KEY LEGISLATION AND REGULATION AFFECTING ALEXANDER FORBES

Regulation or legislation	Implications for business	Our position and response
Twin Peaks Model of regulation This model envisages shared regulation of financial institutions between the South African Reserve Bank (prudential) and the Financial Sector Conduct Authority (market conduct). The legislation to allow for the above, **the Financial Sector Regulation Bill**, is expected to be enacted in early 2016. In addition, we expect **further draft legislation regarding market conduct** to be released for comment in early 2016. The **Retail Distribution Review** (RDR) forms part of this initiative and proposed reforms to the regulatory framework for distributing financial products to customers.	The objectives of the model are to strengthen consumer protection and the regulation of market conduct, and to create a more stable financial system. Direct impacts on financial institutions may take the form of increased operational demands, increased or more interventionist regulation, increased compliance and change costs, and streamlining of industry watchdogs. The RDR may result in changes to distribution models and relationships as well as remuneration models.	We continue to stay abreast of developments and implementation while engaging in discussion on relevant issues through industry bodies when necessary. In addition, we provide direct response to the regulator where appropriate. We continue to investigate and act upon the changes required in order to keep abreast of these regulatory demands. Also see the **treating customers fairly** information on page 43.

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Regulation or legislation	Implications for business	Our position and response
Treating customers fairly (TCF) TCF is the Financial Services Board's regulatory framework to regulate market conduct and centres on embedding fairness in all aspects of customers' experience with the company. Six specific outcomes guide the framework.	Compliance with TCF requires the group to demonstrate that the envisaged TCF outcomes are firmly embedded at all levels (and at all stages of the customer relationship). We must also identify and manage the risks of unfair customer treatment and demonstrate improvements in customer treatment (related to fairness). The group will further be required to have controls and measures in place to evidence delivery of the six fairness outcomes. Implementing TCF throughout our business entails considerable investment in terms of financial, human and IT resources. The risks of unfair customer treatment are substantial. While the implementation of TCF is an ongoing work in progress, we have made substantial progress in recent years years and have come to a greater appreciation of the material opportunities that TCF holds for our customers and our group.	While ultimate accountability for TCF remains with the board, chief executive and senior management team, the process of embedding TCF into the Alexander Forbes culture has made it the responsibility of each staff member. There is a growing understanding of the practical impact of day-to-day work on customers' experience of fair outcomes. In 2014/15 we made positive progress on the implementation of TCF, which progress was reflected in the performance scorecards of management and relevant employees. Key highlights included: 1. **Complaints management:** We established a complaints management policy along with new processes and procedures to meet international complaints handling standards. To support this we designed and developed a new complaints management system which also caters for the reporting of complaints against the six TCF outcomes, as well as detailed monitoring of turnaround times. 2. **Gap closure:** We closed 100% of TCF gaps prioritised for closure during this period. In certain business areas we exceeded targets. This work is tracked by our gap management system and proof of gap closure is stored in our evidence library. 3. **Management information and action:** We continued to implement new, more suitable measures of TCF delivery and produced multiple reports per functional area, monitoring how well we are achieving each of the six outcomes. Ongoing improvements are actioned and reported to executives who review dashboard summaries and interrogate issues where required. 4. **Training and awareness:** Over 2 500 employees received refresher training on TCF and were required to pass assessments, for which the average score was over 85%. 5. **Risk management:** We reviewed all existing risks to evaluate how they impacted on fair outcomes for customers, in particular which outcomes were affected. 6. The ambition informing our new 2016 to 2020 group strategic intent embodies the principles underlying TCF. (Also see our chairman's statement on page 29 and our various operational reviews on pages 53 – 62.)

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Regulation or legislation	Implications for business	Our position and response
The Protection of Personal Information Act (POPI Act) The POPI Act is a comprehensive privacy and data protection piece of legislation. It is applicable to us where we collect and process personal information and thus has widespread applicability in our environment. The legislation is enacted but the operative/compliance provisions await an effective date. Responsible parties will have one year from the effective date to become compliant. Where we process personal information we are required to adhere to conditions set out in the POPI Act, including the requirement that personal information may only be collected for a specific purpose. In addition, we must ensure that personal information is secured and must comply with provisions related to special personal information, children's information, account numbers, direct marketing and transborder flows of information.	The POPI Act has far-reaching implications for the business and requires interrogation of all high-level processing of personal information. In addition, we will be required to gather information, analyse for gaps and plan and implement compliance changes across all parts of our group within a relatively short time. The cultural evolution required to meet the POPI requirements also requires attention. Policies, procedures, systems, IT, business and physical security safeguards, procurement and operators, human resource management and many more areas are and will be interrogated and impacted. There are obviously resourcing implications for budget and people in order to prepare for this legislation.	Our POPI project is well underway and has put in place mature and functioning governance structures and project management. We have performed high-level risk and effort assessments and begun those subprojects identified as requiring high levels of effort and time. The various businesses are well advanced with their data gathering in order to do a thorough and more in-depth analysis of gaps. Various cross-group initiatives related to security of information and structures are well underway. Training and awareness are an integral part of this project in order to further develop a strong cultural response toward the protection of personal information.
Solvency Assessment and Management (SAM) This legislation will be enacted through the Draft Insurance Bill and various board notices. Draft legislation was released on 17 April 2015 for industry comment by 29 May 2015 and was expected to be tabled in Parliament in June 2015.	Through three pillars, SAM introduces a risk-based supervisory regime where solo entities and groups alike are required to hold capital requirements that speak to their underlying risks. SAM provides incentives for adopting more sophisticated risk monitoring and management tools. By ensuring better risk management, SAM is expected to lead to a safer insurance industry and, ultimately, a more stable financial system given the highly interconnected nature of the South African financial sector. SAM is also expected to enable the provision of affordable insurance to low-income households.	Our implementation and embedding of SAM is at an advanced stage and on track for the legislation enactment date of 1 January 2016. **Pillar I:** Financial reporting systems have been aligned to produce timely results that are sufficiently granular to expedite the results needed for accurate regulatory capital calculations. **Pillar II:** Governance structures and policies have been adopted by the board and are in operation with clear strategic goals. The group's first mock own risk and solvency assessment (ORSA) report will be submitted to the FSB by 31 August 2015. **Pillar III:** Requirements are expected to be available only in 2016.

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Regulation or legislation	Implications for business	Our position and response
Financial Advisory and Intermediary (FAIS) Act The FAIS Act was enacted to protect consumers who use financial services and products and to ensure that this is done in a competent and open manner, to monitor that the provision of such services and products is properly regulated and to regulate the selling and advice-giving activities of financial services providers (FSPs).	The impact of the FAIS Act has been a positive one in that it aligns to our corporate culture, allowing us to be more transparent with all relevant stakeholders. The FAIS Act introduced requirements relating to licence conditions, fit and proper requirements, compliance officers, record keeping and complaints resolution among others, all designed ultimately to ensure that we act with due care, diligence and in the interests of the client.	Authorised FSPs within the group are licensed to provide advice and intermediary services. Compliance officers, key individuals and representatives have been appointed in accordance with the fit-and-proper regulations so as to ensure we are able to provide the best advice and service to our clients. Compliance audits and training are conducted annually to ensure that we are compliant and that all relevant parties understand what their roles and obligations are, towards the company, intermediaries and clients.