%	26 248 434	31,2%	38 936 061
Investec Bank Limited	17,0%	21 451 663	15,4%	19 291 198
Nedbank Limited	20,8%	26 164 730	14,1%	17 659 467
Standard Bank Limited	20,8%	26 179 582	17,1%	22 144 080
		125 957 461		124 901 462

No investment limits were exceeded during the reporting period and management does not expect any losses from non performance by these banks.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient liquid resources and the ability to settle debts as they become due. In the case of the Board, liquid resources consist mainly of cash and cash equivalents. The Board maintains adequate resources by monitoring rolling cash flow forecasts of the cash and cash equivalents on the basis of expected cash flow.

Management monitors rolling forecasts of the Board's liquidity reserve comprising cash and cash equivalents on the basis of expected cash flow.

Forecasted liquidity reserve at 31 March 2010 is as follows:

	2010 R	For the period 2011 - 2014 R
Opening balance for the period	136 321 217	133 309 912
Operating proceeds	361 718 670	513 614 936
Operating cash outflows	(338 271 607)	(507 227 820)
Cash outflow for investments	(33 102 726)	(40 052 923)
Proceeds from sale of investments	6 644 358	29 256 955
Closing balance for the period	133 309 912	128 901 060

The following table analyses the Board's financial liabilities at the Statement of Financial Position date.

At 31 March 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Accounts payable and levies and fees received in advance	50 171 072	-	-	-
At 31 March 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Accounts payable and levies and fees received in advance	38 743 289	-	-	-

Capital risk management

The Board's objectives when managing its funds and reserves are to safeguard the Board's ability to continue as a going concern. The Board maintains various funds and reserves that serve different purposes.

Accumulated funds

Accumulated funds are used to fund working capital requirements, capital expenditure, budgeted deficits (if any), as well as other unforeseen events. Accumulated funds are maintained at approximately four to six months' operational expenditure. National Treasury approval is obtained at the end of every year to retain the accumulated funds. The accumulated funds 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 contingency reserve is maintained to fund the Board's long-term capital requirements and to protect the Board'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.

Discretionary reserve

The discretionary reserve is used primarily to fund consumer education and consumer protection related expenses, including the operation of the call centre. Fines and penalties recognised as income in the statement of financial performance are transferred to a discretionary reserve. In addition, any unclaimed monies from the Directorate of Market Abuse trust account are also transferred to the discretionary reserve after prescription.

Fair value reserve

Cumulative changes in fair value of non current-investments are recognised in the fair value reserve until such time that the investment is derecognised or impaired, in which case the cumulative gains or losses are transferred to profit or loss.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the Statement of Financial Position date. The quoted market price used for financial assets held by the Board is the current bid price. The carrying value less impairment provision of trade receivables and payables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Board for similar financial instruments.

3. Cash and cash equivalents

Figures in Rand	2010	2009
Call and notice deposits maturing within three months of date of acquisition	125 957 461	124 901 463
Cash at bank and on hand	7 352 451	11 419 753
	133 309 912	136 321 216

The investment of funds in excess of immediate requirements is outsourced to an investment manager. Included in cash on call above is an amount of R3 834 133 (2009: R3 700 332), which has been earmarked to fund the post-retirement medical aid plan (refer to note 10).

4. Accounts receivable

Trade debtors	34 982 236	26 734 039
Less: Provision for credit losses	(17 099 889)	(9 838 492)
Net trade receivables	17 882 347	16 895 547
Study assistance	1 930 160	1 717 371
Recoverable legal fees	4 316 922	6 245 349
Interest receivable	615 103	1 478 032
Other receivables	4 213 903	9 909 548
	28 958 435	36 245 847

All accounts receivable are due within 12 months of the Statement of Financial Position date. Included in other accounts receivables is an amount of R2 123 559 stolen from various FSB bank accounts with a single banking institution. At the report date, R3 464 509 had already been recovered. The recovery process is ongoing.

Annual Financial Statements

Notes to the Annual Financial Statements for the year ended 31 March 2010

Movement on the provision for credit losses

Figures in Rand	2010	2009
Opening balance	9 838 491	6 877 990
Utilised	(1 682 807)	(741 845)
Reversal of prior-year provision	(8 155 684)	(6 136 145)
Charged to the Statement of Financial Performance	17 099 889	9 838 492
Closing balance	17 099 889	9 838 492

5. Inventories

Consumable stores	162 869	354 913
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The cost of inventories recognised as an expense is included under other operating expenses.

6. Property, plant and equipment

	2010			2009		
	Cost/ valuation	Accumulated depreciation	Carrying value	Cost/ valuation	Accumulated depreciation	Carrying value
Leasehold improvements	-	-	-	3 388 559	(2 935 316)	453 243
Furniture, fittings and equipment	20 242 647	(2 648 274)	17 594 373	6 478 658	(3 712 048)	2 766 610
Motor vehicles	459 590	(230 276)	229 314	459 590	(195 095)	264 495
Computer equipment	20 133 071	(10 597 595)	9 535 476	13 127 566	(8 749 123)	4 378 443
Total	40 835 308	(13 476 145)	27 359 163	23 454 373	(15 591 582)	7 862 791

Reconciliation of property, plant and equipment – 2010

	Opening balance	Additions	Disposals	Depreciation	Total
Leasehold improvements	453 243	-	(65 334)	(387 909)	-
Furniture, fittings and equipment	2 766 610	17 351 847	(712 400)	(1 811 684)	17 594 373
Motor vehicles	264 495	-	-	(35 181)	229 314
Computer equipment	4 378 443	8 704 375	(126 258)	(3 421 084)	9 535 476
	7 862 791	26 056 222	(903 992)	(5 655 858)	27 359 163

Reconciliation of property, plant and equipment – 2009

	Opening balance	Additions	Disposals	Useful life adjustment	Depreciation	Total
Leasehold improvements	937 434	202 863	-	453 243	(1 140 297)	453 243
IT equipment	4 162 954	2 927 055	(2 930)	480 319	(3 188 955)	4 378 443
Furniture, fittings and equipment	2 237 384	1 911 108	(6 925)	(126 149)	(1 248 808)	2 766 610
Motor vehicles	138 817	158 241	-	12 886	(45 449)	264 495
	7 476 589	5 199 267	(9 855)	820 299	(5 623 509)	7 862 791

7. Intangible assets

	2010			2009		
	Cost/ valuation	Accumulated amortisation	Carrying value	Cost/ valuation	Accumulated amortisation	Carrying value
Computer software, other	3 928 503	(2 792 092)	1 136 411	3 879 666	(2 726 441)	1 153 225

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	1 153 225	750 759	(11 212)	(756 361)	1 136 411

Reconciliation of intangible assets - 2009

	Opening balance	Additions	Disposals	Useful life adjustment	Amortisation	Total
Computer software, other	1 575 014	527 621	(117 105)	119 588	(951 893)	1 153 225

8. Non current investments

Listed Investments	29 954 050	22 524 529
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Movement for the year ended 31 March 2010	Shares R	Gilts and bonds R	Off shore collective investment schemes R	Total R
Opening balance	15 842 411	2 605 662	4 076 455	22 524 528
Acquisitions	5 468 115	996 878	-	6 464 993
Disposals	(4 539 496)	(1 274 045)	-	(5 813 541)
Fair value adjustment	5 875 585	(81 162)	472 982	6 267 405
Net gains/(losses) transferred to equity	477 324	33 341	-	510 665
Closing balance	23 123 939	2 280 674	4 549 437	29 954 050

Movement for the year ended 31 March 2009	Shares R	Gilts and bonds R	Off shore collective investment schemes R	Total R
Opening balance	25 083 854	2 028 790	3 962 490	31 075 134
Acquisitions	4 317 479	898 655	1 421 284	6 637 418
Disposals	(7 944 431)	(569 821)	-	(8 514 252)
Fair value adjustment	(3 912 361)	197 126	(1 307 318)	(5 022 553)
Net gains/(losses) transferred to equity	(1 702 130)	50 912	-	(1 651 218)
Closing balance	15 842 411	2 605 662	4 076 456	22 524 529

9. Trade and other payables from exchange transactions

Figures in Rand	2010	2009
Trade payables	6 158 606	4 223 683
Leave accrual	11 449 771	11 411 816
Accruals	32 371 054	1 811 617
Unidentified bank deposits	973 310	3 868 654
Other payables	1 318 704	5 616 177
	52 271 445	26 931 947

All accounts payable are due within 12 months of the statement of financial position date.

10. Post retirement medical aid plan

The Board recognises a liability in respect of post-retirement medical aid benefits for pensioners 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 Board prior to retirement for employees currently in service. The Board is not liable for post retirement medical aid benefits in respect of any employee employed after 1 January 1998.

The actuary evaluates the liability on an annual basis, allowing for expected future medical cost inflation, investment returns, staff turnover and mortality. The Board contributes 100% of the medical 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 2010. It is the policy of the Board 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 R3 834 133 (2009: R3 700 332) representing cash on call, has been included with cash and cash equivalents (refer to note 3). 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 9,8% a year (2009: 7%).

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Amounts recognised in the statement of financial position were determined as follows:

Figures in Rand	2010	2009
Present value of unfunded obligations	20 675 279	18 249 502
Liability in the statement of financial position	20 675 279	18 249 502

The movement in the present value of the unfunded obligation for the year is as follows:

Opening balance	18 249 502	15 568 146
Current service cost	457 629	434 362
Interest cost	1 642 455	1 407 754
Actuarial gains	1 134 517	1 532 083
Benefits paid	(808 824)	(692 843)
Closing balance	20 675 279	18 249 502

The amounts recognised in the statement of financial performance are as follows:

Current service cost	457 629	434 362
Interest cost	1 642 455	1 407 754
Benefits paid	(808 824)	(692 843)
Net actuarial gains recognised during the year	1 134 517	1 532 083
Net expenses/(income) included in staff costs	2 425 777	2 681 356

The principal actuarial assumptions used were as follows:

Discount rates	9,50%	9,00%
Rate of medical aid contribution increases	7,50%	7,00%
Rate of consumer price inflation	6,50%	6,00%

Mortality Assumptions

Mortality Active employees

Before retirement: Nil

After retirement: PA (90) Mortality Tables with an applied age reduction of two years.

Mortality pensioners

PA (90) Mortality Tables with an applied age reduction of two years

The effects of a 1% movement in the assumed medical cost trend rate are as follows:

	Decrease R	Increase R
Effect on the current service cost and interest cost	(305 872)	432 264
Effect on the accumulated benefit obligation	(2 733 866)	3 371 973
	(3 039 738)	3 804 237

	2009 R	2008 R	2007 R	2006 R
Present value of unfunded obligation recognised in the Statement of Financial Position	18 249 502	15 568 146	15 465 658	15 928 377

11. Employee benefits

Pension fund

The pension fund for permanent employees of the Board is registered in terms of the Pension Funds Act, 1956. Prior to April 2000, the fund was a defined benefit plan for the benefit of all permanent employees. Employees who joined the fund on or after 1 April 2000 are entitled to receive retirement and resignation benefits from the accumulation of defined contributions. Employees who were in the employ of the Board at 31 March 2000 are entitled to the higher of either a defined contribution accumulation to date of exit or the defined benefit applicable on exit in terms of the rules in force at 31 March 2000. There is currently a total of 59 members entitled to this benefit. The accrued liability under the defined benefit at 1 April 2000 was credited as the initial defined contribution value. An actuarial valuation of the benefit obligation was performed on 31 March 2010.

Amounts recognised in the Statement of Financial Position are determined as follows:

Figures in Rand	2010	2009
Present value of funded obligations	53 431 000	56 201 000
Fair value of plan assets	(68 754 000)	(52 514 000)
Funded status	(15 323 000)	3 687 000
Restriction on asset	15 323 000	-
Recognised in the statement of financial position	-	3 687 000

The FSB 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.

The movement in the present value of funded obligations for the year is as follows:

Opening balance	56 201 000	33 957 000
Current service cost	1 024 000	1 329 000
Interest cost	4 992 000	3 208 000
Actuarial loss/(gain)	(9 692 000)	22 145 000
Benefits paid	(3 945 000)	(4 438 000)

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Notes to the Annual Financial Statements for the year ended 31 March 2010

Figures in Rand	2010	2009
Entitlement by new retirees	4 851 000	-
Closing balance	53 431 000	56 201 000

The movement in the fair value of plan assets for the year is as follows:

Opening balance	52 514 000	59 702 000
Expected return on plan assets	4 679 000	5 588 000
Actuarial (loss)/gain	7 974 000	(10 542 000)
Entitlement of new retirees	4 851 000	-
Employer contributions	2 681 000	2 204 000
Benefits paid	(3 945 000)	(4 438 000)
Closing balance	68 754 000	52 514 000

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 024 000	1 329 000
Interest cost	4 992 000	3 208 000
Expected return on plan assets	(4 679 000)	(5 588 000)
Net actuarial gain recognised during the year	(17 666 000)	32 687 000
Change in restricted asset	15 323 000	(25 745 000)
Provision at previous Statement of Financial Position date restated	3 687 000	-
Net expenses included in staff costs	2 681 000	5 891 000
Actual return on plan assets	4 679 000	4 954 000

The principal actuarial assumptions used were as follows:

Discount rates	9,00%	8,85%
Expected return on plan assets	9,00%	8,85%
Future salary increases	6,30%	6,50%
Future pension increases	3,95%	4,15%

Assumptions regarding 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 63 at the Statement of Financial Position date is as follows:

Male	17 years 4 months	17 years 4 months
Female	21 years 8 months	21 years 8 months

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Notes to the Annual Financial Statements for the year ended 31 March 2010

	2009 R	2008 R	2007 R	2006 R
Present value of obligation	56 201 000	33 957 000	22 589 000	19 971 000
Fair value of plan assets	(52 514 000)	(59 702 000)	(53 660 000)	(38 439 000)
Unrecognised act gain/(loss)	-	-	19 809 000	-
Statement of Financial Position restriction	-	25 745 000	11 262 000	18 468 000
	3 687 000	-	-	-

Key financial assumptions

Discount rate: this is set according to the market yield on government bonds. A rate of 9% per annum has been used (a rate of 8,85% used at 31 March 2009, set with reference to the yields obtainable on government bonds).

Long term price inflation rate: a long term future inflation rate of 5,30% per annum has been assumed. This was calculated to reflect the difference between the yields on nominal government bonds and index-linked government bonds after allowing for an inflation risk premium of 0,4% (5,50% used at 31 March 2009).

Salary inflation: it has been assumed that salary increases will take place at a rate of 1% per annum in excess of price inflation, ie 6,30% per annum (6,50% used at 31 March 2009).

Pension increases: it has been assumed that pension increases will take place at a rate of 3,95% per annum (4,15% used at 31 March 2009). This represents some 75% of the expected inflation rate.

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 9% (8,85% used at 31 March 2009).

Experience adjustments	2006	2007	2008	2009	2010
Active liabilities at year end	7 322 000	5 604 000	14 145 000	35 580 000	28 266 000
Pensioner liabilities at year end	12 649 000	16 985 000	19 812 000	20 621 000	25 165 000
Combined assets at year end	(38 439 000)	(53 660 000)	(59 702 000)	(52 514 000)	(68 754 000)
Funded status at year end	(18 468 000)	(31 071 000)	(25 745 000)	3 687 000	(15 323 000)
Gain/(loss) on liabilities through experience	-	-	(2 235 000)	(33 446 000)	8 767 000
Gain/(loss) on liabilities through assumptions	-	-	(5 939 000)	11 301 000	925 000
Gain/(loss) on liabilities	(1 863 000)	1 165 000	(8 174 000)	(22 145 000)	9 692 000
Gain/(loss) on plan assets	8 204 000	8 397 000	(1 155 000)	(10 542 000)	7 374 000

12. Reserves

Fair value reserve

Figures in Rand	2010	2009
Balance	8 250 157	1 402 456
Fair value adjustment for the year	6 267 405	(5 022 552)
Transferred to statement of financial performance on realisation of investments	580 296	(2 371 594)
Net Transfer (from)/to fair value reserve	6 847 701	(7 394 146)

Contingency reserve

Balance	33 449 490	29 316 299
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An amount of R4 133 191 (2009 R1 305 170) was transferred from accumulated funds to maintain the reserve at 10% of annual levy and fee income.

Discretionary reserve

Opening balance	11 420 697	5 677 549
Prior period adjustment	-	3 558 296
Net transfer to reserve	1 696 024	2 184 852
	13 116 721	11 420 697

The transfer to accumulated funds for the year, as reflected in the Statement of Changes in Funds and Reserves is calculated as follows:

Fines and penalties per statement of financial performance	2 348 082	5 798 849
Unclaimed funds from the Directorate of Market Abuse trust account	225 723	746 930
Current year charge	(1 065 930)	(635 350)
Interest allocated to this reserve	612 154	939 195
Expenses in respect of consumer education and call centre operations	(1 323 174)	(3 359 602)
Payment for outsourced council	(406 000)	-
Transfer to discretionary reserve	390 854	(1 305 170)
Prior period adjustment	1 305 170	-
Net transfer to discretionary reserve	1 696 024	2 184 852
Total reserves	54 816 368	42 139 452

13. *Financial assets by category*

The accounting policies for financial instruments have been applied to the line items below:

2010

	Loans and receivables	Available-for-sale	Total
Non-current investments	-	29 954 050	29 954 050
Accounts receivable	28 958 435	-	28 958 435
Prepayments	(863 812)	-	(863 812)
Cash and cash equivalents	(133 309 912)	-	(133 309 912)
	105 215 289	29 954 050	135 169 339

2009

	Loans and receivables	Available-for-sale	Total
Non-current investments	-	22 524 529	22 524 529
Accounts receivable	36 245 847	-	36 245 847
Prepayments	2 486 830	-	2 486 830
Cash and cash equivalents	136 321 216	-	136 321 216
	175 053 893	22 524 529	197 578 422

14. *Financial liabilities by category*

The accounting policies for financial instruments have been applied to the line items below:

2010

	Other financial liabilities	Total
Accounts payable	39 848 360	39 848 360
Provision for legal fees	1 200 000	1 200 000
Levies and fees received in advance	9 122 712	9 122 712
	50 171 072	50 171 072

2009

	Other financial liabilities	Total
Accounts payable and other payables	26 931 947	26 931 947
Provision for legal fees	1 200 000	1 200 000
Levies and fees received in advance	10 611 342	10 611 342
	38 743 289	38 743 289

15. Credit quality of financial assets

	2010	2009
Trade receivables		
Group 1	4 307 984	5 320 664
Group 2	1 045 766	796 334
Group 3	29 628 486	20 617 041
Total trade receivables	34 982 236	26 734 039

Group 1- debtors outstanding for fewer 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 recovery of R3 459 101 (2009: R3 086 202) has been handed over for collection, a provision of R17 099 888 (2009: R9 838 492) has been raised to cover amounts owing by these debtors.

Cash at bank and short-term deposits

	2010	2009
A1 banks	133 309 912	136 321 216

16. Levies

	2010	2009
FSB levies	265 192 587	229 030 533
FSB levy rebates	-	(24 261 070)
Pension Funds Adjudicator levies	30 025 398	26 269 486
FAIS Ombud levies	21 573 330	19 656 855
	316 791 315	250 695 804

17. Other income

Fines and penalties	2 348 082	5 798 849
Inspection cost and recoveries	319 588	789 798
Legal and other cost recoveries	1 160 515	2 952 155
Sundry income	1 018 921	1 144 375
Discount received	78 389	-
	4 925 495	10 685 177

18. Related parties

Year end balances arising from services provided to/(by) related parties

Office of the Pension Funds Adjudicator	(6 617 345)	(3 975 537)
Office of the Ombud for Financial Services Providers	(1 065 940)	230 004
	(7 683 285)	(3 745 533)

Funds provided to the Office of the Pension Funds Adjudicator in terms of section 30R (1) (a) of the Pension Funds Act 24 of 1956 as amended.

Contribution towards funding of the office	37 923 960	33 399 059
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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 37 of 2002.

Contribution towards funding of the office	22 931 784	19 253 291
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19. Members' emoluments

Executive management remuneration

31 March 2010	Salary	Incentive bonus	Leave commutation paid	Total
DP Tshidi, EO	2 849 403	270 675	82 708	3 202 786
GE Anderson, DEO: Market Conduct and Consumer Education	1 821 915	183 782	143 321	2 149 018
J Boyd, DEO: Retirement Funds	1 821 422	170 655	-	1 992 077
CK Chanetsa, DEO: Investment Institutions	1 786 231	127 991	-	1 914 222
MM du Toit, Chief Actuary	1 817 514	157 528	-	1 975 042
J Dixon, DEO Insurance	1 821 422	170 655	-	1 992 077
D Seedat, CFO	1 468 818	158 046	264 509	1 891 373
	13 386 725	1 239 332	490 538	15 116 595

Employees of the FSB are paid on total cost to company basis. Where applicable, salaries include retirement fund contributions, medical aid contributions and travel allowances.

- Included in the CTE for DP Tshidi is R16 500 in lieu of a long-service award.
- Executive management have a leave provision of R1 241 823 (2009: R1 050 547) which is included under staff costs.

31 March 2009	Salary	Incentive bonus	Leave commutation paid	Total
DP Tshidi, EO from July 2008	2 167 982	233 790	745 150	3 146 922
RJG Barrow, EO	1 075 599	153 508	444 630	1 673 737
GE Anderson, DEO: Market Conduct and Consumer Education	1 647 082	260 734	92 227	2 000 043
J Boyd, DEO: Retirement Funds	1 647 082	297 328	-	1 944 410
CK Chanetsa, DEO: Investment Institutions from 1 January 2009	290 825	-	-	290 825
J Dixon, DEO Insurance from 1 April 2008	1 647 082	205 843	-	1 852 925
MM du Toit, Chief Actuary	1 644 000	297 328	-	1 941 328
CWN Molope, CFO/COO until 31 December 2008	1 181 667	293 558	68 466	1 543 691
D Seedat, CFO from 1 March 2009	116 667	-	-	116 667
	11 417 986	1 742 089	1 350 473	14 510 548

Non executive board members' fees

31 March 2010	Board R	Audit and Risk Management Committee R	Human Resources and Remittance Committee R	Litigation Committee R	Licensing Committee R	Legislative Committee R	FAIS Ombud Committee R	PFA Committee R	Other R	Total R
M Phetla-Lekgethe 01/07/08-30/06/11	42 800	-	6 400	-	25 312	6 400	-	-	1 600	82 512
AM Sithole 01/01/02-29/02/12	49 360	-	-	-	-	-	-	-	1 600	50 960
HS Wilton 01/01/02-29/02/12	42 800	33 344	12 800	-	-	-	-	-	1 600	90 544
Z Bassa 01/07/08-31/10/11	42 800	-	25 600	12 800	-	-	19 753	-	1 600	102 553
PJ Sutherland 01/04/02-31/10/10	42 800	33 344	-	25 600	-	11 456	-	40 256	1 600	155 056
J Mogadime 01/03/04-31/12/09	42 800	-	25 600	-	72 768	-	-	40 256	1 600	183 024
B Hawksworth 01/03/04-30/06/11	42 800	33 344	-	-	72 768	-	6 400	-	12 800	168 112
AMM Mokgabudi 01/01/06-31/10/10	42 800	-	-	-	-	11 876	-	-	-	54 676
J Cross 15/02/09-28/02/12	(5 208)	-	-	-	-	-	-	-	-	(5 208)
M Mcube 01/07/08-30/06/11	42 800	-	-	6 400	-	-	-	14 656	-	63 856
	386 552	100 032	70 400	44 800	170 848	29 732	26 153	95 168	22 400	946 085

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Notes to the Annual Financial Statements for the year ended 31 March 2010

31 March 2009	Board R	Audit and Risk Management Committee R	Human Resources and Remittance Committee R	Litigation Committee R	Licensing Committee R	Legislative Committee R	FAIS Ombud Committee R	PFA Committee R	Other R	Total R
CDR Rustomjee 01/07/03-31/12/08	40 125	-	-	-	-	-	-	-	36 800	76 925
AM Sithole 01/01/02-29/02/12	43 819	-	20 272	-	-	-	-	23 072	12 800	99 963
HS Wilton 01/01/02-29/02/12	42 800	24 256	13 056	-	-	9 600	8 000	-	-	97 712
Ms Z Bassa 01/07/08-31/10/11	32 100	-	6 400	6 400	7 200	-	5 056	-	-	57 156
J Mogadime 01/03/04-31/12/09	42 800	12 256	18 144	-	63 744	-	-	16 927	28 000	181 871
B Hawksworth 01/03/04-30/06/11	42 800	29 856	-	-	94 400	-	39 456	-	10 500	217 012
AMM Mkgabudi 01/01/06-31/10/10	42 800	-	-	6 400	-	7 200	-	-	-	56 400
Ms M Petla Lekhethe 01/07/08-30/06/11	32 100	-	8 800	-	23 200	7 200	-	-	-	71 300
PJ Sutherland 01/04/02-31/10/10	42 800	25 056	5 856	26 912	-	22 400	-	23 040	-	146 064
Mr J Cross 15/02/09-28/02/12	5 209	-	-	-	-	-	-	-	-	5 209
LM Mojela 01/01/02-31/12/07	10 700	-	-	-	20 800	-	-	-	-	31 500
Prof M Ncube 01/07/08-30/06/11	32 100	12 000	-	6 400	-	-	12 000	-	-	62 500
	410 153	103 424	72 528	46 112	209 344	46 400	64 512	63 039	88 100	1 103 612

The Board members whose tenure expired on 31 December 2009 will, in terms of the Financial Services Board Act, 1990, continue to serve on the FSB Board and its committees until there is official confirmation from the Office of the Minister of Finance of their reappointment or retirement, or until 30 June 2010, whichever comes first.

20. Auditors' remuneration

	2010	2009
Current year-interim fee	518 782	315 362
Prior year-audit fees	1 290 431	1 161 820
	1 809 213	1 477 182

21. Net provision for credit losses

Current year provision	17 099 889	9 838 492
Reversal of prior-year provision	(8 155 684)	(6 136 145)
	8 944 205	3 702 347

22. Income from investments

Interest	12 847 870	22 241 734
Income from listed investments		
Dividends	490 664	719 949
Fair value released on realisation of investments	(580 296)	2 371 593
Management fee	(216 604)	(211 812)
Net profit/(loss) on trading account	510 665	(1 651 218)
Other	16 720	(807 657)
	13 069 019	22 662 589

23. Reconciliation of net surplus before interest and cash

	2010	2009
Deficit	(14 642 048)	(17 306 237)
Adjustments for:		
Depreciation and amortisation	6 412 219	5 635 515
Loss on sale of assets and liabilities	198 892	2 960
(Profit) loss on sale of non-current investments	69 630	(720 376)
Post-retirement medical expenses not included in operating expenses	2 425 777	2 681 356
Changes in working capital:		
Inventories	192 044	39 761
Increase in accounts receivable	7 287 412	(17 416 170)
Prepayments	1 623 021	(1 168 981)
Trade and other payables from exchange transactions	25 339 500	10 330 948
(Decrease)/increase in levies and fees received in advance	(1 488 630)	(106 723)
(Decrease) in provision for legal fees	-	(200 000)
(Decrease)/increase in pension fund obligation	(3 687 000)	3 687 000
	23 730 817	(14 540 947)

24. Taxation

The Board is exempt from income tax in terms of Section 10 (cA)(i)(bb) of the Income Tax Act 58 of 1962.

25. Commitments

Capital commitments

Already contracted for but not provided for

• Property, plant and equipment	1 253 172	7 285
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The Board has approved capital expenditure of R17,4 million for the 2011 financial year.

Operating lease commitments

The Board leases its office accommodation in terms of a seven year operating lease. The operating lease rentals include a charge for rental, parking, operational costs, electricity, rates and taxes. Escalations of 8% (2009; between 8% and 10%) have been included in the lease agreements.

The total future minimum lease payments under these leases are as follows:

	2010	2009
Minimum lease payments due		
Due within one year	22 949 909	16 622 742
Due between one and five years	145 408 995	-
Later than five years	20 558 978	-
	188 917 882	16 622 742

26. *Contingent liabilities*

The Board has no contingent liabilities.

27. *Assets administered on behalf of third parties*

In terms of Section 77(7) of the Security Services Act, 2004, amounts recovered by the Board 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 Board. The balance of the Directorate of Market Abuse trust account at the end of the year was R4 557 424 (2009: R2 973 402).

28. *Reclassification of comparatives*

Reserves

The transfer from the discretionary reserve to the contingency reserve of R1 305 170 was incorrectly done in the prior year financial statements. The reclassification was corrected in the current year, after a reinterpretation of the rules of the reserves, by increasing the discretionary reserve and decreasing the accumulated funds. The reclassification in the current year has resulted in a decrease in accumulated funds and an increase in the discretionary reserve.

The transfer from the discretionary reserve to the accumulated funds of R3 558 296 was incorrectly done in the prior year financial statements. The reclassification was corrected in the current year, after a reinterpretation of the rules of the reserves, by taking back the R3 558 296 to the discretionary reserve. The reclassification has resulted in an increase in the discretionary reserve and a decrease in the accumulated funds.

There is no impact on the cash flow statement as a result of the above reclassification.

Inspection cost recoveries

The accounting of the inspection cost recoveries was incorrectly disclosed in the prior year financial statements. The reclassification in the current year has resulted in a decrease in the inspection cost recoveries included in other income (refer to note 17). There is no effect on the net deficit.

29. Fruitless and wasteful expenditure

	2010	2009
Penalty paid for the cancellation of training facilitator disclosed under other operating expenses	-	3 420
Interest paid on late payments of creditors disclosed under finance costs	6 922	1 078
	6 922	4 498

30. Reconciliation of budget surplus/deficit in the statement of financial performance

Net surplus/deficit per the statement of financial performance	(14 642 048)	-
Adjusted for:		
Fair value adjustments	(580 296)	-
Increase in provision	8 944 205	-
Deficit on the sale of assets	198 892	-
Actuarial gains and losses	(3 687 000)	-
Under-recovery of income	3 088 977	-
Underspending of expenditure	(4 099 437)	-
Increase in PRM obligation	2 425 777	-
Provision charged to discretionary funds	1 065 930	-
Net surplus/(deficit) per approved budget	(7 285 000)	-

31. Change in accounting policy

Impact of changes in accounting policy		
Increase in net deficit	-	3 687 000
Increase in pension fund obligation	-	(3 687 000)
	-	-

The Board has changed its accounting policy for the recognition of actuarial gains and losses arising from the pension fund obligation from applying the corridor method to recognising actuarial gains and losses in the statement of financial performance in the period in which they arise. The effect of the change in accounting policy is the recognition of a pension fund obligation in the prior year and an increase in staff expenses, which ultimately resulted in an increase in the net deficit of the prior year.

The change in accounting policy does not result in a change in accumulated funds at 1 April 2009 as there is no effect on income or expenditure for the 2008/9 financial year.

STRATEGIC FOCUS AREA 1: FSB CAPACITY BUILDING							
To strengthen the FSB's organisational capability, capacity and performance to deliver on its mandate							
NO	GOAL	OUTPUT	OUTCOME	KEY PERFORMANCE INDICATOR	TARGET/ MILESTONE	PERFORMANCE RESULTS 31 MARCH 2010	REASONS FOR VARIANCE
1	To ensure a sustainable source of revenue to fund operations in accordance with the FSB mandate	An approved zero-based budget	Sufficient funds for the FSB to deliver on its mandate	An approved zero-based budget	Completed and approved zero-based budget by 31 March 2010	An effective zero-based budgeting methodology was completed, approved by the Board and submitted to National Treasury (NT). Monthly accounts are prepared to monitor variances	Not applicable
		Effective management of expenditure budget to ensure deviation within target.		% deviation from budget vs actual	Less than 10% deviation	On 31 March 2010, the percentage deviation on the expenditure budget amounted to (0,77%)	Not applicable
		Effective management of debtors to ensure debtors days within target		Average debtors days	Average not exceeding 60 debtors days	<ul style="list-style-type: none"> Average debtor days for levy debtors were as follow: CIS unit trust (28,28) CIS foreign unit trust (41,36) Pension private funds (1,36) Pension private funds RA (0,03) Short term insurance (0,23) Long term insurance (0) Pension underwritten (1,48) Market abuse (63,88) FAIS (97,04) Penalty income: <ul style="list-style-type: none"> Pension private funds (220,47) Long term insurance (0) Short term insurance (0) FAIS (5 201,30) 	Debtor policy approved and implemented only in April 2010.
		Outstanding debtors days report		Outstanding debtors days report	Outstanding debtors days report generated and reviewed within 30 days of month end by exco	New debtor policy approved and implemented. Monthly debtors days report submitted to exco in accordance with policy.	Not applicable

STRATEGIC FOCUS AREA 1: FSB CAPACITY BUILDING							
To strengthen the FSB's organisational capability, capacity and performance to deliver on its mandate							
NO	GOAL	OUTPUT	OUTCOME	KEY PERFORMANCE INDICATOR	TARGET/ MILESTONE	PERFORMANCE RESULTS 31 MARCH 2010	REASONS FOR VARIANCE
2	To ensure that appropriate talent is recruited, developed and retained to support the execution of the FSB mandate by developing and implementing recruitment, training and retention strategies	Approved recruitment strategy and the successful implementation thereof	Appropriate skilled and competent staff to execute the FSB mandate	Approve and implement the recruitment strategy and the selection process guidelines	Original date: 30 June 2009 Revised date: 30 September 2009	The project has been completed and a recruitment strategy and selection process guidelines were approved	Not applicable
		Approved training strategy and plan and the successful implementation thereof	Skilled staff	Approved strategy and plan	Approved strategy and plan by 30 June 2009 Revised date: 31 July 2009	The project has been completed.	Not applicable
		Development and implementation of a retention strategy	Retention of appropriately skilled staff.	Approved retention strategy	Approved retention strategy by 30 June 2009 Revised Date: 31 March 2011	The project was referred to the Remuneration Committee of the Board.	Not applicable
		Approved management succession plan and the successful implementation thereof	Leadership pipeline	Approved management succession plan	Staff turnover within target Approved management succession plan	Staff turnover amounted to 7% Exco members submitted their succession plans to the Executive Officer	Not applicable Not applicable

Annexure A

Performance against measurable objectives for the period 1 April 2009 to 31 March 2010

STRATEGIC FOCUS AREA 1: FSB CAPACITY BUILDING							
To strengthen the FSB's organisational capability, capacity and performance to deliver on its mandate							
NO	GOAL	OUTPUT	OUTCOME	KEY PERFORMANCE INDICATOR	TARGET/ MILESTONE	PERFORMANCE RESULTS 31 MARCH 2010	REASONS FOR VARIANCE
3	To maintain and align IT systems to support business needs and overall objectives of the FSB by implementing the IT strategy and plans within specific timeframes	Approved IT strategy and plan and the successful implementation thereof	Enhanced internal effectiveness and service delivery	Approved IT strategy and plan	Original date: 30 June 2009 Revised date: 31 March 2011	The current ICT infrastructure was evaluated and an IT strategy was proposed	On the decision of the Board of the FSB, a tender was published to invite proposals for the audit and verification of the proposed ICT architecture and to request recommendations in consultation with the FSB's ICT department. The closing date of the tender is 29 April 2010
				Progress against IT implementation plan	100% achievement of milestones within the IT strategy and plan		
4	To enhance internal communication within the FSB by developing and implementing an internal communication strategy	Approved and implemented internal communication strategy	Informed staff and two-way flow of information	Communication strategy and plan	Communication strategy and plan developed by 30 June 2009	The document has been finalised and presented to exco for approval	Not applicable
				% of communication plan implemented	Implementation of communication strategy and plan according to milestones by 31 March 2010	Monthly HR Bulletin is issued to staff	Not applicable
					100% of planned activities for the year implemented	100% of activities implemented as planned	Not applicable

Annexure A

Performance against measurable objectives for the period 1 April 2009 to 31 March 2010

STRATEGIC FOCUS AREA 1: FSB CAPACITY BUILDING							
To strengthen the FSB's organisational capability, capacity and performance to deliver on its mandate							
NO	GOAL	OUTPUT	OUTCOME	KEY PERFORMANCE INDICATOR	TARGET/ MILESTONE	PERFORMANCE RESULTS 31 MARCH 2010	REASONS FOR VARIANCE
5	To obtain an understanding of the morale within the organisation by conducting a staff survey and developing HR strategies to address major issues identified	Report on staff survey results based on participation within the target levels	Better understanding of morale and staff perceptions	Completed staff survey	Original date: 30 September 2009 Revised date: 31 March 2011	Project has been put on hold	Project deferred to the 2010/11 financial year
		Presentation of survey results to staff (internal)	Informed staff	Presentation to the management team and staff on results of staff survey	One exco presentation, one staff presentation, one presentation per division	Project has been put on hold	Project deferred to the 2010/11 financial year
		Human resource action plan (improve on survey results)	Improvement of staff morale	Approved HR action plan	Development of HR action plan before 31 December 2009	Project has been put on hold.	Project deferred to the 2010/11 financial year
				% implementation of HR action plan		Project has been put on hold.	Project deferred to the 2010/11 financial year
6	To transform the FSB in line with employment equity legislative requirements by implementing employment equity plans and achieving targets within the plan	Approved employment equity plan and the implementation thereof	Transformed organisation	Approved employment equity plan	Approved employment equity plan by 31 March 2009	Project completed Monitoring and evaluation currently taken place	Not applicable

STRATEGIC FOCUS AREA 1: FSB CAPACITY BUILDING							
To strengthen the FSB's organisational capability, capacity and performance to deliver on its mandate							
NO	GOAL	OUTPUT	OUTCOME	KEY PERFORMANCE INDICATOR	TARGET/ MILESTONE	PERFORMANCE RESULTS 31 MARCH 2010	REASONS FOR VARIANCE
				% of employment equity targets achieved	100% of targets achieved as indicated in employment equity plan	90% of targets achieved	<ul style="list-style-type: none"> Critical skills shortage Normal staff turnover
		Broad-based black economic empowerment (BBBEE) assessment	Compliance to the Codes of Good Practice on BBBEE underpinned by legislation and PPPFA	BBBEE assessment and score	BBBEE qualification score between 65% and 75%	The FSB does not have a BBBEE qualification score but continues to support BBBEE initiatives	Not applicable

Annexure A

Performance against measurable objectives for the period 1 April 2009 to 31 March 2010

STRATEGIC FOCUS AREA 2: EFFECTIVE LEGISLATIVE FRAMEWORK							
To create and implement an effective legislative framework that will promote a sound investment environment							
NO	GOAL	OUTPUT	OUTCOME	KEY PERFORMANCE INDICATOR	TARGET/ MILESTONE	PERFORMANCE RESULTS 31 MARCH 2010	REASONS FOR VARIANCE
7	Ensure that legislation and subordinate legislation remains relevant by actively identifying gaps and proposing actions to address gaps	Management report highlighting legislative gaps identified	Legislation to address gaps	Number of management reports issued	Three reports per annum	Not achieved	The achievement of this objective is dependant on feedback from NT regarding the submissions that were made. Feedback has not been received yet
8	Ensure that legislation is in line with international requirements	Benchmarking report	Legislation developed in line with international standards	Preparation of a benchmark report	Annual preparation of a benchmark report	Board Notices in terms of the Short-term Insurance Act and Long-term Insurance Act, aimed at updating prudential requirements in line with international standards were published on 28 February 2010	It was agreed to delay the review of the Short-term Insurance Act and Long-term Insurance Act until the completion of the Solvency Assessment and Management Project scheduled for completion in 2014
						The FSB has finalised the report on the review of the Securities Services Act, Act No 36 of 2004 (SSA), which was submitted to NT during May 2010. The last meeting of the workgroup was held on 2 March 2010	The target date was revised to schedule a follow-up meeting with NT to discuss policy issues and new principles before the Bill is formally submitted to NT. Consultation with industry still needs to take place

Annexure A

Performance against measurable objectives for the period 1 April 2009 to 31 March 2010

STRATEGIC FOCUS AREA 3: MAINTAIN REGULATORY ENVIRONMENT							
To ensure that an appropriate regulatory environment is maintained and enhance the integrity of financial markets							
NO	GOAL	OUTPUT	OUTCOME	KEY PERFORMANCE INDICATOR	TARGET/ MILESTONE	PERFORMANCE RESULTS 31 MARCH 2010	REASONS FOR VARIANCE
9	Ensure that proper licensing and registration process and procedures are followed	Licences and registration certificates issued within the prescribed requirements	Credible financial institutions	Internal audit report on licences and registration certificates issued within the prescribed requirements	100% of licences must be issued according to prescribed requirements	Compliance with relevant periods set out in SLC	Not applicable
10	Ensure effective supervision of regulated entities by introducing risk-based supervision plans	Risk-based supervision plans	Improve compliance of financial institutions with the legislative framework	% achievement of the supervisory plan	100% achievement of actions/activities in plan 31 March 2010	<ul style="list-style-type: none"> The FAIS risk-based regulatory and supervisory plan was approved The insurance risk-based regulatory and supervisory plan was approved Developed and implemented a proposal for risk-based supervision for pension funds from an actuarial perspective in line with international standards and in consultation with the HOD: Pensions Surveillance and Enforcement. As part of the implementation of the department's risk-based supervision, 288 on-site visits conducted to funds identified as high impact funds 	<p>Not applicable</p> <p>Not applicable</p> <p>Not applicable</p>
11	Effective action against legislative contraventions	Suspension/withdrawal of licences and penalties	Visible enforcement of regulatory framework	% legislative transgressions reported and actioned within one month of reporting	100% of transgressions reported and/or actioned	<ul style="list-style-type: none"> During the reporting period the Registrar suspended 479 FSP licences <p>Other regulatory action:</p> <ul style="list-style-type: none"> The FAIS Enforcement Department analysed 19 determinations issued by the FAIS Ombud. Action was taken against FSPs that were found to be at fault. 	<p>Not applicable</p> <p>Not applicable</p>
		Handing over cases to the relevant authorities				Twenty cases were referred to the Enforcement Unit.	Not applicable

STRATEGIC FOCUS AREA 3: MAINTAIN REGULATORY ENVIRONMENT						
To ensure that an appropriate regulatory environment is maintained and enhance the integrity of financial markets						
NO	GOAL	OUTPUT	OUTCOME	KEY PERFORMANCE INDICATOR	TARGET/ MILESTONE	PERFORMANCE RESULTS 31 MARCH 2010
						<ul style="list-style-type: none"> The following cases were referred for regulatory action by the Insurance Department to the following prosecuting authorities: Referrals NPA: <ul style="list-style-type: none"> Four cases to CCU for prosecution Five inspections in progress One draft inspection report received Penalties imposed - nine insurers (estimated amount R1 004 800) Section 35 Notification - 11 Section 12 Notifications - three Returns rejected - one inspection cost recoveries: Acknowledgement of debt agreements for R141 000 were entered into
		Penalties imposed for the late submission of statutory returns				Not applicable

Annexure A

Performance against measurable objectives for the period 1 April 2009 to 31 March 2010

STRATEGIC FOCUS AREA 3: MAINTAIN REGULATORY ENVIRONMENT							
To ensure that an appropriate regulatory environment is maintained and enhance the integrity of financial markets							
NO	GOAL	OUTPUT	OUTCOME	KEY PERFORMANCE INDICATOR	TARGET/ MILESTONE	PERFORMANCE RESULTS 31 MARCH 2010	REASONS FOR VARIANCE
12	Coordinating regular interaction with fellow regulators on regulatory issues and concerns by introducing strategies and action plans to facilitate interaction among regulators	Action plan/strategy to set out interaction initiatives with other regulators approved and implemented	Reduce inter-regulatory gaps	Approved action plan/strategy	Strategy action plan developed by 30 September 2009	Not achieved	<ul style="list-style-type: none"> The FSB regularly interacts with fellow regulators: <ul style="list-style-type: none"> The Capital Markets Department coordinated the FSAP, which was conducted by the IMF/World Bank assessor in terms of the 30 IOSCO principles of securities legislation from 15 March 2010 to 26 March 2010 The Insurance Division coordinated and participated in the FSAP, which was conducted by the IMF/World Bank assessor in terms of IAIS Insurance Core Principles from 19 to 30 March 2010 The Insurance Division developed and implemented a strategy for improved co-ordination with the Banking Supervision Department of the SARB through regular joint supervisory meetings to discuss the major bank and insurance groups Strategy action plan was not developed
				% of actions achieved as set out in action plan	100% of actions achieved as per milestones by 31 March 2010	Not achieved	

Annexure A

Performance against measurable objectives for the period 1 April 2009 to 31 March 2010

STRATEGIC FOCUS AREA 4: PROPER COMMUNICATION WITH EXTERNAL STAKEHOLDERS							
To facilitate communication processes with external stakeholders in order to enhance performance, accountability and public confidence							
NO	GOAL	OUTPUT	OUTCOME	KEY PERFORMANCE INDICATOR	TARGET/ MILESTONE	PERFORMANCE RESULTS 31 MARCH 2010	REASONS FOR VARIANCE
13	To collaborate and build critical relationships with stakeholders so as to continuously align operations to their needs	Industry survey report (external)	Identified service delivery improvement opportunities	Survey report	Survey report completed by 31 December 2009	Service level commitments with the industry (external) have been completed and placed on the FSB website with an electronic feedback option	Not applicable
		Action plan developed and implemented		Action plan to address issues raised	Action plan developed to address issues raised in the survey by 31 March 2010	Internal service level commitments (FSB support departments) have been completed and placed on the intranet	Not applicable
14	To maintain a mechanism where stakeholders' queries and complaints can be addressed	Approved external communication strategy and plan completed and implemented	Informed stakeholders	External communication strategy	Strategy completed by 30 June 2009	Not achieved	Deferred to the 2010/11 financial year
		Communication plan		Communication plan developed by 30 June 2009	Not achieved	Deferred to the 2010/11 financial year	
		Call centre performance report	Enhanced service delivery	Performance against call centre KPIs	100% performance against KPIs by 31 March 2010	Not achieved	Deferred to the 2010/11 financial year
		Issues addressed in complaints register		% adherence to SLC	100% adherence to SLC	100% adherence to SLC	Not applicable

STRATEGIC FOCUS AREA 5: CONSUMER EDUCATION							
To facilitate processes that will enhance consumer education regarding financial services and products							
NO	GOAL	OUTPUT	OUTCOME	KEY PERFORMANCE INDICATOR	TARGET/ MILESTONE	PERFORMANCE RESULTS 31 MARCH 2010	REASONS FOR VARIANCE
15	To promote and facilitate consumer awareness and understanding of financial products and services by refining the consumer education strategy, developing measurability guidelines and conducting surveys on financial literacy	Approved revised consumer education strategy Measurability guideline report	Increased financial literacy levels of consumers	Facilitate effective consumer education by successfully implementing the consumer education strategy Development of the measurability guideline and publication of its results through various means	Original date: 31 May 2009 Revised date: 2010/11 financial year 30 June 2009	The consumer education strategy was revised and submitted to NT for approval by 1 April 2009 The measurability guideline was communicated and explained to industry bodies and others involved in education	Awaiting feedback from NT Not applicable
		Survey on financial literacy		Complete the survey on financial literacy/Index of financial literacy	Survey of financial literacy completed by 31 December 2009	Not achieved	Survey dependant on the establishment of the coordinating committee, which will coordinate the implementation of the national strategy

Annexure B

Analysis of accumulated funds by Levy-Paying Industry

INDUSTRY ACCUMULATED SURPLUS / DEFICIT FOR THE YEAR 31 MARCH 2010									
Industry	Accumulated surplus/(deficit) 3/31/2009	Income	Expenditure	Net surplus/ (deficit) for the year	Transferred to Discretionary reserve	Transferred to Contingency reserve	Prior year adjustment due to change in accounting policy	Accumulated funds/(deficit) 3/31/2010	
	R	R	R	R	R	R	R	R	
Short term Insurance	10 864 290	26 677 562	26 268 452	409 111	(1 32 409)	(104 156)	(92 913)	10 943 923	
Long term Insurance	15 466 221	40 016 344	39 402 677	613 666	(198 613)	(156 235)	(139 370)	15 585 670	
Total Insurances	26 330 511	66 693 906	65 671 129	1 022 777	(331 022)	(260 391)	(232 283)	26 529 592	
Retirement Funds and Friendly Societies	56 660 041	127 222 031	128 479 756	(1 257 725)	(420 346)	(330 656)	(294 963)	54 356 351	
Capital Markets	6 720 960	8 806 776	10 117 741	(1 310 965)	(473 586)	(372 536)	(332 323)	4 231 551	
Collective investment Schemes	13 385 925	15 013 179	16 039 608	(1 026 429)	(367 802)	(289 323)	(258 092)	11 444 278	
Market Abuse	10 752 281	8 893 554	9 342 571	(449 017)	(193 017)	(151 832)	(135 443)	9 822 972	
FAIS	(2 474 270)	134 541 677	146 162 368	(11 620 691)	(3 468 547)	(2 728 453)	(2 433 934)	(22 725 895)	
	111 375 448	361 171 123	375 813 173	(14 642 050.00)	(5 254 320)	(4 133 191)	(3 687 039)	83 658 848	

Annexure C

List of Non-Current Investments at 31 March 2010

SHARES	NUMBER OF SHARES/ UNITS HELD	FAIR VALUE 2010 R	NUMBER OF SHARES/ UNITS HELD	FAIR VALUE 2009 R
Absa Group Ltd	8900	1 266 470	5000	481 000
African Bank Investments	-	-	19200	483 840
Anglo American plc	5900	1 881 805	2548	406 941
Aspen Pharmacare Holdings	20350	1 618 843	20350	927 960
BHP Billiton plc	8000	2 016 000	8000	1 501 360
British Am Tobacco	3800	963 680	2979	652 848
Compaignie Fin Richemont	34000	965 600	34000	500 480
Exxaro Resources Ltd	6200	780 580	6200	429 288
Growth Point Prop Ltd	-	-	45000	610 650
Impala Platinum Holdings	4400	941 600	5000	791 250
Investec PLC	11400	677 730	20000	780 600
MTN Group Ltd	15500	1 736 000	15500	1 627 500
Murray and Roberts	-	-	5000	202 500
Naspers Ltd	4300	1 360 950	3800	608 000
Netcare Ltd	76000	1 003 200	-	-
Optimum Coal Holdings	18000	568 800	-	-
Pretoria Port Cement	-	-	24091	756 216
RMB Holdings Ltd	27000	873 990	27000	556 200
SAB Miller plc	3000	642 720	3000	423 210
Sasol Ltd	4000	1 210 920	4000	1 100 000
Standard Bank Group Ltd	12000	1 375 200	12000	954 000
The Spar Group Ltd	-	-	19000	986 100
Tongaat Hullett	7300	751 900	-	-
Truworths International	14000	732 200	14000	449 820
Wilson Bayly HLM-OVC Ord	7200	853 560	7200	612 648
Z Shares Govi	87000	902 190	-	-
		23 123 938		15 842 411
Gilts and bonds		2 280 675		2 605 663
Off-shore collective investment schemes				
Gs GBL Strat Mgd A Acc	5209	3 345 000	5209	2 997 261
Gs GBL Strat Mgd A Inc	4268	1 204 437	4244	1 079 193
		4 549 437		4 076 455
Total investments		29 954 050		22 524 529

Annexure D

Foreign Travel for the year ended 31 March 2010

DESTINATION	DATE OF TRAVEL	DAYS	ACTUAL COST	DELEGATE
International Organisation of Securities Commissions (IOSCO) conferences, taskforce meetings and screening committees				
Tel Aviv, Israel	Oct 2009	4	58 388 56	B Chanetsa
Tel Aviv, Israel	Jun 2010	5	167 805 24	B Chanetsa, N Muller
Madrid, Spain	Jan 2010	1	48 233 14	B Chanetsa
Accra, Ghana	Feb 2010	2	59 004 33	N Muller, V Mphigalale
Bucharest, Romania	Nov 2009	7	12 593 00	N Muller
Quebec, Canada	May 2009	6	31 225 14	A Manganyi
Dubai	Dec 2009	5	15 603 14	A Manganyi
Sydney, Australia	Mar 2010	2	14 656 13	A Manganyi
Athens, Greece	Sept 2009	8	25 767 91	K Naidoo
Washington DC, America	Dec 2009	6	42 507 53	K Naidoo
Madrid, Spain	Oct 2009	2	25 936 23	A Pascoe
Abuja, Nigeria	Dec 2009	2	42 889 86	G van Deventer
International Association of Insurance Supervisors (IAIS) conferences and sub-committee meetings				
Rio de Janeiro, Brazil	Oct 2009	7	201 326 87	J Dixon, J Huma, P Mashilo, T Hamman
Guernsey, Europe	May 2009	6	52 663 78	J Dixon
Cairo, Egypt	Dec 2009	11	33 325 19	J Dixon
Quebec, Canada	Sept 2009	5	69 480 11	J Dixon
Miami, Florida	Jan 2010	3	76 211 53	J Dixon
Basel, Switzerland	Feb 2010	6	161 047 99	J Dixon, S Vogelsang, P Mashilo
Budapest, Hungary	Jan 2010	2	46 527 16	P Mashilo
Ghana's Capital Markets Authorities (CMA)				
Kampala, Ghana	Jun 2009	4	1 520 30 Sponsored trip	D Govender
American Bar Association				
Washington DC, America	Apr 2009	4	82 408 60	B Chanetsa
US Securities and Exchange Commission conference				
Washington, USA	Jun 2009	6	48 892 34	W Hattingh, L van Deventer
IAIS solvency and actuarial sub-committee meetings				
Rio de Janeiro, Brazil	Oct 2009	10	66 459 94	C Ahlers
California, USA	Nov 2009	7	71 287 73	H van Heerden
Edinburgh, Scotland	Jul 2009	5	46 037 02	H van Heerden
CEIOPS training on Solvency II				
Frankfurt, Germany	Nov 2009	4	13 641 77	J Heyneke
London University				
London, UK	Jul 2009	30	89 518 38	J Ferreira

Annexure D

Foreign Travel for the year ended 31 March 2010

DESTINATION	DATE OF TRAVEL	DAYS	ACTUAL COST	DELEGATE
OECD Working Party on Private Pensions of Pension Supervision (IOPS) conference and meetings				
Paris, France	Jul 2009	4	41 194 03	A Marais
Rio de Janeiro, Brazil	Oct 2009	4	47 983 35	C Buitendag
Paris, France	Nov 2009	3	50 780 75	J Boyd
IOPS technical and executive committee meetings				
Basel, Switzerland	Feb 2010	4	41 586 88	J Boyd
Organisation for Economic Cooperation and Development (OECD) conference on financial education				
Paris, France	May 2009	5	35 375 19	G Bester, O Davids
Rio de Janeiro, Brazil	Dec 2009	3	70 941 62	O Davids, L Clarke
Bangalore, India	Mar 2009	2	Sponsored trip	O Davids
Committee of Insurance, Securities and Non-banking Financial Authorities (CISNA)				
Lilongwe, Malawi	Sept 2009	3	204 409 30	H Raphasha, P Mphanama, N Muller, A Manganyi, K Dikokwe, P Ward, M van Zyl, M Malimabe, W Mokupo
CISNA Market Development Sub-committee				
Harare, Zimbabwe	Feb 2010	1	19 731 14	N Muller, A Manganyi
Visit to the UK Pensions Regulator				
London, UK	Dec 2009	5	Sponsored trip	W Mokupo, H Viljoen
HOPE Summit				
Washington DC, UK	Jun 2009	3	7 589 16 (airticket sponsored)	O Davids
Pensions meetings				
Montegobay, Jamaica and Rio de Janeiro, Brazil	Oct 2009	14	75 320 68	J Boyd
Microinsurance IAIS joint working group meeting				
Georgia, Atlanta	Jun 2009	3	63 407 33	J Huma
5th International Microinsurance conference				
Dakar, Senegal	Nov 2009	4	54 467 80	L Letwaba
Securities Exchange Commission (SEC) annual international institute				
Washington, USA	Nov 2009	2	33 936 24	L Gysman
Lloyds international regulators programme				
London, UK	Sept 2009	3	Sponsored trip	H van Heerden
FSA Arrow Supervisory College				
London, UK	Nov 2009	3	58 085 14	S Volgesang

Annexure D

Foreign Travel for the year ended 31 March 2010

DESTINATION	DATE OF TRAVEL	DAYS	ACTUAL COST	DELEGATE
2009 PBSS Colloquium Tokyo, Japan	Oct 2009	1	51 318 20	M du Toit
International Association of Actuaries (IAA) council and committee meetings Tallinn and Helsinki Estonia and Finland	May 09	7	65 117 47	M du Toit
			2 526 203 20	

Institutions and Individuals Supervised

for the year ended 31 March 2010

31 March 2010

31 March 2009

Capital Markets (JSE, BESA)

Authorised users of the JSE

Equities members	60	57
Commodity derivatives members	95	89
Equity derivatives members	127	123
Yield X members (launched in 2005)	63	58

Dealers

JSE equity derivatives dealers	504	464
JSE Commodity derivatives dealers	440	422
Yield X dealers	428	485

Authorised users of BESA

BESA bond dealers	53	56
	170	169
Central Securities Depositories (STRATE Limited)	1	1
Central Securities Depository participants	7	7

Total	1 948	1 446
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FAIS

Financial Service Providers (FSP's) (Category I)	13 280	14 256
Discretionary FSP's (Category II)	572	446
Hedge Fund FSP's (Category IIA)	116	127
Administrative FSP's (Category III)	23	21
Assistant Business FSP's (Category IV)	8	-

Total	13 999	14 850
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Insurers

Primary Insurers		
- Short-term	100	99
- Long-term	81	79
Re-insurers		
- Short-term (only)	6	6
- Long-term (only)	3	3
- Short – and Long-term	4	3

Total	194	190
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Institutions and Individuals Supervised

for the year ended 31 March 2010

	31 March 2010	31 March 2009
Retirement Funds		
- Privately administrated	3 443	3 530
- Underwritten	7 258	8 130
Pension Fund Administration	293	301
Friendly Societies	198	197
Total	11 192	12 158
Local Collective Investment Schemes		
Schemes in securities		
- Managers	41	42
- Portfolios	949	942
Schemes in property		
- Managers	6	6
- Portfolios	6	6
Schemes in Participation bonds	5	6
Foreign Collective Investment Schemes		
- Schemes	64	71
- Portfolios	369	400
Total	1 440	1 473

Jurisdiction

The Financial Services Board administers the following Acts of Parliament:

1. Pension Funds Act, 24 of 1956
2. Friendly Societies Act, 25 of 1956
3. Financial Services Board Act, 97 of 1990
4. Financial Supervision of the Road Accident Fund Act, 8 of 1993
5. Long-term Insurance Act, 52 of 1998
6. Short-term Insurance Act, 53 of 1998
7. Inspection of Financial Institutions Act, 80 of 1998
8. Financial Institutions (Protection of Funds) Act, 28 of 2001
9. Financial Advisory and Intermediary Services Act, 37 of 2002
10. Collective Investment Schemes Control Act, 45 of 2002
11. Securities Services Act, 36 of 2004
12. Financial Services Ombudsman Schemes Act, 37 of 2004
13. Supervision of the Financial Institutions Rationalisation Act, 32 of 1996

Publications

The Financial Services Board publishes a quarterly bulletin, the FSB Bulletin, and distributes it free of charge. Subjects cover developments in the financial services industry, new legislation, survey finds, reports on conferences and personal profiles.

The Financial Service Board publishes a number of annual reports besides this one:

- Annual Report of the Registrar of Long-term Insurance
- Annual Report of the Registrar of Short-term Insurance
- Annual Report of the Registrar of Retirement Funds
- Annual Report of the Registrar of Friendly Societies; and
- Annual Report of the Registrar of Collective Investment Schemes

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