

Role and purpose

The FSB is an independent institution, established by statute to oversee the South African non-banking financial services industry in the public interest, and fully funded by fees and levies imposed on this industry.

The FSB has a broad current mandate: to promote and maintain a sound financial environment. Equally, the FSB has a broad ambit covering all financial institutions and providers of financial services, excluding the banking sector which the South African Reserve Bank (SARB) supervises.

By including consumer protection and education in its mandate, the FSB is fundamental to the financial well-being of the country's financial consumers.



More information about this topic can be found on page 26.

After more than 20 years of regulating the non-banking sector of South Africa's financial services industry, the FSB has established itself as a reputable authority in this field, locally and internationally. Over the years, it has contributed to the stability of this industry while meeting its mandate of protecting consumers of financial products and services.

The FSB has developed and maintained a strong, effective presence in the regulatory field, in South Africa and internationally, while working closely with its counterparts elsewhere in Africa to establish solid regulatory frameworks.



More information about this topic can be found on pages 21 and 22.

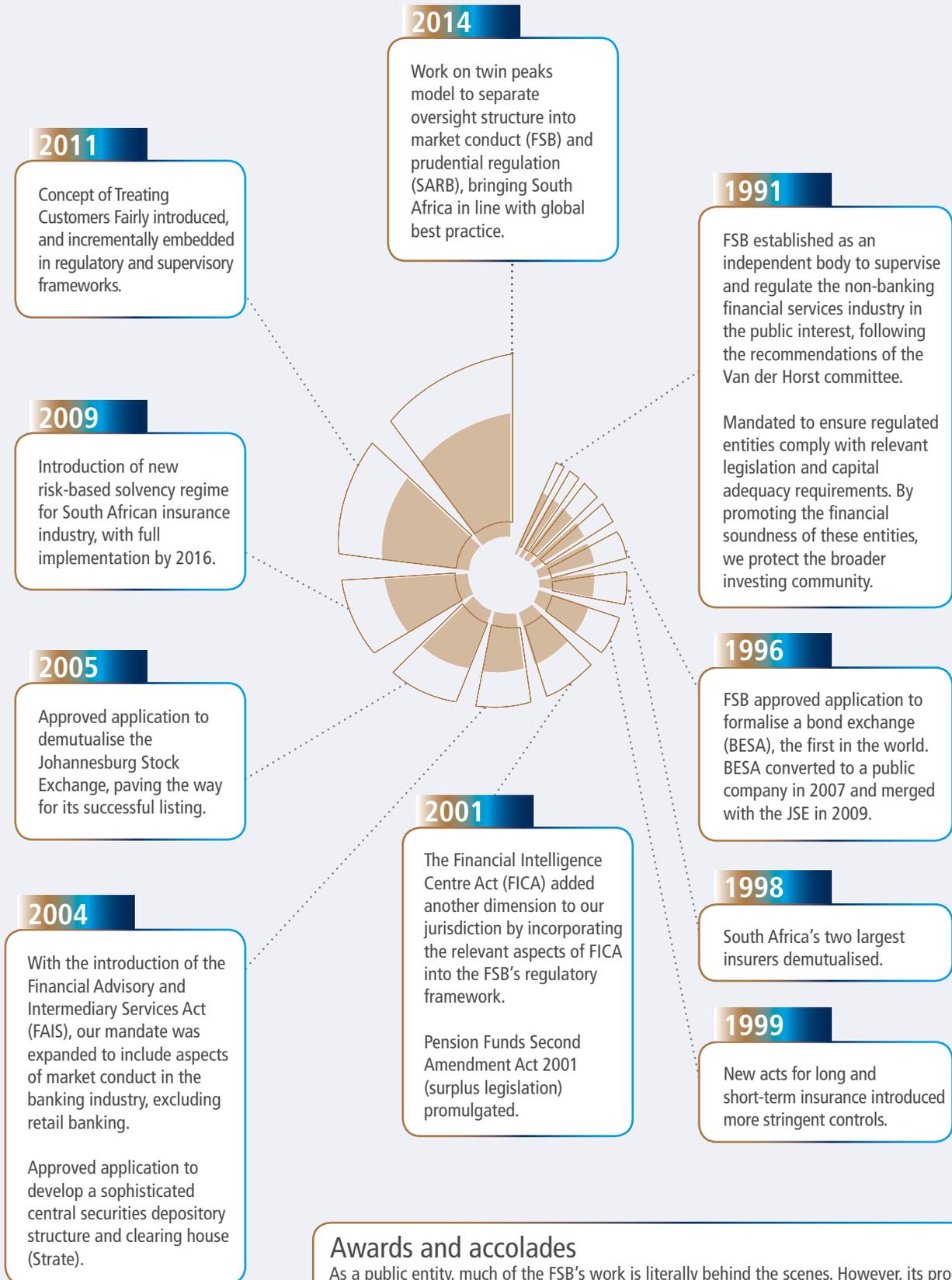
The FSB and its competent team have a sound understanding of regulatory issues and enjoy a good level of support and cooperation from the industries and institutions under supervision. This in turn has created the right platform for achieving efficiency and effectiveness, both in the specific context of its supplementary (supervisory and regulatory) role, and in the wider context of the public interest, promoting soundness and efficiency in financial institutions we supervise, and promoting investor protection.



Please refer to page 43 in the supplementary report for more information.

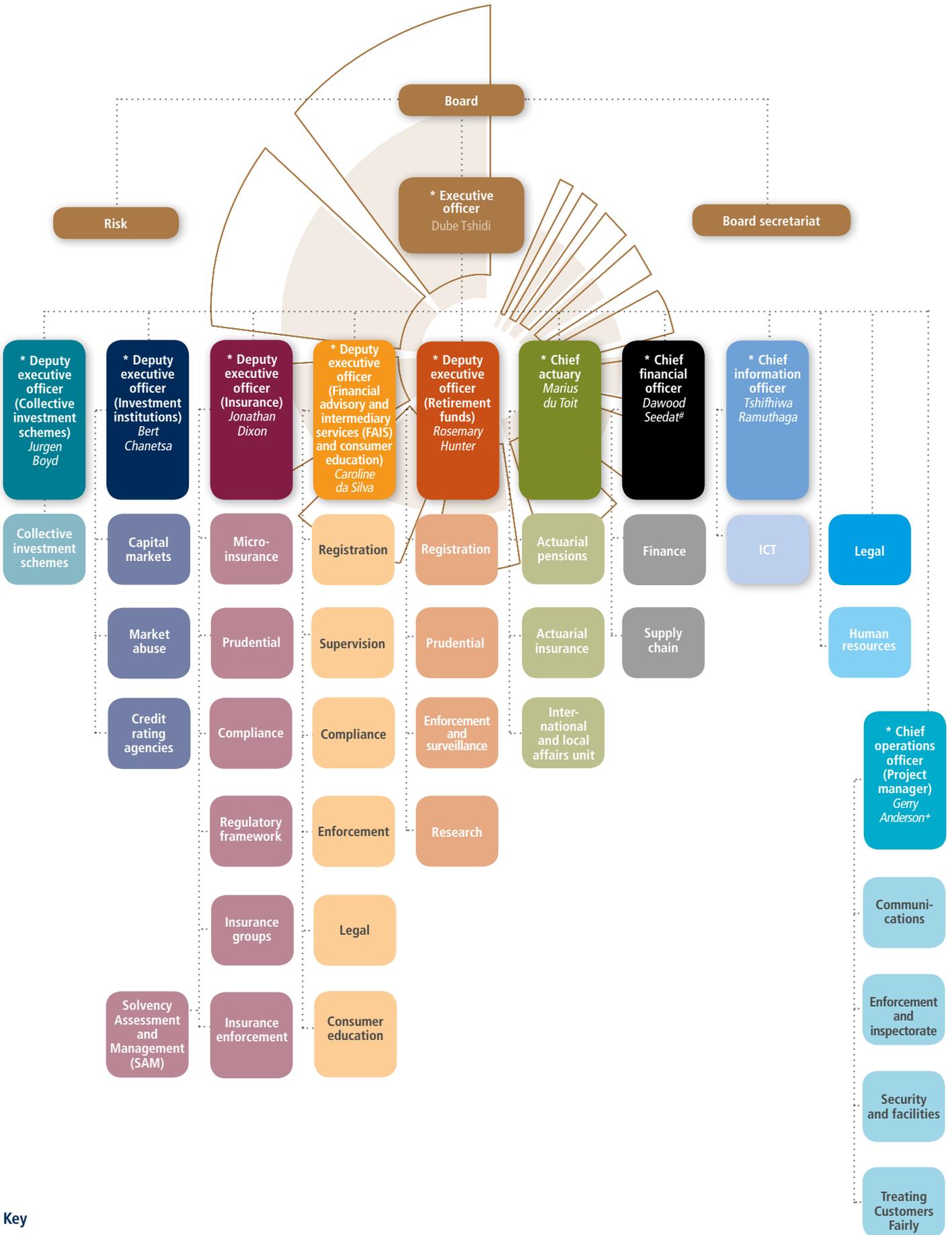


Key milestones



Organisational structure

for the year ended 31 March 2014



Key

* Exco member # Resigned post year end * Retired in period but contracted until November 2014

Departmental activities

Collective investment schemes

Ensures sound and transparent collective investment schemes for investor protection. Its responsibilities cover regulating and supervising collective investment schemes in securities, property, participation bonds.

Investment institutions

Capital markets

Ensures sound, efficient and transparent capital markets and related services for trading, clearing and settlement of securities, including appropriate mechanisms for investor protection. It is responsible for regulating and supervising specific market infrastructures:

- Exchanges: JSE Limited
- Central securities depositories: Strate Limited
- Clearing houses: Safcom Proprietary Limited, Strate Limited

Members of the JSE and Safcom, as well as Strate participants, are approved by the respective market infrastructures and not the FSB.

Market abuse

The directorate investigates cases of market abuse and enforces prohibitions against this type of practice under the Financial Markets Act 19 2012, for example insider trading, market manipulation and false reporting. Contraventions may be referred to the FSB's enforcement committee for action, or to the national prosecuting authority for criminal prosecution. The directorate may also apply to a court for an interdict or attachment order for any matter under this act.

Credit rating services

Drawing on recommendations of the International Organisation of Securities Commissions (IOSCO) and work undertaken by a number of international organisations, this department focuses on meeting G20 recommendations for regulating credit rating agencies by:

- Creating a globally consistent regulatory framework for credit rating agencies
- Mandatory registration of credit rating agencies.

Insurance

Supervises and enforces compliance with the long and short-term insurance acts through seven departments:

- **Compliance:** supervises the conduct of registered insurers in South Africa to protect policyholder interests, ensuring customers are treated fairly and acting against unregistered insurers.
- **Group supervision:** monitors the financial soundness and governance of the major registered insurers and all insurance groups in South Africa.
- **Prudential supervision:** monitors the financial soundness and governance of the remaining registered insurers (excluding those done by group supervision).
- **Microinsurance supervision:** focuses on the market conduct of long-term insurers that underwrite assistance business (funeral insurance) and development of a regulatory framework for microinsurance in South Africa.
- **Regulatory framework:** develops legislative and regulatory proposals, supports supervisory staff in applying the regulatory framework and conducts relevant research to improve the standard of regulation in line with international requirements and South African circumstances.
- **Enforcement:** manages required action against insurers not complying with relevant legislation.
- **Solvency Assessment and Management (SAM):** project manages the development and implementation of a new risk-based solvency regime for the South African long and short-term insurance industries, aligned with international standards.

Financial advisory and intermediary services (FAIS)

The FAIS division regulates financial service providers (FSPs) through specific departments:

- **Registration** manages new licence applications, profile changes, updating the central register, approving mandates and applications for discretionary and administrative FSPs, lapsing licences, queries on the status of any FSP's licence and liaising with the FSB's finance department on collecting levies.
- **Supervision** manages implementation of a risk-based approach to supervising FSPs, analysing financial statements and compliance reports, on-site visits to FSPs and compliance officers, and liaising with industry on changes to legislation.
- **Compliance** deals with complaints against FSPs that cannot be referred to the FAIS ombud, investigating the affairs of FSPs and regulatory action (suspension and withdrawal of licences).
- **Enforcement** manages the interaction between this division and the FSB enforcement committee. This includes preparing matters deemed necessary by the registrar of financial services providers to refer for possible administrative sanction. It also updates debarments and reinstatements on the central register.

Retirement funds

The retirement funds and friendly societies division is responsible for the licensing supervision, and enforcement of laws, relating to:

- Retirement funds excluding those funds subject to regulation and supervision in terms of specific statutes¹
- Retirement fund administrators, fund auditors, valuers, liquidators, principal officers and members of retirement fund boards
- Friendly societies.

We fulfil this function in terms of the PFA, regulations issued by the minister and subordinate legislation designed by the FSB in terms of the PFA. These empower us to monitor the financial soundness of funds and societies, conduct on-site visits to assess compliance with laws, address complaints and refer serious breaches of the law to the enforcement committee. We also grant exemptions, issue directives and provide guidance.

¹These include the Government Employees Pension Fund, Post Office Retirement Fund, Telkom Retirement Fund, Transport Pension Fund, Transnet Retirement Fund and Transnet Second Defined Benefit Fund.

Actuarial

The actuarial department mainly provides supporting service to the insurance and retirement funds divisions. Specific regulatory functions have been delegated to its pensions section, including:

- Analysis of actuarial valuation reports, consideration and approval of surplus apportionment schemes
- Consideration and approval of applications in terms of section 14 of the Pension Funds Act to ensure the scheme of transfer fully recognises the rights and reasonable benefit expectations of remaining and transferring members.

SUPPORT DEPARTMENTS

Consumer education

The consumer education department is mandated to enhance financial education, awareness and confidence across financial products, institutions and services. It is regarded as a leader in consumer financial education internationally.

This year marks a decade of consumer financial education delivered in a multifaceted approach that includes face-to-face presentations, train-the-trainer workshops, teacher and trustee development programmes, media interaction through published articles, radio, television and online environments. Topical booklets and brochures, teacher resources and articles are produced in various languages, and distributed across all nine provinces. These programmes occur in collaboration with other regulators and entities.

Behind these initiatives is an experienced team of professionals with postgraduate qualifications in education and community education. Collectively, team members speak more than seven languages and have over 50 years' experience in taking financial education and awareness to all South Africans.

For more information visit the FSB's first consumer website www.mylifemymoney.co.za – helping you make the most of your finances.

Inspectorate and enforcement

The FSB's inspectorate department is appointed by the registrar to investigate the affairs of financial institutions, associated institutions and unregistered operators. Its enforcement committee is an administrative tribunal with jurisdiction to impose penalties, compensation orders and cost orders against people who contravene any FSB law.

Treating Customers Fairly (TCF)

This business unit is coordinating development of the regulatory and supervisory frameworks required for the FSB's future market conduct mandate under twin peaks, including the outcomes-based TCF consumer protection frameworks envisaged in the related roadmap.

Human resources

To entrench the FSB as a preferred employer in a field almost entirely dependent on skills, we consider legislative compliance as a minimum standard. We strive for best practice in creating an attractive work environment that offers rewarding development opportunities for people determined to achieve their full potential.

Legal

A team of legal experts provides legal support to the supervisory divisions. It oversees curatorships and civil damages claims against the FSB, as well as other significant legal matters, and supports FSB departments in developing and reviewing subordinate legislation.

ICT

ICT governance ensures the FSB's technology investment is driven by business priorities. The board-approved ICT strategy comprises both business demand and the ICT supply portfolio generated by demand. Given the FSB's dependence on ICT, we have developed an ICT security and risk strategy which addresses issues identified as potential risks. Implementation of this strategy, including disaster recovery planning and testing, is monitored by the risk committee.

Communications

The objective of the communications department is to support the FSB's vision and mandate by building a positive image and reputation for the FSB through strategic relationships with internal and external stakeholders. This includes building sound relationships with all media, while brand awareness among consumers, regulated entities and other stakeholders is built through mass media advertising, research activities, managing our corporate identity, and management and training of the FSB and FAIS ombud call centre.

Board of directors



Abel Sithole
Chairperson (appointed 2002)

MBA (Wits), EDP (City Univ New York), BA (Lawrence), HED (Wisconsin), dip actuarial techniques (IISA), FILPA

Abel is the former president of the Institute of Retirement Funds South Africa and CEO of the Eskom pension and provident fund. He brings extensive industry experience to his role as chairperson of the FSB. He also spent 10 years in the insurance industry, specifically in corporate actuarial and employee benefits. He is currently deputy director of the Institute for Futures Research. Abel serves on the human resources, remuneration and legislative committees of the FSB.



Hilary Wilton
Deputy chairperson (appointed 2002)

BCom (Wits), MBA (Wits Business School), FCI

Hilary is head of risk management at Barloworld Limited, following an extensive career in the insurance industry (primarily short-term). She also served in various senior roles at Eskom for seven years. Hilary chairs the FSB risk management and remuneration committees, and serves on the human resources and audit committees.



Zarina Bassa
Non-executive
(appointed 2008)

CA(SA), ALP (Wharton, Univ Pennsylvania)

Zarina is executive chairman of Songhai Capital, and non-executive director of several blue-chip companies. She was an executive director of Absa Bank, partner at Ernst & Young, and chaired the Public Accountants and Auditors Board. Zarina brings extensive banking and finance experience to the board and as chair of the human resources committee of the FSB. She also serves on the risk management and remuneration committees.



Francois Groepe
SARB representative
(appointed 2012)

BCom (hons) (Stellenbosch), MBA (Stell), postgraduate diploma law (taxation) (UCT), LLB (Unisa), CMA

Francois is deputy governor of the South African Reserve Bank and has served on its board for 10 years, seven as a non-executive director. He chairs the South African Bank Note Company and South African Mint. Formerly group managing director and CEO of Media24, prior to that he was senior group controller at Swiss Re, based at its head office in Zurich. He is a chartered management accountant and advocate of the High Court of South Africa.



Olano Makhubela
National Treasury representative
(appointed 2010)

BCom (law) (KZN), BA (law) (Wits), BCom (hons) (economics) (Unisa), MSc (development economics)

Olano is currently the chief director of financial investments and savings at the National Treasury. He brings a wealth of experience as an economist to FSB board deliberations.



Jabu Mogadime
Non-executive (appointed 2004)

BA (Univ Botswana), MBA (Univ Wales), dip marketing (CIM)

Jabu is co-founder and executive director of Uranus Investment Holdings, a black-owned company primarily focused on the financial services and ICT sectors. She brings extensive financial and internal audit experience that includes municipal and public-sector bodies in South Africa and the auditor-general's office of Botswana and Zimbabwe. Jabu chairs the FSB audit and licensing committees and serves on the risk management committee.



Ismail Momoniati
National Treasury representative
(appointed 2010)

BSc (hons) and MSc (London School of Economics), MSc (maths) (Wits)

Momo was a mathematics lecturer at Wits University and joined National Treasury in 1995. He has been part of the team modernising the budget process after initially heading the division responsible for provincial and local government finances. He has driven key related governance legislation including the Public Finance Management Act and Municipal Finance Management Act.



Dudu Msomi
Non-executive (appointed 2010)

BA (hons) (Univ Natal), postgraduate dip advertising and marketing, postgraduate dip corporate governance, PMD and MBA (GIBS, Univ Pretoria)

Dudu is the founder and chief executive of Busara Leadership Partners, a consultancy focused on leadership, governance and strategy. She is a former deputy director of the Life Offices Association, and director of Saatchi & Saatchi Advertising. Dudu chairs the finance and investment committee of the Agricultural Research Council. She serves on the FSB's audit, licensing and litigation committees.



Hamilton Ratshefola
Non-executive (appointed 2010)

BCom (information systems) (Univ North West), IBM executive leadership (New York), IBM engineering school

Hamilton was co-founder and chief executive officer of Cornerstone Technology Holdings, a leading manufacturer and exporter of South African-made software. He has extensive local and global experience in the ICT field – both in the public and private sectors. He is currently the director of general business for IBM South Africa. He chairs the legislative committee and serves on the FSB's risk management committee.



Philip Sutherland
Non-executive (appointed 2002)

BCom LLB (cum) (Stellenbosch), PhD (Univ Edinburgh)

Philip has been professor of mercantile law for 10 years and now heads that department at Stellenbosch University. He serves on the governance committee of the Centre for Corporate Governance in Africa, and was a member of the Actuarial Governance Board for five years. Philip chairs the FSB's litigation committee and serves on the audit and legislative committees.



Diana Turpin
Non-executive (appointed 2010)

BBusSci (hons) (UCT)

Currently chairman of Fairbairn Capital Retirement Funds, a trustee of SIS Retirement Funds and a director of Nedgroup Collective Investments and the Shine Centre (non-governmental organisation focused on literacy). Di has been closely involved with key regulatory and structural developments in the financial services industry. She serves on the FSB's risk management, litigation and legislative committees.