



**PUBLIC LECTURE BY MR UNATHI KAMLANA, COMMISSIONER OF THE FINANCIAL
SECTOR CONDUCT AUTHORITY (FSCA), AT THE UNIVERSITY OF CAPE TOWN**

“GOVERNING THE INVISIBLE”

LEADERSHIP, INNOVATION, AND ACCOUNTABILITY IN THE FINANCIAL SECTOR

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Colleagues from the academia and students;

Ladies and gentlemen.

Good evening.

It is both an honour and a privilege to deliver this public lecture. I would like to extend my sincere gratitude to the University of Cape Town, particularly the Faculty of Commerce and the Financial Innovation Hub, for inviting me to share the Financial Sector Conduct Authority's perspectives on innovation in the financial sector. As a regulator, we value opportunities such as this. Our mandate is to supervise and regulate the conduct of South Africa's financial sector. But it also requires us to engage in the broader conversation about the future of the sector - how we build it to be trusted, resilient, inclusive and capable of serving society sustainably. Innovation is central to that conversation. As it has the power to expand opportunity, improve access and transform the provision of financial services. Equally important is the conversation around leadership and accountability as we explore how we can better manage the risks that come with innovation. Our world has changed so dramatically, and so has the complexity of the risks that we are required to understand and manage – and therein lies the question of leadership and accountability.

It is in this spirit that I have entitled my reflections this evening “*Governing the Invisible*”. Earlier this year, Professor Tshilidzi Marwala, Rector of the United Nations University, published an insightful article entitled “*Governing the Invisible: How Algorithms Are Quietly Driving Conflict*”. In it, he argues that algorithms are no longer merely analysing events; increasingly, they are influencing the systems they are designed to observe, often in ways that are difficult to detect,

explain or govern. His central message is that our approaches to governance must evolve to address these increasingly influential, yet often invisible dynamics.¹

This evening, I would like to build on that idea from a financial sector perspective.

Rather than examining the role of algorithms in conflict, I will explore how a new generation of technologies is reshaping the financial sector through three interconnected technological frontiers: artificial intelligence, decentralised finance (DeFi) and open finance. Together, these innovations are redefining how financial products are designed, distributed and consumed, reshaping business models and the relationships between financial institutions and their customers. At the same time, they are redistributing risk, altering market structures and challenging many of the assumptions on which our regulatory frameworks have traditionally been built. The central question I wish to explore this evening is therefore not whether innovation should be embraced - it undoubtedly should, but whether our institutions are evolving quickly enough to govern the increasingly invisible forces that now shape the financial sector. For regulators, policymakers, industry and academia alike, that may be one of the defining governance challenges of our time.

Technology, Financial innovation and its role in the financial sector

Before examining these developments in greater detail, it is worth stepping back to consider a broader question: why has technology become such a defining force in finance, and why does it matter so much for regulators?

British economist Robert Skidelsky offers a useful perspective on this. He reminds us that while our forebears used tools and machines, they did not live in what he describes as a machine age.² Machines supported human activity, but they did not fundamentally shape the conditions of human existence.

Today, they do.

More than at any other point in history, we have become deeply interconnected with technological systems. As Skidelsky observes, "we humans are 'wired up' parts of a complex technological system. We depend on this system for the way we fight, the way we work, the way we live, the way we think."

¹ Tshilidzi Marwala, 'Governing the Invisible: How Algorithms Are Quietly Driving Conflict' (United Nations University, 13 April 2026) <https://unu.edu/article/governing-invisible-how-algorithms-are-quietly-driving-conflict>

² Robert Skidelsky, *The Machine Age: An Idea, a History, a Warning*, 2024.

If this is true of society generally, it is perhaps even more true of financial services as a microcosm of society.

Financial services have always evolved alongside technological progress. From the introduction of electronic payments and internet banking to today's instant payment systems and platform-based financial services, financial innovation has rarely occurred independently of technological innovation. Indeed, many of the most significant advances in finance have been made possible by advances in technology itself.

This close relationship matters because the financial sector is not simply another sector of the economy, it is its circulatory system. Those of you who have studied the economics of finance will know that the literature has consistently demonstrated that financial systems perform indispensable functions: they mobilise savings, allocate capital to productive investment, facilitate payments, manage risk and produce information that enables households and firms to participate confidently in economic life.³ At its core, finance is about performing these functions as efficiently and effectively as possible. That is precisely what financial innovation seeks to achieve.

It follows, therefore, that innovation remains essential to improving the performance of the financial system. What distinguishes the current wave of innovation, however, is not simply the emergence of new financial products or services. Rather, that technology itself has become the infrastructure through which finance is conducted.

With this perspective in mind, let us turn to the three technological frontiers I mentioned earlier: artificial intelligence, decentralised finance, and open finance. Although each is transforming the financial sector in different ways, they share one defining characteristic: they are increasingly invisible. They operate largely in the background, seamlessly embedded within everyday systems and processes, often remaining unnoticed by the end user.

The idea that invisibility presents a governance challenge is, of course, not new. For more than two centuries, literature has explored the relationship between scientific advancement, technological power and invisibility. H.G. Wells' 1897 novel "The Invisible Man", for example, tells the story of a scientist who acquires the ability to become invisible.⁴ Beneath its science-fiction narrative lies a deeper reflection on power, ethics and accountability. Wells' enduring lesson is not that invisibility is inherently dangerous. Rather, it is that when power becomes invisible, accountability can disappear with it.

³ Robert C Merton and Zvi Bodie, 'A Conceptual Framework for Analyzing the Financial Environment' in Dwight B Crane and others (eds), *The Global Financial System: A Functional Perspective* (Harvard Business School Press 1995) 3–31.

⁴ H G Wells, *The Invisible Man* (first published 1897, Penguin Classics 2005)

That insight is highly relevant to the financial sector today. As we explore each of these technological frontiers, I invite you to keep one principle in mind: as technological risks become increasingly invisible, governance and accountability cannot.

Artificial Intelligence

Let's turn our attention now to AI, which is arguably the most significant of these technological frontiers. Its influence is rarely exercised through visible machines or robots. It doesn't announce itself. It sits quietly in the background, shaping decisions that humans once made.

For much of the past decade, our conversations about artificial intelligence have centred on predictive models and, more recently, generative AI. Generative AI represented a significant leap because machines were no longer simply analysing information; they could generate text, images, software code and increasingly sophisticated reasoning.

But we are already moving into the next phase. We are now witnessing the emergence of agentic AI, systems that do not simply generate information or provide recommendations, but are capable of perceiving their environment, reasoning about alternative courses of action and acting with minimal human intervention or supervision. In other words, these systems no longer merely support human decision-makers; increasingly, they are becoming decision-makers themselves.

In the financial sector, that distinction is important. We are moving from systems that assist human judgement to systems capable of exercising delegated judgement on behalf of financial institutions.

Consider what this means in practice. An agentic system can execute trades without waiting for human instruction. It can assess a credit application and make a lending decision in milliseconds. It can interpret images of accident damage, determine liability, authorise settlement and initiate payment all within a fully automated decision chain. Multi-agent systems are already replacing complex human decision processes in major financial institutions, not as a future possibility, but as a present operational reality.⁵

Some of you may find this unsettling. Others may be wondering what it means for employment in the financial sector. Those are entirely legitimate questions. History teaches us that every major technological revolution changes the nature of work. Some occupations disappear, many evolve, and entirely new ones emerge. The challenge is not to resist technological progress, but to ensure

that people, institutions and societies are equipped to adapt. That is an important conversation, but it is not the one I want to focus on this evening.

From a regulatory perspective, however, the more fundamental issue is accountability.

Traditional regulatory frameworks assume that consequential decisions can ultimately be traced to identifiable human actors. But what happens when autonomous systems make decisions that cause harm?

Where, ultimately, does responsibility lie? Is it with the software engineer who designed the model? The financial institution that deployed it? The technology vendor that supplied it? The cloud provider that hosts it? The data provider whose information shaped its outputs? Or the senior executive who authorised its deployment?

These are not easy questions to answer, but they must be answered because they reveal what I would describe as an accountability fracture, a growing separation between those who make decisions and those who can ultimately be held responsible for them. As decision-making becomes increasingly distributed across algorithms, and a broader ecosystem of technology vendors, AI model developers, cloud service providers, data providers and financial institutions, traditional notions of accountability become progressively more difficult to apply. Financial institutions are increasingly dependent on these external providers for critical components of their capabilities, creating new operational dependencies and, in some cases, concentration risk where many institutions rely on the same technology providers. But accountability cannot become more diffuse simply because technology has become more sophisticated. Nor can it be outsourced simply because parts of the decision-making process are performed by third parties. Financial institutions must remain accountable for the decisions made in their name, regardless of how many technology providers contribute to those decisions. It is therefore imperative that accountability across the entire AI ecosystem becomes even more visible and anchored in identifiable human responsibility.

Our response therefore focuses on two key areas that are essential to addressing this accountability fracture.

First, we are helping to shape the international standards. The Financial Stability Board's recent consultation on *Sound Practices for the Responsible Adoption of Artificial Intelligence in Finance*, published in June 2026, addresses many of the governance challenges associated with increasingly autonomous AI systems.⁶ It highlights the risks posed by agentic AI, including

⁶ Financial Stability Board. (2026, June 10). *Sound Practices for Responsible Adoption of Artificial Intelligence (AI): Consultation report*. <https://www.fsb.org/2026/06/sound-practices-for-responsible-adoption-of-artificial-intelligence-ai-consultation-report/>

autonomous actions that cannot easily be overridden, erroneous decisions executed at machine speed, and the challenge of maintaining meaningful human oversight once adoption scales beyond any realistic capacity for real-time monitoring. Recognising the importance of contributing to this global conversation, the FSCA has submitted formal comments on the consultation, ensuring that South Africa's experience and the perspective of an emerging market regulator, helps shape the development of international standards.

International standards, however, are only part of the answer. We must also develop a regulatory response that reflects South Africa's own financial system and institutional context. Together with the South African Reserve Bank and the Prudential Authority, the FSCA is developing a joint discussion paper on AI in the financial sector, including specific considerations on agentic AI. This forms part of the technical work informing the future regulatory framework for artificial intelligence. In particular, the FSCA and Prudential Authority intend to incorporate high-level governance principles relating to the use of artificial intelligence by financial institutions into the Joint Standard - Culture and Governance requirements for financial institutions.⁷

Decentralised Finance and the broader crypto asset ecosystem

The second technological frontier presents a different manifestation of invisibility. If artificial intelligence challenges who makes financial decisions, DeFi challenges the very notion of financial intermediation. For as long as finance has existed it has needed an intermediary.....a bank to hold your money; a broker to execute your trade; an insurer to pool your risk. Regulation was built around the same assumption; we knew where the risk was and where the responsibility lay. With DeFi removing this model, the accountability question becomes more complex.

Then there is the emergence of the crypto asset ecosystem, which challenged regulators to determine how activities built on new technologies should be brought within existing regulatory frameworks. South Africa has responded to that question through a measured and pragmatic approach. Rather than seeking to regulate the technology itself, we have focused on licensing and supervising the identifiable entities that provide crypto asset services. We were the first jurisdiction on the African continent to establish a licensing framework for Crypto Asset Service Providers (CASPs) at scale.

Today, more than 300 CASPs have been licensed by the FSCA. This has taken place alongside the rapid growth of the crypto asset ecosystem. An estimated 7.8 million South Africans now own or trade crypto assets, while stablecoins are increasingly being used for cross-border payments and remittances across the SADC region.⁸ In just a few years, we have moved from an uncertain

⁷ FSCA 3-Year Regulation Plan (July 2026)

⁸ South African Reserve Bank (2025) Financial Stability Review: Second Edition 2025

regulatory environment to a functioning supervisory perimeter for the centralised actors serving this rapidly expanding market.

That is a significant achievement, but it is only part of the story. The reality is that an increasing share of activity within this market is no longer taking place through licensed, centralised intermediaries. Instead, it is taking place through DeFi protocols. This presents a fundamentally different regulatory question. Traditional financial sector regulation assumes the existence of an intermediary that can be identified, licensed, supervised and, where necessary, held accountable. DeFi challenges that assumption because the intermediary function is no longer performed by an identifiable institution. Instead, it is performed by distributed networks and self-executing computer code, known as smart contracts.

The intermediary has not disappeared; it has simply become invisible. This is exactly where the challenge of governing the invisible becomes real. We are now increasingly regulating activity performed through invisible digital infrastructure - where there may be no company, no board of directors, no chief executive officer, no registered office and, in many instances, no natural person to supervise or hold accountable. And code, at least for now, cannot apply for or hold an FSCA licence.

Smart contracts execute transactions exactly as they are programmed to do. They exercise no discretion, and they owe no fiduciary duty. Nor can they pause to consider whether a transaction appears suspicious or whether a consumer is vulnerable. And when a protocol is exploited, as we have seen repeatedly across global markets, the consequences can be severe, resulting in losses amounting to billions of rands. For example, in 2022, the decentralised lending and trading platform Mango Markets lost approximately US\$116 million – almost two billion rands - after an attacker manipulated prices in a way that the protocol's smart contracts were designed to accept.⁹

None of this suggests that DeFi should be prohibited. It does, however, require regulators to rethink how regulatory objectives can be achieved in an environment where traditional intermediaries may no longer exist. In my view, the answer lies in shifting our focus from legal form to economic function. Increasingly, regulators around the world are recognising that where identifiable individuals or groups exercise effective control over a protocol, whether by controlling governance tokens, approving software upgrades or setting key operational parameters, they should also bear corresponding regulatory responsibilities.

In other words, we should follow the function, not just the form. If a protocol performs the economic role of an exchange, a lending platform or another regulated financial service, then it must meet the standards that are commensurate with that activity. The invisibility of the intermediary cannot

⁹ <https://www.sec.gov/newsroom/press-releases/2023-13?>

become a shield against the obligations associated with that activity. I believe this will be the next chapter of crypto regulation, not only in South Africa but globally.

If that is the direction in which regulation is evolving, then it must be informed by a deep understanding of the market it seeks to govern. That is why the FSCA is currently updating its 2023 Crypto Asset Market Study. The objective is to understand how the market has evolved since the first licences were issued, how consumer behaviour has changed, how decentralised finance is developing, and how the ecosystem has changed following South Africa's exit from the FATF grey list in October 2025. You cannot govern what you cannot measure. That is why evidence, data and market intelligence remain central to the FSCA's approach. Only by understanding how these markets evolve can regulation evolve with them.

Open Finance

The third technological frontier is open finance. Of the three frontiers, this may be the least familiar term. But it is perhaps the one most likely to directly affect all of us as financial customers in our everyday financial lives. If AI asks “who decided this”, and DeFi asks “who's responsible when there is no middle man”, open finance asks “who owns the data to begin with and have they consented to its use?”

That's because open finance is built on the idea that customers' financial data is theirs and should therefore work for them. Traditionally, when a customer established a relationship with a bank, insurer or investment provider, the information generated through that relationship largely remained with that institution. Open finance turns that model on its head. Subject to a customer's consent, it enables financial data to be shared securely with other financial institutions and authorised third-party providers so that they can develop products and services better suited to customers' needs. At its heart, open finance is not simply about sharing financial data. It is about giving customers meaningful control over their own financial information.

Open finance also introduces a new category of market participants whose role is becoming increasingly important. Third-party providers and data aggregators sit between customers and financial institutions, securely connecting institutions through application programming interfaces and, with customer consent, enabling entirely new financial services.

By enabling these new participants to develop innovative products and services using customer-consented financial data, open finance has the potential to deliver significant benefits to both customers and the financial sector. It can stimulate innovation by enabling new products and services to be built on trusted financial data. It can also increase competition by lowering barriers to entry for new firms.

With open finance, unlike traditional financial services, the products themselves remain visible. What becomes increasingly invisible are the flows of data that sit beneath them. Financial information can move seamlessly between institutions, platforms and third-party providers, often without consumers fully appreciating where their information is going, how it is being used or who ultimately benefits from it.

That creates important governance challenges. Consent is too often buried in lengthy terms and conditions that few consumers read. Digital interfaces may even be deliberately designed to steer users towards decisions they might not otherwise make, a practice commonly known as dark patterns. Equally important is the question of accountability. What responsibilities should apply to a third-party data aggregator that may hold the sensitive financial information of millions of consumers while operating outside traditional regulatory frameworks?

That question lies at the heart of the regulatory challenge. If third-party providers become trusted custodians of consumers' financial information, they cannot remain outside an appropriate regulatory framework simply because they are technology companies rather than traditional financial institutions. Their role may differ from that of a bank or insurer, but the risks they create for consumers, markets and confidence in the financial system can be equally significant.

The regulatory challenge, therefore, is not whether third-party providers should participate in open finance, but how they should participate within an appropriate governance and regulatory framework. South Africa is addressing precisely this challenge through developing its policy approach to open finance under the Intergovernmental Fintech Working Group, of which the FSCA is a member.

We should ensure that there is a clear policy and regulatory framework, so that the architecture of this emerging market sufficiently takes into account the public interest and not just shaped by those with the greatest technological capability, access to data and market power. Even as the flow of data becomes increasingly invisible, the rights of consumers must remain visible, protected and enforceable.

Leadership: Governing the Invisible

Having explored these technological frontiers, let me return to the question that has sat at the heart of this lecture from the beginning: what does it actually mean to govern the invisible?

At first sight, this may appear to be a question about technology. I suggest it is not - It is about leadership.

Whether we are talking about AI making decision-making increasingly opaque; DeFi making the intermediary less visible; or open finance making the flow of financial data increasingly invisible..... none of these developments removes the need for governance. On the contrary, and as I have demonstrated, each one makes it more important.

The simple truth is this: technology will keep moving faster than we can legislate for. The instruments will change. But, what should never change is our quite, unglamorous insistence that those who deploy this technology must account for it at every turn. We do not often think of regulation as an exercise of leadership. I believe that is a mistake. As regulators, our responsibility goes beyond writing rules or enforcing compliance. We help shape the conditions under which innovation develops, markets function, and consumers are protected. That requires not only the exercise of authority, but also building trust, providing direction, and fostering a shared commitment to the public interest.

But regulation, however effective, cannot by itself determine the character of the financial sector. It can set the direction, but the character of our sector will ultimately be shaped by the daily decisions of its participants. Financial institutions, technology firms and other market participants therefore have a responsibility to embed responsible innovation into everyday practice.

That responsibility begins with leadership. For financial institutions, responsible innovation is not merely a matter of technological capability or regulatory compliance. It is a matter of governance. Boards and executive teams must provide that leadership by ensuring that decisions about technology and its deployment are grounded in sound judgement, clear accountability, and a culture that places trust and integrity at the centre. The quality of governance in the next generation of the financial sector will depend on how well they fulfil that responsibility.

That requires asking difficult questions before new technologies are adopted:

- Can we explain how this technology reaches its outcomes?
- Can we identify who remains accountable when something goes wrong?
- Does this innovation genuinely improve outcomes for customers, or does it merely improve efficiency for the institution?
- Would we be comfortable explaining these decisions to our customers, our regulator, and the public whose trust ultimately sustains our business?

These questions go to the heart of responsible governance. They distinguish institutions that just merely adopt new technologies from those that exercise sound judgement in deploying them. In doing so, they remind us of a broader truth - technology may expand what is possible, but it cannot

determine what is right. That responsibility rests with the people and institutions called upon to provide leadership.

Conclusion

To conclude, in this ever-evolving financial sector, given technological advances, leadership for us in this space means that we cannot stand outside the technology looking in. We have to understand what we are regulating, use the technology responsibly ourselves, and take decisions we can be accountable for. Good leadership dictates that we insist on leading the technology and not allow the technology to lead us.

For all that has changed, the fundamental purpose of financial regulation has not. Consumers must still be treated fairly. Markets must still operate with integrity. Institutions must still be accountable. Public confidence must still be maintained. These principles are the enduring foundations upon which every successful financial sector, digital or otherwise, must continue to rest.

Our task, therefore, is not to create new principles for a digital age, but to ensure that the enduring principles of fairness, accountability, integrity and above all, public trust, remain effective in a changing technological environment.

Thank you very much!