

## 1. Draft conduct standard on financial education initiatives

The Financial Sector Conduct Authority (FSCA) has issued a draft conduct standard on financial education initiatives.

The conduct standard will apply where a financial institution provides or offers a financial education initiative.

“Financial education initiative” is defined in the draft conduct standard as *“any financial education programme, or other activity promoting financial education or literacy”*.

“Financial education” is in turn defined as *“the process by which financial customers improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being”*.

The draft conduct standard sets out various requirements with which financial education initiatives must comply, whereunder the following:

- ⦿ A financial institution must have appropriate governance arrangements in place to oversee the design and implementation of financial education initiatives.
- ⦿ Financial education initiatives provided by a financial institution must enable natural persons and small, medium and micro-enterprises to make more informed decisions about their finances and financial health.
- ⦿ A financial institution providing virtual financial education initiatives must ensure that the virtual platform is appropriate for this purpose to ensure that the financial education initiative is effective.
- ⦿ The outcomes of financial education initiatives must be measurable, in order to, amongst other things:
  - demonstrate effectiveness; and
  - measure impact.



- ⌚ A financial institution must monitor and evaluate each financial education initiative to, amongst other things:
  - assess its effectiveness;
  - identify areas for improvement; and
  - collect data which can be used to promote programme success, encourage positive customer behaviour, influence desired behavioural changes and contribute to long-term skills development.
- ⌚ A financial institution may not use a financial education initiative or the learning content thereof for the marketing of a financial product or financial service.
- ⌚ A financial institution must report information relating to the provision of financial education initiatives to the FSCA. The manner of reporting is not set out in the conduct standard, and it is merely stated that the FSCA may determine the medium, form, manner, content and intervals for reporting by notice on its website.

The draft conduct standard is open for comments until 15 May 2023.

The conduct standard will come into effect nine months after the date of publication thereof.

## 2. FSCA's strategy for promoting the transformation of the financial sector

The Financial Sector Conduct Authority (FSCA) has on 30 March 2023 published its final strategy for promoting the transformation of the financial sector. This follows the publication of the draft strategy for public comment in February 2022.

The strategy aims to outline the FSCA's approach to promoting financial sector transformation:

- ⌚ within the existing policy framework, including the Financial Sector Regulation Act, and
- ⌚ under the future Conduct of Financial Institutions (COFI) Act framework

The COFI Bill, to be tabled in Parliament by National Treasury this year, contains key proposals to strengthen the powers of the FSCA in relation to financial sector transformation. These include making the promotion of financial sector transformation an explicit function of the FSCA, requiring all licensed financial institutions to have a transformation plan in place, and empowering the FSCA to take reasonable regulatory action against financial institutions that do not uphold transformation commitments as set out in their plans.



The strategy outlines how the FSCA will promote transformation within the current legislative framework (such as the Broad-Based Black Economic Empowerment Act and the Financial Sector Code) pending the finalisation of the COFI Bill, and how it will give effect to future proposals relevant to transformation once the COFI Bill is enacted.

Given that the legislative framework that specifically empowers the FSCA to promote transformation is still under development, the FSCA has adopted a two-phase approach to promoting transformation:

- ⦿ Phase 1 will focus on the role that the FSCA will play within the current legislative framework, i.e. the Financial Sector Regulation Act, the Broad-Based Black Economic Empowerment Act and the Financial Sector Code.
- ⦿ Phase 2 will focus on the role that the FSCA will play within the COFI Act legislative framework.

Key proposals in the 2020 draft COFI Bill that relate to transformation include:

- ⦿ promoting transformation is made an explicit function of the FSCA and the FSCA can issue conduct standards in this regard;
- ⦿ the COFI Bill requires entities to promote transformation in a manner reasonably consistent with their transformation plan, which plan should be aligned to achieving tangible targets based on targets in the Financial Sector Code; and
- ⦿ the FSCA can issue directives in relation to transformation plans and may use its supervisory and enforcement powers to ensure that a financial institution's governance frameworks, including in relation to transformation, are adequate and adhered to.

Actions that can be considered when financial institutions fail to meet the targets identified in their transformation plans could include:

- ⦿ meeting with the board of the institution and engaging on the importance of transformation as a national imperative;
- ⦿ requesting a remedial plan to address the shortcomings, which can take the form of an enforceable undertaking;
- ⦿ issuing a directive for non-compliance with an enforceable undertaking; and
- ⦿ issuing an administrative penalty for non-compliance with COFI Act transformation requirements, an enforceable undertaking or directive.

The FSCA will work in close collaboration with other relevant stakeholders, such as government departments and agencies with mandates to promote transformation, to ensure the successful implementation of its transformation strategy.



### 3. Amendments to ASISA Standards on cost disclosures

The Association for Savings and Investment South Africa (ASISA) has made minor amendments to the following ASISA Standards, which must be implemented by 30 June 2023 or earlier:

- ⦿ ASISA Standard: Retail Effective Annual Cost (EAC);
- ⦿ ASISA Retirement Fund Standard: Effective Annual Cost (EAC) for Individual Fund Members;
- ⦿ ASISA Standard: Retirement Savings Cost (RSC) Disclosure.

The amendments relate to a change in certain table headings.

*Retirement funds or other clients requiring more information should not hesitate to contact their consultant.*