

FSB BULLETIN

THIRD QUARTER 2005



Training the regulator

**Lessons financial services providers
cannot afford to miss**



The *FSB Bulletin* is published quarterly free of charge. Views expressed by contributors are not necessarily those of the FSB. Reproduction, copying or extracting by any means of the whole or part of this publication may not be undertaken without the prior permission of the editor.

Editor

Dr Franso van Zyl

Sub-editor

Ms Bessie Venter

Editorial Committee

Mr Russel Michaels

Ms Olivia Davids

Ms Astrid de Vos

Front page and designs

IE Communications

(012) 347 2882

Lay-out

Chilli Communication

Consultants tel no (012) 332 1589

Subscriptions

All subscription enquiries should be directed to Francisca van der Merwe at the contact details below.

Contributions

Contributions to the *FSB Bulletin* are welcome and should be sent to the sub-editor at the address below. The editor reserves the right to edit contributions.

Postal information

PO Box 35655

Menlo Park

0102

Republic of South Africa

Tel: (012) 428 8155

Fax: (012) 347 0669

e-mail: franv@fsb.co.za

The *FSB Bulletin* is available on the Internet:
www.fsb.co.za



Contents

Training the regulator <i>By Dr Franso van Zyl, Senior Specialist Legislation, FSB</i>	4
FSB chief says financial companies must protect consumers <i>By Laura du Preez, Personal Finance</i>	7
FAIS Ombud determinations: Ten vital lessons financial services providers cannot afford to miss <i>By Anton Swanepoel, Director: Crux Consulting</i>	8
FSB says FAIS licences go uncollected	10
STRATE Supervision cornerstone to regulation of SA market	11
Nosipho ready to "do battle"	12
Internet banking: Check that account number <i>By Monique Pillay, Community Marketing Officer of the Ombudsman for Banking Services</i>	13
LOA Convention 2005 <i>By Lerato Mametse, Communications Manager at the LOA</i>	14
FSB will use compliance report as a supervisory tool <i>By Wendy Hattingh, FAIS Specialist, FSB</i>	15
INSETA initiates a project aimed at quantifying and addressing retirement fund trustee training requirements	16
More consumer education projects get off the ground	17
FSB part of 'remarkable period' in country's history	18



Letters to the editor may be submitted to
Bessie Venter,
PO Box 35655,
Menlo Park, 0102 or to
bessiev@fsb.co.za



TRAINING THE REGULATOR

Every regulator, whether that of a large and sophisticated financial sector, or an emerging economy, needs to offer some form of training for its staff. Training is essential to ensure that staff are properly equipped and qualified to perform their jobs.

By Dr Franso van Zyl, Senior Specialist Legislation, FSB

Currently there is a dramatic growth in international training initiatives. Regulators, and international and regional development organisations, are all developing training programmes aimed at international or regional audiences. This heightened interest in training has been promoted by:

- A global marketplace, leading to greater risks of contagion and intensifying the need for high-quality regulation and supervision worldwide;
- The need to strengthen measures taken to address risks relating to global financial markets;
- The emergence of a more unified European capital market;

- The increased pace of financial innovation and the creation of new financial instruments;
- The blurring of traditional distinctions between financial institutions and between banking and other forms of financial activity;
- The increased complexity of financial business;
- The increase in financial crime across borders, in particular money laundering;
- A series of mega scandals involving false accounting – corruption of the auditing system and the untrustworthiness of the system for recording and presenting financial information;
- Growing incidents of market manipulation, insider abuse and common fraud;
- General uncertainty as to the reliability of disclosure as a mechanism for providing decisional information;
- Financial conglomeration and centralised risk management;
- More global financial institutions and cross-border transactions, demanding more international co-operation among regulators;
- The fact that global operations outpace national accounting, legal and supervisory systems;
- Increased competition; and
- The need to foster financial stability in countries experiencing rapid economic growth and undergoing substantial changes in their financial systems.

While international training programmes can benefit all regulators, they

are especially beneficial for emerging market regulators. International programmes allow for a very efficient use of resources, drawing expertise from and sharing costs among a variety of agencies. They enable a concentration of expert faculties from a global pool of talent.

They also expose staff to regulations, techniques and systems used in other jurisdictions. These programmes encourage staff to work with their colleagues from other countries and develop professional networks. Furthermore, they provide a means of sharing resources with those agencies that could not otherwise offer this type of training to their staff. While international programmes should not replace local training of regulatory staff, they provide a very effective and efficient supplement for local training programmes.

Type of training needed

Although international programmes are an important component of training for regulators, they do not replace the need for strong in-house training programmes for staff. Any consideration of training needs begins at the level of each national regulator.

Training is necessary at all levels of the regulator, from junior staff to senior management. Programmes developed must differ depending on the target audience. Junior and middle-level staff benefit most from training of a very practical nature. Staff involved in policymaking benefit

greatly from exposure to other regulatory systems. Executives and senior managers will benefit from management training.

The regulator should take the time to carefully evaluate training needs. This evaluation should be linked to the regulator's strategic plan and human resources plan, in order that training needs flow from the wider requirements of the regulator. There should be a schedule of skills and knowledge required by staff at all levels of the regulator, and ideally a personal development plan for each staff member. The assessment of training needs will be based on these staff requirements. Once the needs assessment has been performed, the next step is to determine which types of training can be offered internally, and which should be obtained externally. This decision is based on a variety of factors, including the local availability of expertise and resources.

Experience has indicated that regulators are interested in international programmes in:

- Supervision of financial services intermediaries especially with regard to fair treatment of customers (conduct of business rules);
- Enforcement of financial laws, including investigations;
- Regulation of banks, collective investment schemes, exchanges, insurers and pension funds;
- Risk management, including capital requirements and the efficient use of capital;
- Combating of financial crime, with particular reference to fraud on the market offences (insider trading, market manipulation, etc) and money laundering;
- Management of regulatory agencies (risk-based approach to supervision).

This is a fairly broad list of subjects, covering a wide range of topics. While it is evident that entry level and very technical training must be offered by the regulator for its staff, it is increasingly apparent that some regulators, particularly those from emerging markets, rely very heavily on external training providers.

External training

External training providers range from foreign regulators, multi-lateral financial institutions, and international organisations. These providers organise programmes that are global, regional or local in scope. Each of these providers offer high quality programmes. International training programmes are a very effective and efficient way of transmitting principles, practices and techniques of high-

quality regulatory and supervisory regimes. The challenge is to expand the programmes offered to meet unmet needs, and to increase co-operation and co-ordination in offering these international programmes.

The International Organisation of Securities Commissions (IOSCO), the international standard-setter for securities regulation, has made considerable progress in raising the quality of securities market regulation and in strengthening consultation worldwide. The IOSCO Objectives and Principles of Securities Regulation (the Principles) has become the fundamental reference for benchmarking and assessing a jurisdiction's securities regulation. It must now encourage the implementation of those Principles as widely as possible. IOSCO has developed programmes to assess the level of implementation of the Principles in any jurisdiction and to identify any reform that may be needed. Assistance includes expert advice on planning and implementing actions that will bring a member's jurisdiction into line with the Principles.

International organisations

IOSCO continues to place a great deal of emphasis on efforts to promote compliance with the IOSCO Principles by members. The diversity in the structures of securities markets around the world and the degree of development in those markets as well as the varying institutional regulatory arrangements continue to present challenges in efforts to achieve full implementation.

In fulfilling this objective, IOSCO has in recent years been undertaking a pilot programme to assist members in the completion of an assessment of their level of implementation of the IOSCO Principles using the IOSCO Assessment Methodology adopted in 2003. The programme includes the development of an action plan in participating jurisdictions in order for them to overcome identified deficiencies.

To date a number of IOSCO members have greatly benefited from assistance through this initiative.

As with the securities industry, the International Association of Insurance Supervisors (IAIS) made some progress in promoting co-operation among insurance regulators; setting international standards for insurance supervision and providing training to its members.

The IAIS contributes to assessments of jurisdictions' observance of standards in close collaboration with the International

Monetary Fund (IMF) and the World Bank. The Insurance Core Principles, methodology and self-assessment questionnaire are used for this purpose by any jurisdiction wishing to improve its supervisory laws and practices. In this regard IAIS maintains a list of qualified insurance experts to conduct assessments.

The Basel Committee on Banking Supervision formulates broad supervisory standards and guidelines and recommends statements of best practice in the expectation that individual banking supervisory authorities will take steps to implement them through detailed arrangements – statutory or otherwise – which are best suited to their own national systems. In this way, the Committee encourages convergence towards common approaches and



common standards. Over the past few years, the Committee has moved more aggressively to promote sound supervisory standards worldwide. The Committee developed in 1997 a set of "Core Principles for Effective Banking Supervision", which provides a comprehensive blueprint for an effective supervisory system. To facilitate implementation and assessment in October 1999, the Committee developed the "Core Principles Methodology". In order to enable a wider group of countries to be associated with the work being pursued in Basel, the Committee has always encouraged contacts and co-operation between its members and other banking supervisory authorities.

The International Organisation of Pension Supervisors (IOPS) was only recently established (12 July 2004), with its primary goal being to serve as the standard-setting body in pension supervisory and related regulatory issues. It will also

Continued on p6



Continued from p 5

promote international co-operation on those issues and encourage international contact among stakeholders.

International training programmes

Suppliers of financial services, their representative bodies, as well as the government should make funds available to make it possible for staff of regulators to attend international training programmes. Such training will contribute significantly to the safety, soundness and stability of the local financial services industry.

There is no simple way to incorporate all these concepts into the regulatory environment. However, regulators and those regulated by them must come to terms with these issues and seek to achieve agreements, for example on benchmarks, controls and risk management procedures. It is believed that such processes will greatly facilitate the free and frank exchange of information and co-operation between regulators, which is insufficient and, potentially, creating problems for global consolidated supervision. In this regard the IOSCO Multilateral Memorandum Concerning Consultation and Co-operation and the Exchange of Information (IOSCO MOU) can already create a valuable cross-border network for efficient and timely information exchange by regulators as they combat international financial and market malpractice. Twenty seven securities regulators have already become signatories. IOSCO has adopted a timetable by which all member regulators, which are not already signatories to the MOU, will be asked to meet this benchmark by 1 January 2010. By this date all member regulators should have been accepted as signatories under Appendix A of the IOSCO MOU or should have expressed (via Appendix B), a commitment to seek legal authority to enable them to become

signatories. In order to achieve these objectives, IOSCO will provide resources to members including technical assistance so that progress is made.

An assistance programme is in place to provide expert assistance, for completing the application questionnaire, and in planning and implementing actions that an applicant may need to meet the requirements of the MOU. There is strong evidence that this unique instrument facilitates the cross-border co-operation that is critical to investigate and prosecute securities violations successfully. The IOSCO MOU can play a valuable role to close regulatory gaps between national jurisdictions.

International co-operation is crucial for the efficient use of resources. Very few regulators have the resources or the mandate to conduct a programme on the scale of the US Securities and Exchange Commission (SEC) International Institute. A very effective way to put together international programmes is to spread the costs among a variety of agencies.

The 1997 IOSCO educational programme provides an excellent model of how this can be done. The IOSCO General Secretariat and the World Bank, in consultation with IOSCO members and committee chairpersons, prepared the programme and curriculum. The General Secretariat provided funding for conference facilities, meals, translation, audio-visual equipment, printing and general logistical costs. IOSCO members contributed factually, at no cost to the General Secretariat or the participants who could not otherwise attend.

IOSCO and its members annually conduct a wide variety of seminars and training programmes. These programmes, which have been developed and maintained by the General Secretariat, occur in

all regions of the world and provide positive benefits particularly with the participation of IOSCO expert staff. The Seminar Training Programme forms a key component of the annual training programme.

This is a truly international effort, made possible only by a high degree of co-operation between regulators, IOSCO and the World Bank. There is room for more programmes to be organised along these lines by other international organizations representing regulators, particularly regional training programmes as planned, for instance, by IOSCO.

With the growth in international programmes comes the need for greater co-operation. The IOSCO General Secretariat is playing a role in co-ordinating the programmes offered by its members, in an effort to avoid duplication. This type of co-ordination is important at regional and global levels, to ensure that important training needs are met and to avoid wasteful duplication. Any such co-ordination is now purely informal, but there is room for the development of committees or advisory groups that can co-ordinate training programmes in their regions.

Funding

The most difficult type of funding to obtain is also the most important: funding for participants to attend international programmes. The finest faculty and the most intriguing curricula will not help the great number of regulatory staff whose agencies cannot afford to send them abroad. Unfortunately, it is often those people who would benefit most from training who can least afford to obtain it. Funds are needed to subsidise those who require assistance to attend these programmes.

FIRST Initiative has indicated that it will make available training providers as well as funding in respect of the Committee of Insurance, Securities and Non-banking Financial Authorities (CISNA) training programme for Southern African Development Community (SADC) regulators.

Such programmes should be synchronised with training provided by other international bodies in a specific region, for instance with reference to Africa, with the World Bank, the IMF, the Macroeconomic and Financial Management Institute of Eastern and Southern Africa, CISNA and SADC.

Financial companies must protect consumers

By Laura du Preez, Personal Finance

In one of his first public speeches, Rob Barrow, the newly appointed chief executive of the Financial Services Board (FSB) has warned the financial services industry to protect the interests of consumers.

Barrow was speaking at the convention of the Association of Collective Investments (ACI) recently. The ACI represents unit trust companies and other collective investment schemes.

He warned the industry about growing consumerism in South Africa and said consumers now have mechanisms, such as ombudsmen and adjudicators, to challenge the big financial services companies. He says the rulings made by Vuyani Ngwalana, the Pension Funds Adjudicator, against the life industry have undermined confidence in that industry – and this will remain the case even if the life industry successfully challenges the adjudicator's rulings.

At the same conference, Charles Pillai, the new Ombud for Financial Services Providers, said the collective investment industry must act morally, because President Thabo Mbeki had warned that when morality fails, the law will rush in. Pillai says the “buzz” about the financial services industry indicates that the industry has a problem with its credibility.

He says financial services companies need to ensure that consumers are treated fairly, and to do this they need to pay attention to how their products are sold.

Pillai investigates complaints about financial advice and services and has recovered about R900 000 for investors since his office opened in October last year.

Barrow says a lack of confidence in life insurers could benefit the unit trust industry, but this industry needs to protect consumers' interest, and ensure it does not allow practices that could have a negative effect on consumers, such as the payment of soft commissions, market timing and late trading.

Barrow says the acceptance of free services or goods, known as soft commissions, from financial services companies, always

presents a perceived conflict of interest. Linked investment service providers (Lisps) pay significant soft commissions to financial advisers and this taints both the Lisp and unit trust industries, Barrow says.

Lisps enable investors to set up a portfolio of unit trusts, with access to a number of funds and the ability to switch between them at reduced fees.

Barrow says the FSB has been criticised for allowing the payment of soft commissions, known as softing. The Lisp Association (Lispa) had asked the FSB to regulate against the practice and said its members continue to practice softing in order to compete with each other.

Barrow says the FSB does not regulate what fees and commissions can be paid and should therefore not regulate against this kind of commission. Soft commissions paid to intermediaries or brokers are dealt with in the code of conduct under the Financial Advisory and Intermediary services (FAIS) Act, Barrow says.

This code of conduct stipulates that financial services providers, including brokers, have to disclose to you, the client, the existence of any personal interest in the relevant service, or of any circumstances which give rise to an actual or potential conflict of interests, Barrow says.

The code also forces financial service providers to take reasonable steps to ensure that you, the client, are treated fairly.

Barrow says the unit trust management companies are exempt from the FAIS Act. However, that exemption was hard won and the FSB would reconsider it if it thought the industry needed to comply with the Act.

The Collective Investment Schemes Control Act (Cisca), which regulates unit trusts, however, also requires unit trust managers to administer their funds “hon-



estly, fairly, with skill, care and diligence and in the interests of investors,” Barrow says. When an investor practices market timing, he says, this may prejudice other investors in the fund.

Market timing occurs when an investor invests in a fund after it has been priced for the day, knowing that by so doing, the investor would benefit from a movement in the prices of the underlying assets. For example, the investor buys at a lower price and sells later at a higher price.

Barrow says some funds may be setting themselves up for market timing by pricing before the market close. Funds have the right to refuse investments that they believe are aimed at timing the market, he says. Late trading occurs when investors are allowed to buy into a fund when the deadline for investing on any particular day had already passed. Barrow says that if the FSB found out that this had in fact happened, it would act “quite viciously”.

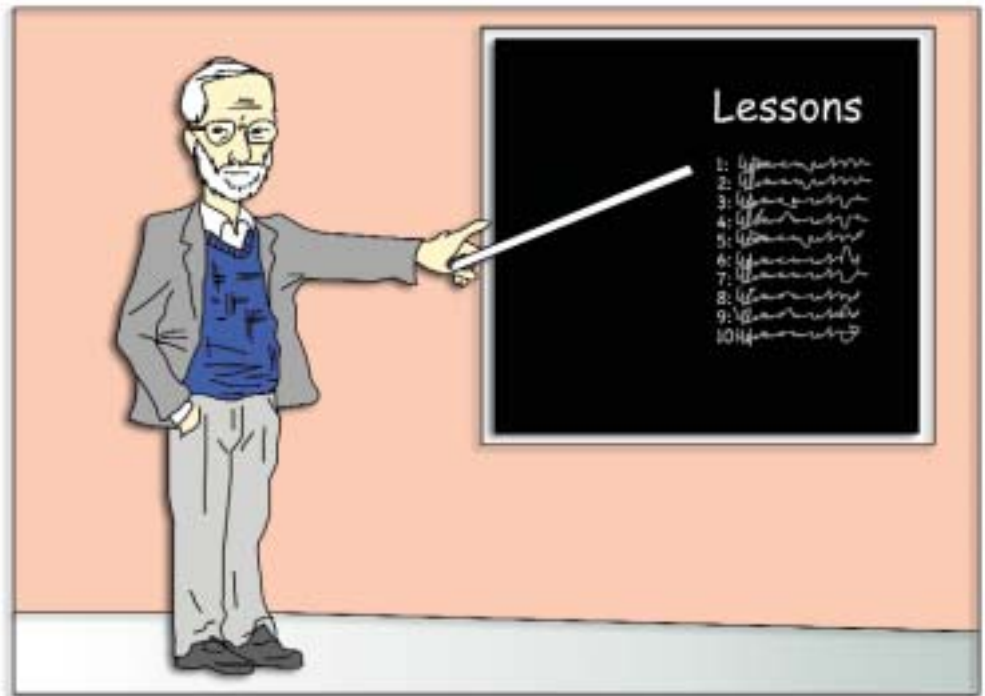
Another measure that protects local unit trust investors is that unit trusts are required to use an independent trustee to hold the assets in the fund. The trust company must be totally independent from the unit trust management company and companies that provide services to it.

Many foreign collective investment schemes, however, do not have entirely separate trustees, and, as a result, the FSB will not allow them to be marketed in South Africa, Barrow says.

This article, written by Laura du Preez, was first published in Personal Finance, a publication of Independent Newspapers, published in The Saturday Star, The Saturday Argus, The Independent on Saturday and the Pretoria News Weekend.

FAIS Ombud determinations:

TEN VITAL LESSONS financial services providers cannot afford to miss



It is still early days, but one thing is absolutely clear – the Office of the FAIS Ombud is determined to protect the consumer.

In my view, financial services providers (FSPs) will do well to learn from the outcome of the first cases¹ to prevent them from facing the same penalties as the respondents in future. Therefore, this article serves to highlight some of the most obvious issues that the FAIS Ombud, Charles Pillai, regards as absolutely critical as are evident from the recent cases that served before him.

1. FAIS Compliance: Operational risk versus advice risk

The importance of compliance, with specific reference to the advice process and the content of the advice, can never be underestimated and requires a lot more attention. As an industry it is important to differentiate between operational risk and

By Anton Swanepoel, Director of Crux Consulting

advice risk. Whereas the regulator currently mostly monitors operational issues, it is the content of advice that in most cases will be evaluated by the FAIS Ombud. In each of the cases that appeared before the FAIS Ombud, the advice process and the content of advice came under fire. If FSPs aim to succeed in this area, a more focused and well thought through strategy will be required.

2. Non-disclosure of relevant and material information will not be overseen

It appears that the industry is still coming to grips with what is meant by “relevant and material information” with reference to each separate financial need that is expressed by clients. If FSPs are not in a position to define the elements in the advice process that are relevant and material in each case, they must expect the FAIS Ombud to do it for them - unfortunately this can happen only once it is too late to be pro-active. While it seems that the industry is waiting for guidelines from the Office of the FAIS Ombud, Pillai has made it clear that his Office is not an advisory body. Therefore FSPs have no choice but to determine pro-actively what

will be regarded as “relevant and material” before the cases serve before the Ombud in question. I believe there is a lot of work that still needs to be done in this area before FSPs can hope to appear before the FAIS Ombud with some degree of confidence.

3. Non-disclosure of fees and/or commission will not be tolerated

If there is one area in the FAIS Act and its subordinate measures that Pillai has always been very clear on, it is the issue of full disclosures of fees and/or commissions earned by advisers and intermediaries. It will serve all FSPs well to revisit section 7 of the General Code of Conduct for a more comprehensive understanding of these basic disclosure requirements, as I firmly believe that we have not seen the last of the FAIS Ombud in this regard.

4. Disclosure of relevant and material information, including fees and/or commission must occur no later than at point of sale

In order for any client to make a well-informed decision, all relevant and materi-

al information must be disclosed no later than at point of sale. In my view, in practice, the point of sale is when the client agrees to the proposal and signs the application form. It is clear that the following information have to be disclosed to every client at the point of sale:

- The understanding of the client's needs and objectives²
- The key features of the proposed product solution³
- The specific terms and conditions of the proposed product solution⁴
- The financial service offered by the financial services provider⁵
- The fees/commissions involved⁶

5. A needs analysis is non-negotiable

There is a significant difference between a holistic financial needs analysis and a full needs analysis as prescribed by the General Code of Conduct. It seems that some of the industry players believe that the Act requires a holistic financial needs analysis, where in fact it refers only to full needs analysis.⁷ Even a single need requires a full needs analysis with reference to that specific need – not with reference to a holistic financial plan. FSPs will do well to revisit their respective questionnaires in this regard to ensure that they have covered the basic fundamental questions that will be necessary to identify appropriate product(s) in each case.

6. The waiver of rights by the client under FAIS is null and void

Section 21 of the General Code of Conduct is very clear in this regard: "No provider may request or induce in any manner a client to waive any right or benefit conferred on the client by or in terms of any provision of this Code, or recognise, accept or act on any such waiver by the client, and any such waiver is null and void."

In my view, FSPs should steer clear of any form of waiver in the advice process. It is well known that sports teams that play defensively seldom win their games. A more assertive approach may prove to be much more effective for players in the financial advice and intermediary services league. I would strongly recommend that a sound, basic needs analysis be drafted for the various financial planning, including short-term insurance, disciplines and that providers should not even consider the provisions provided for in terms of the General Code of Conduct.⁸

7. There must be sufficient evidence that the client was provided with enough information to make a well-informed decision

The Office of the FAIS Ombud requires clear evidence in order to make fair decisions. As in all court cases "talk is always cheap, but the proof lies in the evidence". It is very clear that Pillai and his Office will consider all relevant and material information; yet, the party that is in a position to supply them with appropriate recorded evidence will be in the strongest position under FAIS.⁹

Providers must however appreciate the fact that section 8(2) of the General Code of Conduct places a more onerous obligation on them than just providing the client with enough information. I believe that we will in the very near future see a number of cases in which the FAIS Ombud will question whether or not the client could actually understand the content of the advice in the particular circumstances. In this regard, it is important to note that two requirements have to be met before any client would be in a position to make a well-informed decision, namely:

- adequate disclosure of relevant and material information; and
- information provided in a manner that will enable the client to understand the content of the advice.

8. If there is a conflict between the FAIS Act and another Act when advice is provided regarding a financial product under FAIS, the provisions of the FAIS Act are likely to prevail

There may be different interpretations and we may see more debates regarding this finding. However, what is clear is that the FAIS Ombud is taking the task that has been given to him very seriously and FSPs should appreciate that, at least at the out-

set of the FAIS Ombud's existence, a very strict interpretation of the law will reign.

9. The recording of verbal and written communication relating to the financial advice is necessary to ensure compliance

In essence, FSPs will have one chance to make a good first impression on the FAIS Ombud whenever a case appears before him. The best chance to impress Pillai and his team is to demonstrate that appropriate records have indeed been kept as required.

In my view the records relating to the client's instructions or reasonable requests and the records of advice will be vital in order to establish a sound basis for any case. In the absence of these records any FSP will always be on the defense and as a result there will be an excellent chance of the Ombud's decision favouring the client.

10. The FAIS Ombud recognises the significance of the contractual relationship between the adviser/intermediary under FAIS

The law of contract fundamentally underlies all instances of the rendering of financial services under FAIS.¹⁰ This underlying agreement comes into existence through offer and acceptance (irrespective of whether the offer emanates from the client, the adviser or the intermediary services provider).¹¹

Despite various articles regarding the significance of the contractual relationship between advisers, intermediaries and their clients, it appears that the industry has in general not truly embraced this tool to establish a sound professional relationship between them and their clients and, consequently, an even playing field under FAIS. In my view, this oversight may return to haunt many FSPs in the future.

- 1) Refer to case numbers FOC 979/05 dated 21 July 2005 and FOC/540/05/KZN/(1) as well as the determination against Rosspen Financial Services issued on 29 September 2005.
- 2) Refer to sections 16(2) of the Act and 8 of the General Code of Conduct
- 3) Refer to sections 16(2) of the Act and 7 and 8 of the General Code of Conduct
- 4) Refer to sections 16(2) of the Act and 7 of the General Code of Conduct
- 5) Refer to sections 16(2) of the Act and 3 and 8 of the General Code
- 6) Refer to sections 16(2) of the Act and 7 of the General Code of Conduct
- 7) Refer to section 8(1)(a),(b) and 8(4) of the General Code of Conduct
- 8) Refer to section 8(4) of the General Code of Conduct
- 9) Refer to sections 16(2) of the Act and 9 of the General Code of Conduct
- 10) Refer to Van Zyl in Swanepoel *Comply like a Pro!* 2004
- 11) Refer to Van Zyl *Financial Advisory and Intermediary Services Manual* (2004) Juta pages 1-71

FSB says FAIS licences go uncollected

Judging by the large number of uncollected licence certificates, which the FSB has been issuing in terms of the Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS Act) many financial services providers (FSPs) are conducting business illegally.

According to Gerry Anderson, the FSB's deputy executive officer of market conduct and consumer education, scores of certificates sent by post have been returned to the FSB as financial services providers (FSPs) fail to collect their licence certificates from the postal services.

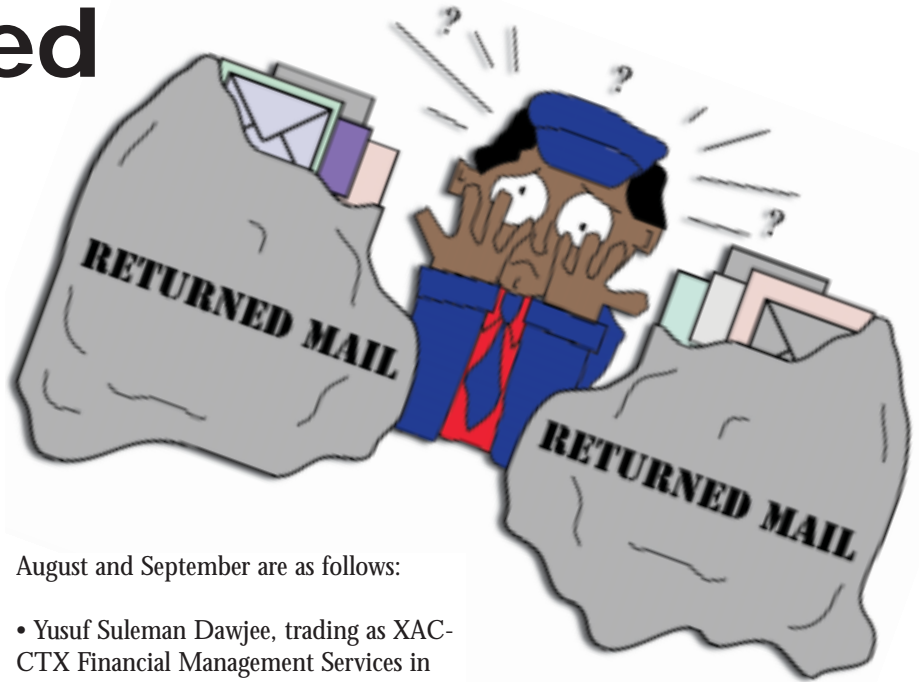
"The FSB dispatches its licence certificates by registered post. It appears in some cases that notices to collect registered articles are being ignored. When the articles are not collected, they are returned to the FSB. We urge FSPs who know that they have been approved to look out for the arrival of certificates by registered post," he said.

FSPs who have been licensed by the FSB are obliged to display the original licence certificates in their places of business. "It is a prerequisite of the FAIS Act to display the original certificate. FSPs should therefore make urgent arrangements to collect returned licence certificates."

Anderson added that the FSB had issued just under 12 000 licences since registration started in October last year. Another 2 000 to 2 500 are being processed. "The FSB is making a special effort to have these processed before the end of the year."

He also added that in August, the FSB had declined a further eight applications for FSP licences and in September 31, bringing the total number of applications declined to 106. Anderson said most were declined because they provided incomplete information.

Details of the applications declined in



August and September are as follows:

- Yusuf Suleman Dawjee, trading as XAC-CTX Financial Management Services in Sherwood, KwaZulu-Natal, Services (FSP 7733);
- Brett Kenneth James, trading as Future Healthcare, in Overport, Kwa-Zulu-Natal (FSP 9239);
- The Bond Group (Pty) Ltd, Scottburgh, KwaZulu-Natal (FSP 17617);
- Isobel Botha, trading as Bella's Funeral in Paarl, Western Cape (FSP 17958);
- Three Diamonds Trading 35 (Pty) Ltd, trading as Financial Planning Mentors in Durban North, KwaZulu-Natal (FSP 11600);
- Malope Josua Ntsana of Kempton Park, Gauteng (FSP 23313);
- Woodmead Auto CC, trading as Woodmead Auto in Woodmead, Johannesburg, Gauteng (FSP 8664); and
- Ngwedzi Funerals in Chiawelo, Johannesburg, Gauteng (FSP 15612).
- Adriattie Smith, trading as Healthcare Solutions in Newlands, Pretoria, Gauteng (FSP 2564)
- Kista Norman Lachanna, trading as Norman Lachanna & Associates in Durban, Kwa-Zulu Natal (FSP 5957)
- Daniel Callighan and Associates CC, trading as DC&A Financial Advisory Services in Rosebank, Gauteng (FSP 9971)
- E & N Medical Brokers CC in Brakpan, Gauteng (FSP 10362)
- Khululeka Financial Services CC in Vereeniging, Gauteng (FSP 6831)
- Johan Rautenbach, trading as J R Financial Services in Doornpoort, Pretoria, Gauteng (FSP 6917)
- Maanda Communications (Pty) Ltd, trading as Maanda Financial Services in

Sandton, Gauteng (FSP 7285)

- Faizos Business Enterprises CC, trading as Faizo Financial Services in Katlehong, Gauteng (FSP 8343)
- Qualumni Independent Insurance Brokers CC in Waterkloof Pretoria, Gauteng (FSP 9190)
- The Resurrection Funeral Services CC in Soweto, Gauteng (FSP 9274)
- Phomolong Funeral Services CC in Meadowlands, Gauteng (FSP 9283)
- Vimbela Solomon Mkhosibane in Pietermaritzburg, KwaZulu-Natal (FSP 9295)
- Nwelela Funeral Services in Lusikisiki, KwaZulu-Natal (FSP 9459)
- Lwandle Funeral Services in Pinetown, KwaZulu-Natal (FSP 9529)
- Blockhole Trading 115, trading as Global Financial Services in Pellissier, Bloemfontein, Free State (FSP 9876)
- Madadeni Funeral Association, trading as Madadeni Funeral Association in Madadeni, Gauteng (FSP 11335)
- Micawber 204 (Pty) Ltd, trading as Sitte's Life And Financial Services in Braamfontein, Gauteng (FSP 11380)
- JA Salaman Auto CC, trading as Sulaman Auto in Witbank, Mpumalanga (FSP 11483)
- Tertius Brits Finansiële Dienste CC in Standerton, Mpumalanga (FSP 11616)
- Anver Alli Osman, trading as Anver Osman Accountants in Laudium, Gauteng (FSP 11722)
- Lynda Deborah Smith in Sandton, Gauteng (FSP 11753)

STRATE Supervision cornerstone to regulation of SA market



The cornerstone to any securities market is a secure and reliable clearing and settlement system that is supported by market participants who operate effectively, efficiently and accurately.

This is uppermost among the goals of STRATE Ltd (STRATE), since this objective is designed to ensure that domestic and foreign investors are comfortable that their transactions will be settled on the due date.

All markets need to be regulated by means of procedures, systems and solutions that are designed specifically to make the market a safe investment haven.

The Financial Services Board (FSB), as the regulator in the securities environment, has appointed STRATE as a Self-Regulatory Organisation (SRO), in terms of which STRATE has the powers to regulate the settlement environment, specifically the Central Securities Depository Participants (CSDPs). This responsibility falls within the scope of a completely separate division within the company, namely STRATE Supervision.

Other SROs in South Africa include the JSE Limited (JSE) and the Bond Exchange of SA (BESA). The JSE bears responsibility for regulating trades undertaken by its members, while BESA does the same for those undertaken by BESA members.

Among the most vexing questions posed by the market regarding STRATE as an SRO has been whether or not the activities of STRATE (operating as a deposito-

ry) can be appropriately separated from the activities of STRATE Supervision – through the use of so-called “Chinese Walls.”

STRATE supervision head, Beverley Brazier, says: “The simple answer is that such walls do exist. While the controlling body of STRATE has a reporting responsibility to the FSB, its regulatory responsibilities fall under the direct scrutiny of the STRATE Regulatory and Supervisory Committee, a board sub-committee tasked with overseeing the regulatory strategy and performance. This committee is chaired by an independent, non-executive director and former head of the FSB, Rick Cottrell. STRATE’s CEO and management cannot overrule or veto our regulatory decisions or alter the regulatory strategy.” Given the highly specialised nature of securities settlement, the importance of STRATE’s SRO status cannot be overemphasised. STRATE Supervision has extensive experience and expertise regarding the settlement environment and is best positioned to detect abuses of the regulatory and settlement system. Daily contact and monitoring of market participants which means that they can operate with greater flexibility, speed and effectiveness.

Acutely cognisant of the responsibility that SRO status conveys, STRATE Supervision strives to build a reputation of tough supervision, underpinned with time-consistency, fairness and credibility.

Coupled with this, STRATE Supervision works hand in hand with the FSB to ensure that all the pertinent rules, regulations and relevant legislation for the

market are in place.

Given this background, STRATE Supervision’s regulatory strategy straddles fairly precise regulatory and legislative requirements that are applied uniformly to all Central Security Depository Participants (CSDPs). “There are no grey areas” says Brazier. “There is no discretion. We just apply the rules. It’s important that we show the market that we are totally independent and consistent.”

Ultimately, securities regulation has three main objectives:

- The reduction of systemic risk;
- The protection of investors; and
- Ensuring that the markets are fair, efficient and transparent.

Regulation is about doing the right thing, and therefore STRATE Supervision’s regulatory solution is not to find fault or identify problems and transgressions by the CSDPs and then penalise them. Its purpose is always risk-based. Brazier says: “If we identify a problem, our role is to help the relevant organisation to fix it; to improve and go forward stronger. STRATE Supervision’s goal has always been to develop that relationship and to instill faith among the CSDPs and STRATE Compliance Officers that they can disclose a problem to which a solution can be found. Regulation is about affecting behaviour – either through imposed, prescriptive and detailed rules or by creating disincentives for inappropriate behaviour. We use the best of both approaches in the belief that regulation must impact positively on regulated organisations’ processes and operations.”

FAIS licences ... continued

- Alfred Simthembile, trading as Mthunzini Broker Institute in Braamfontein, Gauteng (FSP 13493)
- Freben Funeral Services (Pty) Ltd in Acornhoek, Mpumalanga (FSP 14772)
- Moedi Funeral Services CC in Sebokeng, Gauteng (FSP 15876)
- Move to Riches CC in Glenvista, Gauteng (FSP 16561)
- Leon Rheeder in Eldoraigne, Gauteng (FSP 17082)
- Rachel Johanna van Jaarsveld, trading as RB Makelaars in Potchefstroom, North West (FSP 17189)
- KTS Investments CC in Alberton,

- Gauteng (FSP 17781)
- Siyaphila Consultants CC, trading as Siyaphila Medical Consultants in Braamfontein, Gauteng (FSP 18257)
- Mohapi SM Projects CC, trading as Saffas Mohapi Funeral Home in Witsieshoek, Free State (FSP 18460)
- Ntshedise Benefit Administration CC in Harrismith, Free State (FSP 19515)

The FSB issues media releases in the public interest to list the names of FSPs whose licence applications had been unsuccessful. “The aim of these releases is to discourage consumers to deal with the

unsuccessful services providers,” Anderson said.

Appeal

Anderson said FSPs whose applications had been unsuccessful were entitled to appeal to the FSB Appeal Board, an independent tribunal, if the applicant was unhappy about the decision by the Registrar.

FSP licence applicants who believe their certificates may have been returned should arrange to collect these by contacting Nadine Jooste on (012) 422 2880.

Nosipho ready to 'do battle'

"There are no short cuts in life. No successful person is successful by default. You have to work hard and brace yourself to do battle."

This is the philosophy of Nosipho Molope who recently joined the FSB as Chief Financial Officer.

Her impressive CV testifies to loads of experience and her enthusiasm promises to keep the FSB's finances on the right track. "I know I can make a positive contribution towards ensuring that the FSB as a whole delivers on its mandate as a regulator," she says.

Nosipho obtained vast and diverse financial experience, *inter alia* at First National Bank Ltd, Fisher Hoffman Sithole (an auditing firm), Akulalwa Capital (Pty) Ltd, WipCapital (Pty) Ltd, Viamax (Pty) Ltd and Zungu Investments Company (Pty) Ltd, where she held mostly senior financial management positions. She also, at one stage, managed a private equity fund running into millions of rand.

Finances, however, was not her first career choice. She originally planned to become a medical doctor and obtained a BSc (Medical Sciences) from the University of the Witwatersrand. However, she battled to find a job in the world of science.

"I initially worked as a laboratory technician at the university for two-and-a-half years, doing polymer research. The university was impressed with my research work and encouraged me to study further with the aim of eventually obtaining a PhD."

Nosipho meanwhile started doing a BCom degree at Unisa "to kill time." This decision played a major role in her switching careers later on.

"I decided to leave the university to join my husband, who was an engineer at a mining company in Welkom at the time.

Here I taught Science and Mathematics to high school learners for three years. I found that teaching was not a bad career but I soon realised that it was definitely not for me. It was probably then that I consciously decided to change careers. I realised that if I didn't do something drastic, I would always be forced to settle for a job that may be neither exciting nor fulfilling. I was scared of losing myself in the process." She took her first step into the financial world by accepting a job at First National Bank's card division.

Nosipho has strong views on the challenges facing the FSB.

"The FSB has a huge mandate as a regulator. We, however tend to be reactive. We must establish ways to be more proactive in the regulatory environment. We should find ways to anticipate a problem before it manifests itself. This will enable us to play a bigger role in protecting the consumer.

Recent determinations

"The recent determinations by the Pensions Funds Adjudicator may mean that the industry has to go back to the drawing board. We may even have to take a hard look at the products that the industry sells to the consumer."

She is used to being the only woman in a male-dominated world, as she was often the only woman amongst the all-male executives of the various companies where she worked. "I do not try to be like the men. I remain true to myself. One has to earn their respect with one's contribution and by doing what is expected from you to the best of your ability. You must prove that you are there on merit. I also always ensure that I do not find myself in a situation where I can't do the job," she says.



Nosipho says that it is not always possible to separate her office responsibilities and work stress from her private life. However, as she regards quality time spent with her family as extremely important, she makes a concerted effort to spend as much time with them as possible. Husband Tshepo, an electrical engineer, is Managing Director for Battery Technologies (Pty) Ltd. "Tshepo and my children, Pumla and Neo, are my main source of strength. We are one another's greatest supporters. Their love, understanding and unwavering support mean everything to me. I also depend a great deal on my friends and extended family members. Their support and words of encouragement are very important to me.

"Finding a balance between one's career aspirations and one's family is a crucial element for success and one should always guard against sacrificing one for the other. Therefore, by setting realistic goals for one's career and gathering support from those around one goes a long way in ensuring success."

Cooking, entertaining friends, watching TV and music DVDs (preferably jazz and soul) and shopping are some of the family's favourite pastimes. "I believe in the old saying that life is what you make of it. You do have control over your life,"



Internet banking

Check that account number

By Monique Pillay, Community Marketing Officer of the Ombudsman for Banking Services

From time to time the Ombudsman for Banking Services (OBS) issues warnings to alert the banks and their customers to a specific type of complaint, which has come to the fore. The latest warning issued in its regular Bulletin publication relates to the transfer of funds using Internet banking facilities, and relates to the stance that the OBS will take in its investigations.

Due to the ever-increasing number of bank customers using Internet banking, it would be prudent to set the scene that gives rise to these types of complaints. In a recent matter handled by the OBS, the complainant supplied an incorrect account number to its supplier for a payment that had to be made into its bank account. The supplier used its bank's Internet banking system to make the payment.

The bank's system completes the account number from the right hand side, using 0 as a place holder. If the number is one digit short, the 0 takes up the space where the digit should have been. In this instance, the account number entered consisted of eight digits instead of nine. This incorrect account number did however exist and payment was therefore made to the account entered (which was a different account from the one intended).

The complainant in this matter held the banks liable for not having cross-verified the account number with the name entered.

It is important to advise that - while banks all have various systems and processes in place to enable the transfer of funds from one customers' account to another by means of Internet banking - they all

display common features. Particularly, when creates a beneficiary account, he or she is always required to complete fields for the beneficiary's name, account number and account branch code.

Confirmation

The user, having entered this information, then receives confirmation that the transfer was processed successfully. The problem occurs when the user enters an incorrect account number. Where the wrong account number entered does exist, payment is made to that account.

Normally the user does not realise that payment was made to the unintended account and is only informed of this fact at a later stage when the intended recipient denies having received the funds. The user will then submit that, by requesting the name of the beneficiary, the bank made a misrepresentation to the user that the account number would be cross-verified against the beneficiary name, as both are mandatory fields in the Internet transfer transaction.

Provisions

The Code of Banking Practice contains a number of provisions pertaining to Internet and telephone banking. In particular, it states the following: "Ensure that you make payments to the correct account or beneficiary. We cannot reverse duplicate or erroneous payments you make to other accounts without the specific consent of the account numbers."

This banking system is not unique to South Africa and is in fact an internation-

ally applied system. According to the banks, account numbers cannot be cross-verified with the clients' names. This would mean that the various banks would have to access each other's clients. Furthermore, the name entered would have to be an exact match as per the bank's records. However, many companies use "trading as" names, etc. This would cause the majority of transfers to fail in practice. The account holder's name is requested only to provide the user with a record of the party to whom payment was made, as a record consisting only of the account number would be more difficult to identify as proof of payment.

Issue warnings

Having said this: our local banks do warn users by means of the "terms and conditions" link on their websites that they would not be responsible for instances where wrong information is provided. They have also undertaken to add a pop-up warning alerting the user that only the account number will be used to determine the account into which the transfer will be made.

In the case mentioned earlier, the two banks involved offered the complainant 25% for loss suffered. However, since all matters received by the OBS are handled on merit, the OBS cannot guarantee that all clients will be as successful.

For further interesting information of the Bulletins issued or insight on the OBS, please visit www.obssa.co.za or contact them on Share Call number 0860 800 900.



LOA Convention 2005

By Lerato Mametse, Communications Manager, LOA

The timing of the LOA Convention, which took place on 17 and 18 August, could not have been more appropriate. This year's event took place against the backdrop of unprecedented focus and public scrutiny on the industry. The LOA has considered these developments and calls for change. The convention thus provided a suitable forum for members and other stakeholders to address prevalent concerns and present ways on restoring public confidence in the industry.

From the macro economic perspective, it is very clear that the savings level in South Africa has been in steady decline. Gross saving as a percentage of GDP has gone from 16.9% in 1994 to 14.8 percent in 2004, and household saving as a percentage of disposable income has fallen from 2.8 percent in 1994 to 1.1 percent ten years later. This is a concern, not only for National Treasury as policy makers, but also for the financial services industry, who is the custodian of the country's savings.

Declining savings, as well as the current climate of low inflation and low returns, has forced a number of interventions. More attention is now being focused by the industry on the cost of saving - the industry has recognised the need to provide value for money in the savings products it provides, and to provide more appropriate and simple disclosure of costs.

Other steps are also being promoted. The LOA's proposals for access to long-term insurance risk products was well received by government and community constituencies in the Financial Sector Charter Council. The proposal sets out minimum standards for funeral insurance, mortgage protection and credit life insurance, which was developed around the principle of providing fair Charges, easy Access and decent Terms (CAT).

The LOA's launch of the Code on Policy Quotations was also seen as a positive step towards providing more transparent disclosure of policy costs. The Code, which came into effect on 1 July 2005, outlines ways in which costs are disclosed to consumers when they are quoted a policy at the sales stage. Information must be provided in clear, simple language and costs

summarised on one page.

Another component of the industry that has been the subject of intense debate is the future of the financial planner. The LOA's position paper generated mixed reaction from various intermediary associations when it was made public in June 2005. Intermediaries are understandably concerned about the status of their profession, and at the convention put forward compelling reasons on why their services should be retained, given the general importance of sound financial planning.

A representative of the United Kingdom's Raising Standards initiative, Martin Shaw, also shared his experience in trying to improve the industry's profile. Although the British and South African markets are clearly different, they share important similarities. Some issues are relevant to both environments, including the need to make product risks and costs more transparent, to introduce simple language into insurance policies, and to provide good ongoing service.

Without a doubt, this year's LOA Convention was one of the more successful, mainly because it reflected a need for those in the industry to discuss and debate the issues confronting them. Some are obviously difficult, but change can only be effected through active engagement with a broad range of opinions. Hopefully, all who attended left with the information and insight they need to deal with the challenges ahead.

All the presentations made at the LOA convention are available on the LOA website at www.loa.co.za click on "convention".

FSB will use compliance report as a supervisory tool

By Wendy Hattingh, FAIS Specialist, FSB

Compliance with the Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS Act) is the responsibility of the financial services provider (FSP) and its representatives. The Act stipulates that a FSP with more than one key individual or representative must appoint a compliance officer.

The compliance officer is required to assist the provider in establishing a compliance function, to monitor compliance with the Act, report to the provider on compliance issues on at least a quarterly basis and to take responsibility for liaison with the Registrar.

In terms of section 17 of the FAIS Act, the Registrar may also determine the reports that compliance officers, or in the absence of a compliance officer the FSP, must submit.

Compliance reports will be used by the FSB as a supervisory tool and will be incorporated into the Risk-

based Supervision approach. The compliance reports will therefore be adapted to fit in with this approach and form part of it, which means that it will have to change on a regular basis.

2005 compliance report

On 8 April 2005 a compliance report for 2005 was published as Board Notice 39 of 2005. The report focuses on the compliance function of the FSPs.

Through this report the Registrar will evaluate whether or not a provider has indeed established a compliance function as part of its risk management framework as required in terms of Regulation 5 of the Financial Advisory and Intermediary Regulations. The report provides information to FSPs on the minimum compliance issues, controls and procedures that the provider should have in place to ensure that it will be able to comply.

FSPs whose compliance functions are not established to meet the minimum requirements should take corrective action to ensure that they are in a position to comply with the FAIS Act.

The report further requires the compliance officer to indicate whether there was compliance with the minimum requirements in terms of the FAIS Act, codes of conduct, exemptions, and the licensing conditions. The compliance officer will also have to indicate the methods followed in sampling in its monitoring function. No standard answer exists; however, this indication will provide the FSB with an understanding of the monitoring function that the compliance officers perform.

The report is structured in the form of a questionnaire so that the information can be analysed electronically and inconsistencies identified and followed up. Compliance officers can

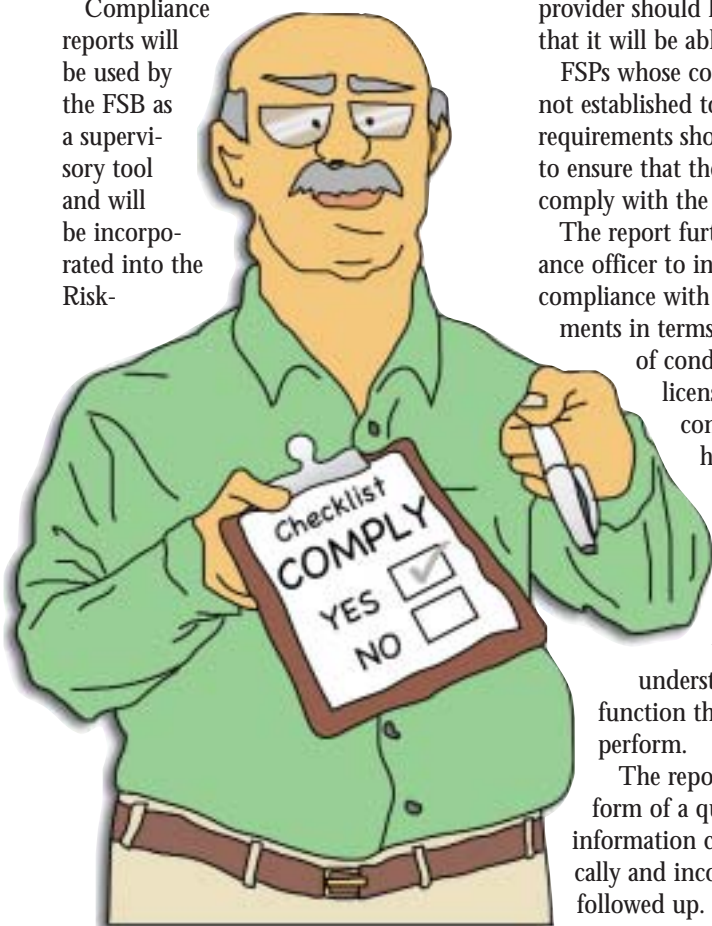
also identify certain compliance aspects as “developmental areas” where the compliance officers believe improvement is required and where the necessary plans have been put in place.

Submission of compliance report

The compliance officer, or in the absence of a compliance officer, the FSP, is responsible for submitting the report. The report makes provision for providers to sign an acknowledgement that they are aware that the report will be submitted to the Registrar. The FSP should never insist that the compliance officer changes the report.

The report has to be submitted within two months after the prescribed reporting date indicated in Table A. For instance, an FSP with a year-end date of 28 February 2005, who was authorised on 1 December 2005, will have to submit the report by 31 October 2005 for the period 1 December 2005 (authorisation date) until 31 August 2005. Another example: A provider for whom the year-end is 31 December 2005, who was authorised on 31 July 2005 and whose licence became effective on 30 September 2004, will have to submit the report by 28 February 2006 for the period 30 September 2004 until 31 December 2005. FSPs who do not submit the reports within two months after the reporting date will be penalised in terms of section 41(2) of the FAIS Act, with a penalty of up to a R1 000 per day.

The FSB has made facilities available for the electronic submission of the report and FSPs are encouraged to use these facilities. The report will be used as one of the sources of information in determining the risk profile of FSPs in terms of the risk-based supervision approach. To promote the risk-based supervision approach and the compliance report, workshops were held in all major centres of South Africa during July 2005. Compliance officers as well as providers who do not require a compliance officer were encouraged to attend these workshops.





INSETA initiates a project aimed at quantifying and addressing retirement fund trustee training requirements

The Insurance Sector Education and Training Authority (INSETA), as the Education and Training Authority for the insurance and investment sector, has initiated a project that will quantify retirement fund trustee training requirements and determine the skills needs of these trustees.

As a result of retirement fund trustee training being identified as a specific and urgent priority for skills development at the Growth and Development Summit, INSETA has been tasked by NEDLAC to conduct this urgent skills needs analysis. INSETA has consulted with various stakeholders to conceptualise the scope of the project, which includes the quantification, and analysis of the retirement fund and trustee training needs and skills audit of all retirement fund trustees.

After undergoing a tender process, ENDELEO was appointed as the service provider responsible for the quantification and skills audit, which covers the following deliverables:

- Ascertain the retirement funds registered.
- Compile a list of all current registered

By Kim van Niekerk, consultant to the INSETA Trustee Training Programme

retirement funds.

- Establish the number of fund trustees, both employer-nominated and employee-nominated representatives per each individual fund.
- Compile a list of all fund trustees.
- Identify each fund's economic sector, for example, construction, manufacturing, and so on.
- Identify who the fund administrators are per fund.
- Determine the physical location of both fund administrators and trustees per fund (employer- and employee-nominated).
- Compile fund administrator's contact details list per fund (name, telephone/fax number, e-mail, and so on).
- Identify each trustee's level of formal education and training.
- Identify the level and extent of trustee specific training that each trustee has received.
- Identify each trustee's years of experience as a trustee.
- Using a 30% sample of identified trustees (according to the national demographic profile), quantify these trustees' self-identified training needs.

ENDELEO has developed an electronic questionnaire aimed at trustees which covers the trustee's level of education and trustee training needs. The role of trustees is a complex one, especially when taking into account the extensive nature of the fiduciary responsibilities they are

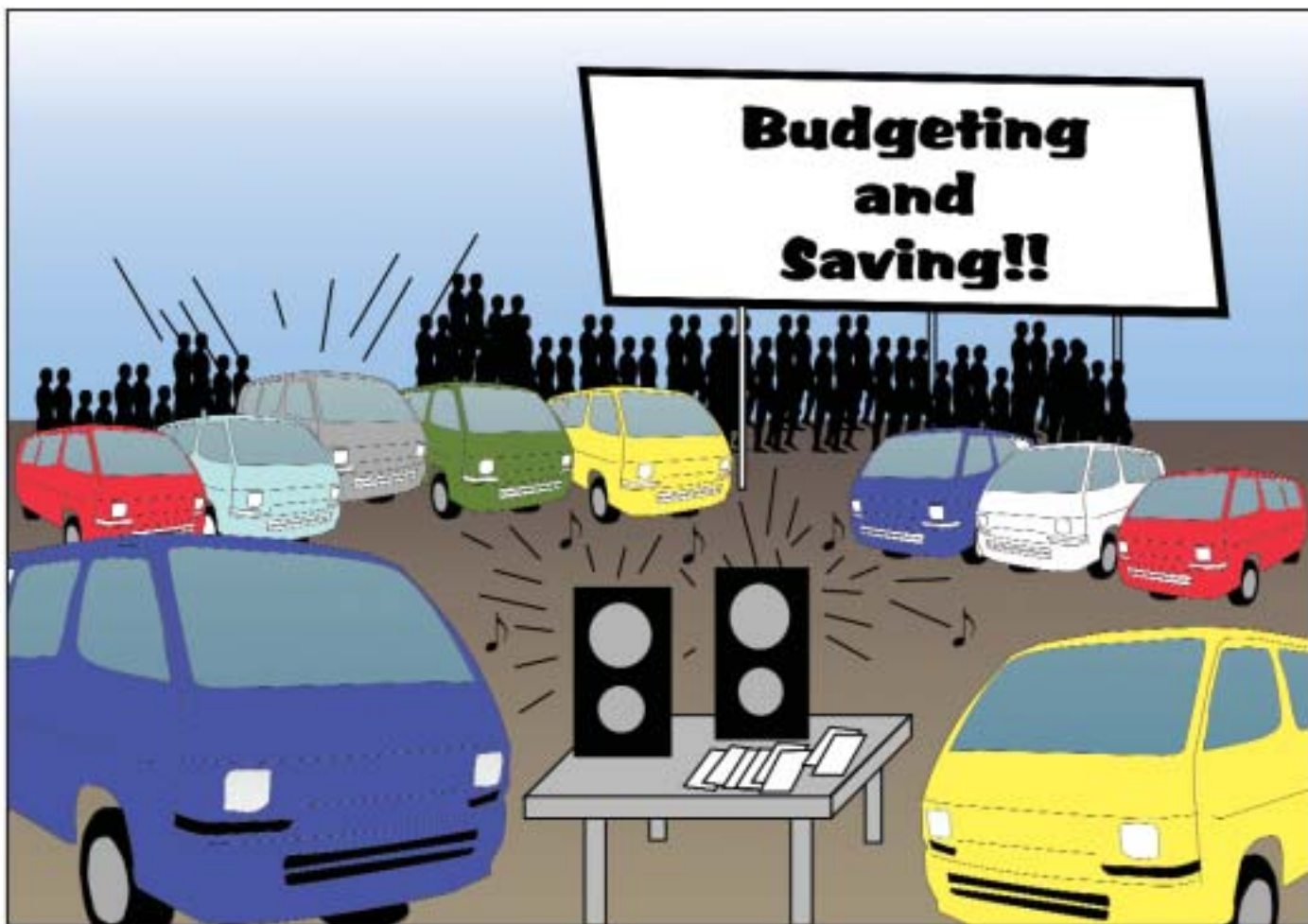
tasked with in managing these funds on behalf of the members. Recent media reports indicate that the number of member complaints made against fund trustees is an indication of the lack of formal trustee training in South Africa. As more choices become available to members, trustees' roles will become more complex and demanding, with members looking to the trustees for guidance and education.

INSETA's partnership with the Financial Services Board has assisted in channelling communication to reach the trustee community at a provincial level and more specifically in the rural areas.

"Conducting a quantification exercise on trustees will enable us to recommend suitable skills programmes towards addressing the skills deficit in this area. As an ETQA, INSETA will also accredit suitable learning providers to deliver training against these programmes. INSETA is proud to represent and serve a sector committed to skills development and transformation", says Phakama Nkosi, Corporate Services Manager, INSETA.

The closing date for respondents to complete the questionnaire is the 15th October 2005.

The questionnaire is available for downloading from both INSETA's website at www.inseta.org.za or the FSB website at www.fsb.co.za. For more information, email endeleo@inseta.org.za or fax (011) 877-3079.



More consumer education projects get off the ground

The blood, sweat and tears the FSB's Consumer Education Department (CED) put into creating partnerships to promote consumer education over the past few years is paying off with the launch of three projects in the past month.

Olivia Davids, Head of the CED, says the three projects, undertaken in partnership with the South African Insurance Association (SAIA), will cost about R4 million.

The FSB and SAIA signed a memorandum of understanding on 21 April 2005 to join forces in promoting consumer financial education literacy in South Africa.

The EnviroTeach Project, a project involving Delta Environmental Centre and Information Handling Services and aimed at educating teachers on financial literacy, started on 14 July 2005. The teachers' handbook, based on the curriculum for grades 10, 11 and 12, has been distributed to schools, for use in nationwide teacher workshops, which started on

21 July.

The service provider for the second project is ComutaNet. It will create awareness among and educate commuters on financial management country-wide. It started on 18 July with television and radio promotions, followed by interactive promotions at taxi ranks on 25 July.

ComutaNet specialises in taxi advertising, informal interactive educational activities at taxi ranks, broadcasting on rank television and broadcasting on railway station platforms.

SAIA and the FSB have produced scripts for airing on Rank TV, Commuter FM and Star Radio, and as inserts in music tapes distributed to taxis. The scripts and

Continued on p 18

FSB part of 'remarkable period' in country's history

"The year under review marked the conclusion of the first decade of South Africa's democracy. During this period, the FSB established a regulatory regime that encouraged financial development and contribution to economic growth and poverty alleviation. It has been a remarkable period in our country's history, characterised by a range of extraordinary achievements in the financial services sector, and elsewhere," said Cyrus Rustomjee, Chairperson of the FSB, in his Chairperson's review in the FSB's annual report that was tabled in parliament in August.

Rustomjee said that the macro-economic landscape is barely recognisable from the one before 1994. "Looking back, the erstwhile dual exchange rate has long been eliminated, the international financial isolation of the decade prior to 1994 has entirely disappeared and sound and credible fiscal, monetary and exchange rate policies have been established. Constitutional provisions to ensure central bank independence and a credible inflation-targeting framework were also on the menu.

"A stronger culture and set of practices

pertaining to corporate governance in the financial services sector have taken root and the net open forward book has been systematically reduced and ultimately eliminated. External borrowing has been limited, net international reserves have been built up and exchange controls on residents are being eased.

"These achievements have contributed to maintaining stability in the financial sector and increasing confidence in the economy and financial system. As a country, we will be confronting the challenges of the second decade of our democracy from a stronger macro-economic position with a consistency low rate of inflation. These include the prospect of a higher rate of growth of GDP, continued sound fiscal management, exchange rate stability, and growing levels of net foreign exchange reserves."

Rustomjee said that complacency could breed in an environment of general optimism. "In the year under review, the FSB has steered clear of this danger, seeking instead to focus on operational and supervisory

risks and giving detailed consideration to the institutional, supervisory and human resource challenges facing us in an increasingly globalising environment. We have laid important foundations that will serve us well in the next ten years."

The annual report is available from Ruby Chetty at (012) 428 2823 or at www.fsb.co.za.



consumer education ... continued

inserts are based on four themes, namely budgeting and saving, responsible use of credit, insurance and rights, responsibilities and redress mechanisms of consumers.

The FSB and SAIA trained ComutaNet staff on the four themes earlier in July, and provided input into the recording of the scripts and inserts at the ComutaNet studios on 8 July.

The project will finish at the beginning of 2006.

A third project, aimed at consumers in LSM (Living Standards Measure) 1 to 5, started on 20 June and will run until December this year. Managed by Bhenka Financial Services, the project will offer

financial consumer education workshops to consumers in LSM 1 to 5 countrywide.

As part of Bhenka's contribution to the project, it reprinted 10 000 copies of the FSB's Financial Services Consumer Education Booklet 1 (FSCE 1) to distribute at the workshops in return for a co-branding opportunity with FSCE.

Bhenka has direct involvement with financial management counselling in communities throughout South Africa, covering deep rural, rural and urban environments. Its workshop programme has begun in Kwazulu-Natal, North West and Mpumalanga and early evaluation reports indicate extremely positive responses from

participants.

Other projects undertaken by the CED since the beginning of the year was the serialising of the FSCE Booklet 1 and 3 in several newspapers. The department will be printing several brochures this year covering topics such as unclaimed benefits, umbrella funds, trustee training (from a consumer education point of view) and consumer alerts.

Olivia Davids says the FSB is considering the preparation of its brochures in comic book format, using simpler language, in all the official languages to reach as many consumers as possible. A funding partner will be sought for this project.



THIRD QUARTER 2005