

# Q1 FSCA Newsletter

June 2026

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## Editorial team

### Editorial team



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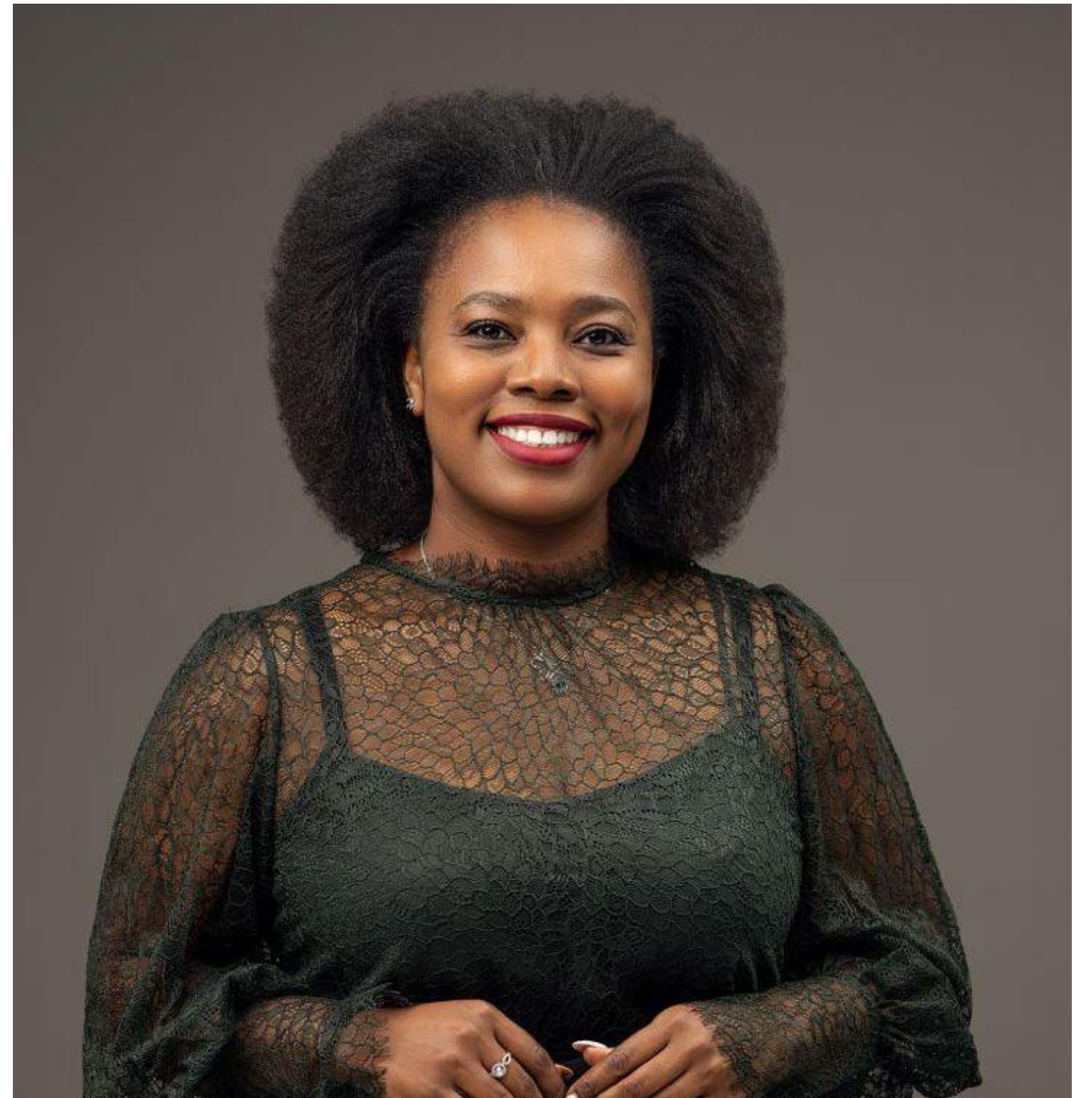
# A word from the editor

There is a particular kind of energy that settles over a regulatory body at the start of a new financial year. The planning is done. The targets are set. The question is whether the work that follows will match the ambitions of the plan.

For the FSCA, the opening months of the 2026/27 financial year suggest it will. This edition of the FSCA Newsletter arrives in the wake of significant publications – a detailed licensing update on crypto asset service providers, common inspection findings related to crypto asset services providers, and a comprehensive sustainable finance progress report. Taken together, they paint a picture of an authority that is thinking carefully, moving deliberately, and asking the right questions.

The common thread in these publications is the FSCA's insistence on substance over form. In the crypto licensing space, this means holding applicants to genuine standards of competence and operational readiness, not just paperwork.

In sustainable finance, it means building the evidence base before prescribing the rules.



In ESG ratings, it means consulting honestly about a market that is growing faster than the regulatory frameworks designed to govern it. These are not easy positions to hold. They require patience, expertise and a willingness to resist the pressure to act before the thinking is complete.

This edition also puts the spotlight on the Retirement Funds Supervision Division whose daily work looks to protect the retirement savings of millions of South Africans. We hope that you enjoy interacting with their work, and with the rest of what we have for you in this edition.

*Tembisa Marele*

A large, dark blue arrow-shaped graphic pointing towards the right, containing the text "Regulatory Focus".

Regulatory  
**Focus**

## Know your regulator: The Retirement Funds Supervision Division

Behind every retirement fund statement that lands in a member's inbox, every decision a trustee makes about an investment strategy or administrator fees, every employer who pays or fails to pay contributions on time, there is a team at the FSCA whose job is to make sure the system works in the interests of these members. The Retirement Funds Supervision Division (RFSD) supervises 871 active retirement funds and helps safeguard the retirement savings of millions of South Africans.

### The mandate

The numbers that define the RFSD's world are worth pondering on. South Africa has approximately 4 557 registered retirement funds – pension funds, provident funds, retirement annuities, preservation funds, unclaimed benefit funds and beneficiary funds. Of these, 871 are operational. The remaining thousands are in various stages of winding down, in liquidation, in the process of transferring members to other funds, awaiting cancellation, or are simply dormant.

The foundation of the RFSD's work rests on two regulatory pillars, namely the Pension Funds Act, 1956, which has governed retirement funds in South Africa for nearly seven decades, and the Financial Sector

Regulation Act, 2017 (FSR Act), which established the FSCA and reshaped how financial regulation is organised across the sector. Between them, these two laws give the FSCA a clear mandate over funds, their boards of trustees, principal officers and everyone who performs a statutory function within the system. The RFSD is responsible for executing this important mandate on behalf of the FSCA.

### Five commitments that drive the work

The RFSD's vision is grounded in five specific commitments that shape every supervisory decision made by the division:

- Promoting good outcomes for members when they reach retirement age and ensuring they are treated fairly.
- Promoting an inclusive and transformed retirement funds industry, including trustees.
- Promoting increased retirement savings and lower costs incurred by retirement funds.
- Providing retirement fund members with financial literacy and financial education.
- Supporting sustainable and responsible investments by retirement funds.

## Six teams, one mission

The RFSD has six functional areas. The Registration and Reviews team handles the “front door”, registering trustees and principal officers, assessing fitness and propriety, approving fund rules and amendments, and managing default regulations. The Transfers and Terminations team manages the “back door”, supervising liquidations, approving fund transfers, overseeing employer terminations and ensuring that winding-down funds meet their obligations to members. The Legal and Policy Support unit provides the intellectual infrastructure, legal opinions, regulatory guidance, stakeholder engagement and inputs into new legislation.

Frontline Conduct Supervision is the division’s analytical engine for conduct risk, examining returns, investigating reportable irregularities, engaging non-compliant employers and implementing the supervisory plan for administrators and funds. The Frontline Prudential Supervision unit does the same for financial risk, scrutinising prudential returns, approving auditors and initiating curatorship where a fund is in genuine financial distress.

Finally, the Actuarial Services team brings specialist expertise to the most technically complex questions, assessing fund financial condition through valuation reports, approving deficit-funding schemes and surplus apportionment arrangements.

It is worth noting that the RFSD is currently navigating a structural transition, as the Prudential Authority will be assuming responsibility for the prudential supervision of retirement funds on 1 April 2028, as contemplated in the FSR Act. With that transfer in mind, the RFSD is already reorganising itself to ensure that the handover does not create gaps or opportunities for uncertainty.

Functional Area	Key Responsibilities
<b>Reviews &amp; Authorisations</b> Departmental Head: Fikile Mosoma	Registering and reviewing trustees, principal officers, employers and fund rules; assessing fitness and propriety; managing default regulations and exemptions.
<b>Transfers &amp; Terminations</b> Departmental Head: Corlia Buitendag	Approving fund liquidators; supervising liquidations, transfers and cancellations; overseeing compliance of terminating funds.
<b>Policy, Data and Project Support</b> (Office of the Divisional Executive)	Responding to data and information requests and coordinating industry and stakeholder engagements.
<b>Frontline Conduct Supervision</b> Departmental Head: Vacant	Analysing conduct returns and reportable irregularities; implementing supervisory plans for administrators and funds; engaging with non-compliant employers.
<b>Frontline Prudential Supervision</b> Departmental Head: Wilma Mokupo	Analysing prudential returns; approving auditors; initiating recovery action (curatorship) where funds are in financial distress.
<b>Actuarial Services</b> Departmental Head: Giulia Tognon	Assessing the financial condition of funds via valuation reports; approving section 18 schemes, surplus apportionment schemes and employer surplus account transfers.

## Plans for the 2026/27 financial year

The RFSD's 2026/27 deliverables are built around targets that reflect the division's dual obligation, to supervise active funds with rigour, and work through the accumulated backlog of terminating funds with efficiency. One of the division's deliverables is to publish a comprehensive statistical report on the retirement funds industry by 31 March 2027. This will include data on ESG practices, transformation metrics, and for the first

time a specific analysis of how the two-pot system is affecting preservation rates. This last data point matters enormously. The two-pot system was designed to give members access to a portion of their savings before retirement while protecting the rest. Whether it is achieving that balance or whether South Africans are drawing their retirement savings faster than anticipated will be visible in the publication of this report.

## Newsflash

*The FSCA has appointed **Ms Zareena Camroodien** to the role of **Divisional Executive: Retirement Funds Supervision**. Zareena assumed her role on 1 June 2026.*

*She has approximately 20 years' experience in the retirement funds industry having served in various senior management roles in both the public and private sectors. Most of her time in the public sector was spent in regulation and adjudication.*

*Zareena was previously the Departmental Head of the Frontline Conduct Supervision Department within the Retirement Funds Supervision Division (RFSD) at the FSCA, responsible for the supervision of active retirement funds and benefit administrators.*



*She was formerly the head of Fund Governance and Trustee Conduct, which included overseeing the development, implementation and enforcement of the Trustee Training Toolkit.*

*One of the key roles she played was in shaping pensions-related policy and legislation, contributing to major regulatory reforms including the two-pot system and aspects of the Conduct of Financial Institutions Bill insofar as it related to retirement funds.*

*Zareena represents RFSD at various local and international fora, including the International Organisation of Pension Supervisors (IOPS). She is also the Chairperson of the Africa Pension Supervisors' Association (APSA), comprising regulators and supervisors from over 20 African countries working together to develop and strengthen sustainable pension systems across the continent. She also represents the RFSD at NEDLAC and presents at various local and international conferences.*

## CASP licensing update: What applicants need to know

Three years ago, South Africa did not have a single licensed crypto asset service provider. By 31 March 2026, it had 310. That number is the main headline, but the more telling story lies in what surrounds it: the 17 applications that were declined, the 124 that were withdrawn, the 81 investigations into unlicensed operators, and the unambiguous message that the era of regulatory informality in South Africa's crypto sector is over.

When the FSCA opened the licensing process under the Financial Advisory and Intermediary Services Act (FAIS Act) on 1 June 2023, it was entering largely uncharted territory. Crypto asset service providers (CASPs) had never been formally regulated in South Africa. The question was not only whether the FSCA could process applications at scale, but whether it could hold the line on quality, approving entities that genuinely met the standard and declining those that did not. Three years later, the numbers suggest that the authority has achieved both.

### What the declines reveal

Of the 533 applications received to date, 17 were formally declined. The first category of failed applications is operational: applicants could not produce clear, comprehensive business plans or articulate with sufficient

specificity what their crypto asset activities would look like in practice or what operational frameworks would underpin them. The second is competence: applicants failed to demonstrate requisite knowledge and practical experience of crypto assets.

Together, these two failure modes point to the same underlying problem, a lack of credible evidence that an applicant understands the environment it is entering and has built structures to operate responsibly within it. A business that manages other people's money, whether in rands or in digital tokens, must know what it is doing.

### The 124 who walked away

Alongside the 17 formal declines, 124 applicants voluntarily withdrew their applications following engagement with the FSCA about the appropriateness of their business and operating models. This is nearly a quarter of all applications received, and it tells an important story about how the licensing process works in practice. The FSCA's engagement with applicants is not a one-way gate. It is a conversation, and in many cases that conversation leads applicants to recognise that they are not yet ready.

That self-awareness is exactly the outcome that a well-designed licensing process should produce.

Applicants that have voluntarily withdrawn their applications or that have had their applications declined by the FSCA are free to re-apply for licensing in future, on condition that they demonstrate full and proper compliance with the applicable licensing requirements. In the meantime, they may not conduct any CASP-related activities. The FSCA is explicit: any institution or person found operating without a licence will face enforcement action. There are currently 51 active investigations into entities that are potentially conducting unlicensed business.

### **The exam exemption**

Licensed CASPs and their key individuals face another compliance milestone requiring immediate attention. The exemption from regulatory examination requirements, first granted for 18 months from May 2023, then extended, finally expired on 30 June 2025. No further extensions will be granted. All licensed CASPs and their key individuals must now meet the applicable regulatory exam requirements as set out in Board Notice 194.

Failure to comply may result in licence suspension or withdrawal under section 9 of the FAIS Act, consequences that would be commercially damaging and publicly embarrassing for entities that have worked hard to achieve licensed status.

### **Supervision**

Licensing a provider is the beginning of the regulatory process, not the end. Between April 2025 and March 2026, the FSCA conducted 30 supervisory inspections of licensed CASPs, assessing the full spectrum of their obligations under the Financial Intelligence Centre Act, anti-money laundering, counter-financing of terrorism and counter-proliferation financing compliance. The FSCA evaluated not merely compliance levels, but also organisational capacity to meet regulatory obligations on an ongoing basis. For many newly-licensed CASPs, these were their first formal inspections. The FSCA plans to carry out 35 AML/CFT/CPF inspections during the current financial year.

The Crypto Asset Supervisory Engagement Forum, established in August 2025 as a structured industry dialogue platform, held its third meeting on 25 February 2026 with a deliberate focus on terrorist financing and proliferation financing risks, a signal that the FSCA is treating these as live supervisory priorities, and not as abstract concerns.

Going forward, the Authority expects the number of inspections to increase, as licensed CASPs mature and the FSCA's supervisory capacity deepens.

## CASP licensing at a glance – 31 March 2026

Total applications received: 533

- Approved: 310
- Declined: 17
- Voluntarily withdrawn: 124
- Investigations into unlicensed CASPs:  
81 initiated (30 closed, 51 ongoing)
- AML/CFT/CPF inspections conducted  
in 2025/26: 30
- Target inspections in 2026/27: 35
- Regulatory exam exemption: expired  
30 June 2025 – no further extensions



## Common inspection findings among crypto asset services providers

*By Wisani Mabasa, Specialist Analyst: AML/CFT Supervision (FSCA)*

As the crypto assets sector continues to grow, so too does the importance of ensuring that crypto assets service providers (CASPs) have robust measures in place to combat financial crime.

In October 2022, the FSCA declared crypto assets as financial products. Following the declaration, CASPs are required to be licensed as FSPs by the FSCA and are classified as accountable institutions under the FIC Act. They are also required to register with the Financial Intelligence Centre (FIC), which also has an oversight role in respect of CASPs.

Using a risk-based supervisory approach, the FSCA conducts inspections to assess the extent to which accountable institutions, including CASPs, comply with their obligations under the FIC Act. Given the nature of crypto assets, the sector remains vulnerable to money laundering (ML), terrorist financing (TF) and proliferation financing (PF) risks. The Financial Action Task Force (FATF) and the FIC's sector risk assessment have identified CASPs as operating in a higher risk environment due to factors such as the pseudonymous nature of transactions, rapid transaction speeds, cross-border activity and decentralised systems.

### **Key findings from FSCA inspections**

Recent inspections conducted by the FSCA have highlighted several recurring areas of non-compliance that CASPs should address as a matter of priority.

#### ***Inadequate business risk assessment***

One of the most common findings has been the failure of CASPs to conduct a comprehensive Business Risk Assessment (BRA). A BRA enables an institution to understand its exposure to ML/TF/PF risks and implement appropriate controls to mitigate those risks.

#### ***Limited consideration of proliferation financing risks***

Whereas some CASPs have conducted risk assessments, the inspections revealed that many have not adequately considered PF risks as part of their analysis.

A complete risk assessment should evaluate all relevant financial crime risks (ML, TF and PF) and ensure that appropriate mitigation measures are put in place.

#### ***Deficiencies in risk management and compliance programmes (RMCPs)***

Section 42(1) of the FIC Act requires all accountable institutions to develop,

document, maintain and implement an effective RMCP. The RMCP must enable the institution to identify, assess, monitor, mitigate and manage ML/TF/PF risks associated with existing products or services.

Section 42(2) of the FIC Act sets out the minimum information to be included in an RMCP. Some of the RMCPs reviewed during the inspections did not fully meet the requirements of section 42(2) of the FIC Act.

Common gaps included inadequate procedures for:

- Conducting ongoing customer due diligence and account monitoring in respect of business relationships.
- Identifying and examining unusual or complex transactions.
- Determining when suspicious or unusual transactions should be reported to the FIC.
- Screening clients against targeted financial sanctions list.
- Assessing prospective and existing clients.
- Determining whether transactions are consistent with the institution's knowledge of a client.
- Conducting enhanced due diligence on legal persons, trusts and partnerships including beneficial ownership verification.
- Obtaining formal approval of the RMCP from the board of directors or the institution's highest authority.

### ***Weak implementation of the Travel Rule***

The FSCA also identified shortcomings relating to compliance with Directive 9 issued by the FIC, commonly referred to as the "Travel Rule".

In some instances, CASPs' risk management and compliance programmes contained limited procedures and processes on Travel Rule requirements.

Institutions were unable to demonstrate the capability to transmit and receive the required information prescribed under the Travel Rule when processing crypto asset transactions.

CASPs must ensure that Travel Rule information is transmitted before, or at the same time as, the execution of the relevant transaction.

### **FSCA expectations**

The FSCA requires all CASPs to review the inspection findings highlighted above and take proactive steps to address any shortcomings in their internal risk and compliance frameworks.

Institutions should ensure that all reportable transactions and activities are submitted to the FIC as required by sections 28, 28A and 29 of the FIC Act.

CASPs must strengthen ML/TF/PF frameworks to ensure full compliance with the FIC Act and its subordinate legislation.

They must also ensure that their RMCPs effectively mitigate ML/TF/PF risks through the implementation of appropriate controls to address identified inherent risks. The successful application of a risk-based approach is fundamentally dependent on the institution's understanding of its ML/TF/PF risk profile.

Additionally, CASPs should identify the ML/TF/PF risks to which they are exposed and ensure that their risk assessment methodology is appropriate, comprehensive and specifically aligned with the unique vulnerabilities associated with their business.

When conducting their BRAs, institutions should consider relevant guidance issued by the FIC and FATF, including Guidance Note 7A, the Sector Risk Assessment for CASPs, Terrorist Financing National Risk Assessment and FATF guidance relating to virtual assets and virtual asset service providers.

CASPs are encouraged to make use of the FSCA's five-part webinar series for CASPs, as well as the FIC's Public Compliance Communications (PCCs) 44A, 54 and 57 which provide practical guidance on meeting FIC Act obligations.

By strengthening their ML/TF/PF frameworks, CASPs can improve their own risk and compliance environments and contribute to protecting the integrity of South Africa's financial system.



## FSCA Sustainable Finance Update 2026: Building a greener financial system

When South Africa took the chair of the G20 in December 2024, it inherited more than a rotating presidency. It inherited a moment. The global sustainable finance agenda was at an inflection point: commitments made at COP26 were being tested against the hard reality of implementation, carbon markets were struggling with integrity questions, and the architecture of international sustainability disclosure was being rewritten in real time.

South Africa had a seat at the table where those decisions were being made, and the FSCA was part of this process. The Sustainable Finance Update Report 2026, published in March, documents what the Authority has done to drive the sustainability agenda forward.

### **A carbon credit model built for the world**

The most tangible global outcome of South Africa's G20 Presidency in the sustainable finance space was the development of a Common Carbon Credit Data Model (CCCDM) as a voluntary baseline and global public good. Carbon markets have long been plagued by a deceptively simple problem: different registries, platforms and verification systems use different data formats, making it nearly impossible to compare, track or trade credits across systems. The CCCDM is designed to address this at the

foundation level – creating a common data language for carbon credits across their entire lifecycle, improving traceability and enabling greater interoperability across markets.

For South Africa specifically, a domestic carbon credit market that cannot speak the same data language as international markets will always be at a disadvantage in attracting cross-border climate finance. Commissioner Kamlana's appointment to the Climate Data Steering Committee, which convenes global regulators and standard setters to support the CCCDM's piloting and adoption, gives South Africa ongoing influence over how these standards develop.

### **Testing the taxonomy – and finding the gaps**

South Africa's Green Finance Taxonomy, launched in 2022, has always faced the same challenge as any classification system: it is only as useful as the ability of market participants to apply it consistently in practice. To test this, the FSCA launched a pilot project in 2024 involving banks, asset managers and pension funds in a 'learn-by-doing' exercise. The information-gathering phase closed on 30 January 2026, and comprehensive results are expected to be published during the

2026/27 financial year.

Already, the outlines of the findings are visible. Research by GreenCape and the Climate Policy Initiative found that the SA GFT has strong international alignment – but that two of its three core eligibility principles create practical difficulties in application. The ‘Do No Significant Harm’ and ‘Minimum Social Safeguards’ criteria are conceptually sound but operationally challenging without precise guidance. The FSCA has been clear that any future disclosure requirements linked to the taxonomy must be proportionate and user-friendly. The Climate Risk Forum is expected to be revived in 2026 to serve as the coordinating body for the taxonomy’s ongoing development.

### **Greenwashing: The FSCA’s response**

As the market for sustainable financial products expands, so does the risk that the word ‘sustainable’ becomes meaningless. Greenwashing, social washing and impact washing, the practice of overstating, misrepresenting or inventing sustainability credentials, are not hypothetical concerns. They are active market risks that erode consumer trust and undermine the credibility of the entire sustainable finance project.

The FSCA’s response operates on two tracks. For retail customers, the Authority is developing guidance that clarifies how existing legal obligations under Cisca, the FAIS Act, the Policyholder Protection Rules and the Conduct Standard for Banks apply

when firms make sustainability-related claims about financial products. This guidance will not create new rules, it will make existing rules work harder.

For large, listed entities, the FSCA is developing a phased approach to mandatory climate disclosure, initially anchored in IFRS S2, the International Sustainability Standards Board (ISSB’s) climate standard. This work is carefully sequenced with the national ISSB adoption roadmap led by the Department of Trade Industry and Competition (DTIC), and the FSCA is engaging licensed exchanges to incorporate ISSB-aligned expectations into listing requirements as an interim bridge.

### **Carbon credits: From policy to market**

South Africa introduced a carbon tax in 2019. What it has not yet built is a well-functioning, high-integrity domestic carbon credit market. National Treasury’s consultation paper maps the barriers frankly: cost and timeline challenges in project certification, inadequate registry and trading infrastructure, and regulatory uncertainty that suppresses investment. The most striking proposal is treating carbon credits as unlisted securities under the Financial Markets Act – a move that would bring them within regulated trading, clearing and settlement infrastructure and give the FSCA a well-defined supervisory role.

The FSCA’s Carbon Credit Market Working Group produced its own internal research

paper in November 2025, reviewing global market trends and assessing key integrity frameworks including IOSCO's good practices for voluntary carbon markets. The Authority is positioning itself not as a passive observer of this policy debate, but as an active participant with both a mandate for market integrity and a stake in South Africa's decarbonisation finance architecture succeeding.

### **Moving towards informed investing**

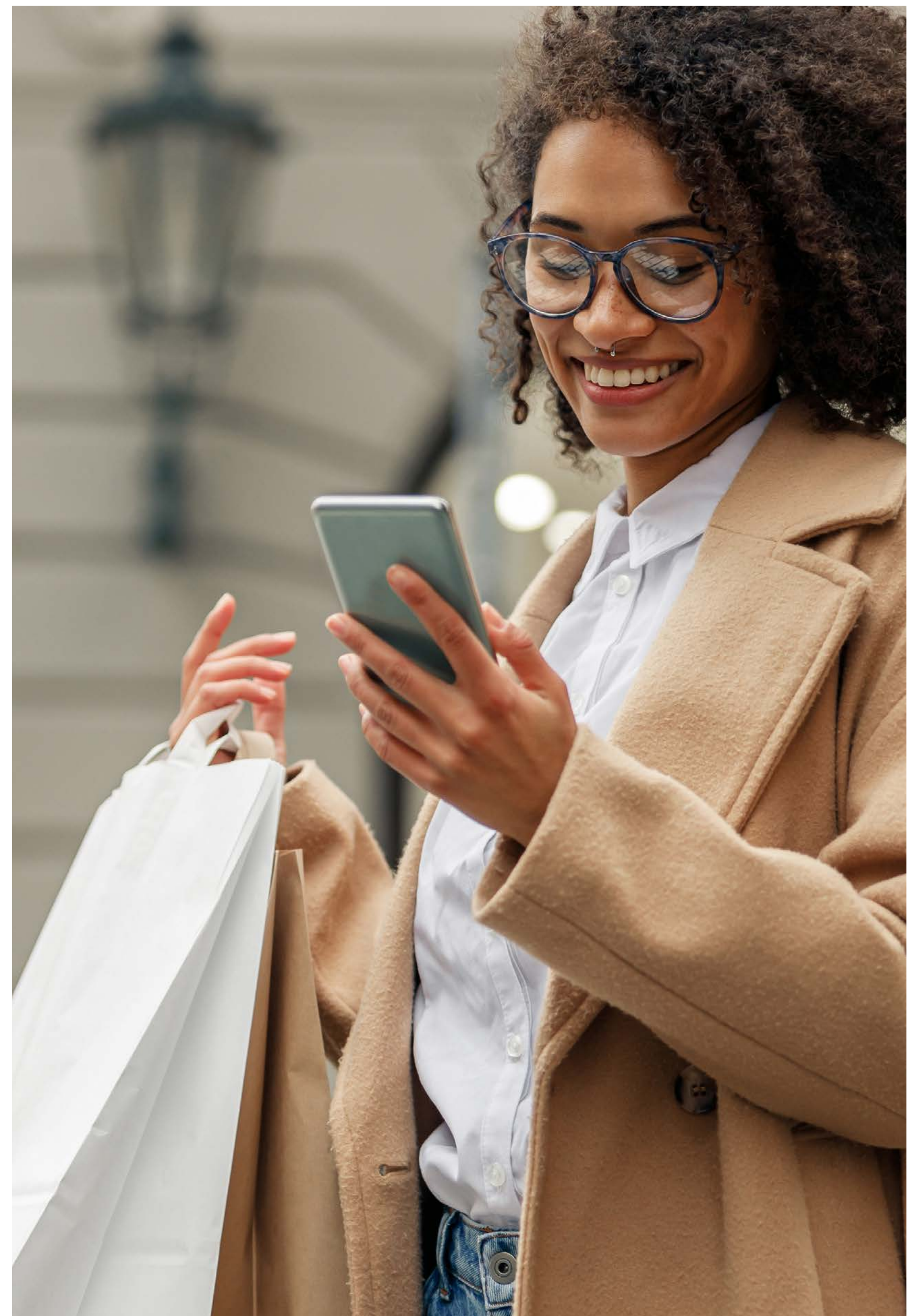
Regulation works best when the people it is designed to protect understand it. The FSCA's 2025 consumer survey produced findings that are simultaneously encouraging and sobering. An overwhelming 84,7% of respondents believe financial institutions should consider environmental and social impacts in investment decisions.

Nearly 95% want to learn more about how investments can create positive societal outcomes. Yet very few regularly seek out ESG-aligned products, and many are uncertain about how to identify them. There is, in other words, a gap between aspiration and action that no amount of regulation alone can close.

The FSCA's response is a campaign called "Investing in Tomorrow: Understanding ESG and Sustainable Finance," building on a 2025 digital awareness drive that generated a 66% spike in new users on the consumer education platform. The new campaign is designed to move consumers

beyond awareness and towards practical capability: the ability to read a sustainability claim critically, ask the right questions of an adviser, and recognise a red flag when they see one.

Alongside the campaign, the FSCA has partnered with the UN Principles for Responsible Investment and research house Kruthamto survey South African asset owners on their approach to responsible investment – work that will inform the Authority's thinking on institutional stewardship for years to come.



## 10 notable points from the FSCA Discussion Paper on ESG Ratings and Data Providers

The FSCA's Discussion Paper on ESG Rating Services and Data Providers forms part of the FSCA's Sustainable Finance Programme of Work. It summarises the FSCA's research progress, reviews regulatory approaches adopted in selected jurisdictions globally, presents feedback from surveys conducted with credit rating agencies and ESG ratings providers and invites stakeholder input on potential policy and regulatory options for South Africa. Here are some notable points from the paper.

### 1. Growing role of ESG

ESG rating services and data providers are increasingly central to sustainable finance, supporting investment decisions, risk management, stewardship, and sustainability disclosures.

### 4. IOSCO's 10 Recommendations

In November 2021, IOSCO published 10 recommendations for ESG ratings and data providers, covering four reform areas: transparency, governance, systems and controls, and conflicts of interest management.

### 2. FSCA's Programme of Work

This discussion paper sits under the FSCA's Sustainable Finance Programme of Work, specifically the Market Development pillar, with links to disclosure, reporting and assurance.

### 5. Survey of Credit Rating Agencies (2023)

The FSCA surveyed licensed CRAs in March 2023. Findings showed ESG factors were considered in credit rating processes, but ESG was not always embedded in organisation-wide strategy.

### 3. Two key shortcomings

The paper identifies two critical gaps: lack of transparency in ESG methodologies and data sources, and lack of clarity on how ESG rating providers operate, leading to inconsistent ratings for the same company.

### 6. ESG ratings market in South Africa

In August 2023, the FSCA surveyed 15 ESG ratings and data providers. Respondents served banks, asset managers, corporates, exchanges, and insurers and cautioned against a one-size-fits-all methodology.

## 7. Global regulatory landscape

Five key jurisdictions have responded to IOSCO's recommendations: the EU and UK adopted formal authorisation and supervision frameworks; Japan and Singapore opted for voluntary codes of conduct; India integrated ESG oversight into its existing CRA regulatory framework.

## 9. Three possible approaches for South Africa

The FSCA is consulting on three regulatory options: formal regulation (EU/UK model); a voluntary code of conduct (Japan/Singapore model); or incorporation into existing frameworks such as the Credit Rating Services Act (India model).

## 8. EU's preferred approach

The EU's ESG Rating Regulation, effective 2 July 2026 requires providers to notify European Securities and Markets Authority (ESMA) and seek authorisation, combining full supervision with comprehensive transparency and disclosure obligations.

## 10. Risk of over-reliance on ESG Ratings

IOSCO cautions against mechanistic over-reliance on ESG ratings, drawing a parallel to the excessive dependence on credit rating agencies that contributed to the 2008 Global Financial Crisis. ESG ratings should not be used as a sole basis for regulatory compliance.

The IOSCO and OECD recommendations will form the baseline to the FSCA's approach and therefore encompass minimum transparency about how ratings are produced, clear governance of the rating process, robust management of conflicts of interest, and meaningful engagement between providers and rated entities. These are the minimum conditions for a market in which the products being traded are worth trusting.

What remains open is whether soft measures will be enough to achieve the conditions, or whether South Africa needs the harder architecture of formal regulation to ensure that ESG ratings direct capital towards genuinely sustainable activities.



## Access is not enough

*By Reneilwe Mthelebofu, Communications Specialist (FSCA)*

South Africa has brought a significant number of adults into the formal financial system. Yet millions are over-indebted, unable to save and borrow funds to buy basic necessities. What does global evidence tell us about the gap between financial inclusion and genuine financial health and what must regulators do about this gap?

### **What do we mean by financial health?**

For two decades, the global development community measured financial progress by access: how many people held a bank account, how many had made a digital payment, and how many had borrowed from a formal lender. Those metrics have improved dramatically. Global account ownership rose from 51% in 2011 to an estimated 76% by 2024. South Africa reached 98% formal access, a remarkable achievement for an economy shaped by apartheid-era exclusion.

But access measures what the financial system extends, not what households actually experience. Financial health is the term the field has settled on for what really matters, whether people can meet their day-to-day needs, absorb an unexpected shock, build long-term security, and make financial decisions with confidence and agency. The Financial Health Network, which pioneered the framework, measures it through four

pillars: Spend (living within your means), Save (having buffers and long-term assets), Borrow (carrying manageable debt with a healthy credit profile), and Plan and Protect (holding insurance and planning for the future).

This is not a technocratic distinction. It reflects a theoretical shift with deep roots. Nobel laureate Amartya Sen's Capability Approach argues that human development should be evaluated not by what people possess but by what they are genuinely free to do and to be. A person with a bank account they cannot afford to save in, and a loan they took out to buy bread, has been granted access, not capability. Richard Thaler's behavioural economics work adds a second layer: even when people know what they should do financially, cognitive biases, present bias, and inertia prevent them from acting. Financial health policy must work with human psychology, not against it.

The G20's Global Partnership for Financial Inclusion formalised this shift in thinking with a landmark 2024 policy note, adopted for the first time under Brazil's presidency, establishing financial wellbeing as a formal G20 priority. Under South Africa's 2025 G20 Presidency, the follow-up deliverable was explicitly titled 'Moving from Financial

Access to Usage' - an acknowledgement, from the global body South Africa itself led, that access is necessary but nowhere near sufficient.

***“A person borrowing to buy food has been granted access - not capability.”***

### **Access without resilience**

Globally, the gap between access and health is wide and consistent. Singapore's Singlife Financial Freedom Index found that 44% of Singaporeans believe they will never achieve financial freedom. In Australia, nearly a third of adults report they are either just getting by or struggling. The Financial Health Network's 2025 data found that 70% of American workers remain financially unhealthy despite their employers spending trillions annually on wages and benefits.

The sharpest divergence is in savings rates. South Korea and Sweden maintain household savings rates above 25%, underpinned by strong social protection systems and mandatory savings architecture. The United States sits at 4,8%. Brazil and much of sub-Saharan Africa average close to zero percent. South Africa, as of the first quarter of 2025, is at -1,2%, households are spending more than they earn, on average, drawing down assets or taking on debt to fund consumption. This is not a temporary dip. South Africa has had a negative savings rate since the fourth quarter of 2022.

### **South Africa's financial health paradox**

The 2024 FinScope Consumer Survey, released in May 2025, documents the contradiction starkly. Despite near-universal formal access, 12 million South African adults are over-indebted. Seventy-five percent of those who borrowed in the past year did so to cover basic needs. Forty-three percent used credit to buy food, up three percentage points from 2023. Food security has declined continuously since 2014.

The National Credit Regulator's data for early 2025 shows that 36% of credit-active consumers have impaired records, and more than 22% are three or more months behind on payments. DebtBusters found that many debt-counselling applicants commit up to 75% of their income to debt repayments. Since 2016, cumulative inflation has eroded purchasing power by 42% for this group, while nominal incomes rose only 2%. Real take-home pay in 2023 was equivalent to 2017 levels.

These numbers cannot be attributed primarily to individual financial irresponsibility. When 43% of adults borrow to eat, the diagnosis is structural, incomes are insufficient relative to the cost of living, and credit has become a survival mechanism. South Africa's Gini coefficient of 0,63 is the highest in the world and together with unemployment rate of 31,9% (Q3 2025) form the upstream conditions from which the poor financial health outcomes flow.

The top 10% of the population holds up to 85% of total wealth. The bottom 50% holds between 4 and 7%.

The Two-Pot Retirement System, which came into effect in September 2024, illustrates both the promise and the peril of financial health reform in this context. Within 10 days of its launch, over 160 000 withdrawal applications had been submitted, totalling R4,1 billion. By October 2024, more than 1,2 million applications had released approximately R21 billion. Fifty-one percent of members used withdrawals to reduce short-term debt. Thirty-three percent used the funds for living expenses. The reform provided essential short-term relief and, in doing so, revealed the depth of the underlying financial distress.

### **What other countries are doing**

The United Kingdom's Financial Conduct Authority (FCA) introduced the Consumer Duty in July 2023, and it has since become one of the most referenced conduct regulatory innovations in the world. The Duty requires firms to demonstrate that their products and services deliver good outcomes for retail customers across four dimensions: product suitability, fair value, genuine consumer understanding, and effective support. Annual board-level consumer outcomes reports create formal governance accountability. The FCA's 2024 Financial Lives survey showed improved consumer trust following implementation.

Singapore's The Monetary Authority of Singapore (MAS) allocated fraud liability jointly between banks and telecoms providers through its 2024 Shared Responsibility Framework, reducing the cost of digital fraud on individual consumers and incentivising systemic prevention. India's Reserve Bank tracks its Financial Inclusion Index, now at 67,0 as of March 2025, incorporating access, usage, and quality dimensions, giving policymakers a composite measure to hold progress accountable. Brazil's Pix instant payment infrastructure, processing 63,4 billion transactions worth R\$27 trillion in 2024 and used by 76% percent of the population, demonstrates what regulator-designed public infrastructure can achieve at scale. Kenya's Digital Credit Provider Regulations (2022) show how extending conduct requirements to unregulated digital lenders protects the consumers most at risk.

### **What South Africa can do**

First, move from process compliance to demonstrated consumer outcomes and require firms to produce board-approved evidence that their products genuinely improve customers' financial health. Second, strengthen affordability assessment under the National Credit Act and extend conduct requirements to digital credit providers and Buy Now, Pay Later (BNPL) services before the current gaps in protection worsen. Third, monitor Two-Pot withdrawals by income segment and design countermeasures if retirement savings depletion among low-income members accelerates.

Fourth, redesign financial education around self-efficacy, and publish a standalone financial education strategy mandated by the FSR Act. Fifth, establish a National Financial Health Index integrating FinScope, NCR, SARB, and FSCA data into a single annual public measure aligned with the Global Partnership for Financial Inclusion (GPFI's) four-dimension framework. To compliment these, the country needs to develop a shared digital fraud liability

model, along Singapore's lines, to protect consumers from the digital scam epidemic that disproportionately targets financially vulnerable South Africans. Some of these initiatives are of course already in play but require accelerated effort.

*The real measure of the **effectiveness** of a financial system is not how many people it touches. It is how many lives it genuinely improves.*



# FSCA News Round Up

## Unathi Kamlana reappointed

Finance Minister Enoch Godongwana confirmed the reappointment of Commissioner Unathi Kamlana for a second five-year term, effective 1 June 2026 to 31 May 2031. Deputy Commissioners Katherine Gibson and Farzana Badat were also reappointed for further terms from September and December 2026, respectively. Deputy Commissioner Astrid Ludin stepped down at her own request on 31 May 2026 after five years of service; the process to appoint her successor is under way.

[Read more](#)

## FSCA warns the public against individual(s) impersonating the FSCA and its Deputy Commissioner Katherine Gibson

The FSCA warns the public to be cautious when dealing with individuals impersonating the FSCA and its Deputy Commissioner, Ms Katherine Gibson. The impersonators appear to be operating a “cloning scam”, where they assume the identity of the FSCA and Ms Gibson to defraud the public. The impersonators collect funds from members of the public with a false promise to facilitate payment of funds due to them.

[Read more](#)

## FSCA imposes administrative penalties on Brite Advisors South Africa (Pty) Ltd and Mr Nigel Green

The FSCA has imposed administrative penalties of R10 million on Brite Advisors South Africa (Pty) Ltd (FSP No 23719) (Brite) and R2,5 million on Mr Nigel James Green (Mr Green). The investigation revealed that Brite which was formerly known as deVere Investments South Africa (Pty) Limited, and deVere SA Acuma (Pty) Ltd, during the period 22 February 2010 to 1 August 2015 contravened various financial sector laws.

[Read more](#)

## FSCA withdraws South African Army Foundation’s FSP license, imposes penalties and debarment orders

The FSCA has withdrawn the authorisation of the South African Army Foundation (SAAF) to function as a financial services provider (FSP). In addition, the FSCA has imposed administrative penalties on Ms Maria Rosa Barros and Mr Angel Errol Ramphele, and issued debarment orders against both individuals.

[Read more](#)



# Events





## FSCA hosts IAIS Governance Working Group meeting in Cape Town

The FSCA and PA recently hosted the International Association of Insurance Supervisors (IAIS) Governance Working Group (GWG) meeting in Cape Town. This significant engagement brought together global experts to deliberate on critical issues shaping the future of international insurance supervision. By facilitating this important dialogue on South African soil, the FSCA continues to demonstrate its commitment to global cooperation and its active role in setting the standards that underpin a robust and stable financial sector.



The IAIS Governance Working Group focused on finalising policy development and supervisory governance standards as outlined in the IAIS Roadmap 2026-2027



The IAIS Governance Working Group convened in Cape Town on 27 and 28 May 2026



## Batseta Winter Conference 2026

From 1 to 3 June 2026, leaders from across Africa's retirement fund ecosystem gathered at Sun City for the 2026 Batseta Winter Conference. Under the theme "C° Africa, The Power of One Degree," the conference challenged delegates to consider how small, deliberate shifts in thinking, collaboration, and capital allocation can create transformative outcomes for Africa's economic future. On Day 2 of the conference, Zareena Camroodien, Head: Frontline Conduct Supervision at the FSCA, participated in a Round Table Discussion that provided valuable regulatory insights on retirement fund governance, trustee conduct, member outcomes, unclaimed benefits, and regulatory developments under the Conduct of Financial Institutions (COFI) framework.



The FSCA's exhibition stand attracted many visitors, including the Minister of Finance, Mr Enoch Godongwana. Lebogang Moche (left) and Reamogetswe Lesejane from the FSCA Communications Department welcomed the minister to our stand.



Website  
[www.fsca.co.za](http://www.fsca.co.za)