

**ROADMAP FOR THE ROLL-OUT AND
IMPLEMENTATION OF CROSS-SECTORAL
CONDUCT OF BUSINESS RETURN
(OMNI-CBR)**

JUNE 2022

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1 PURPOSE

1.1 The purpose of this document is to provide an overview of the development of the cross-sectoral Conduct of Business Return (Omni-CBR) planned for financial institutions by the Financial Sector Conduct Authority (FSCA) as well as to provide details of the industry engagement process to be undertaken prior to the finalisation and implementation of the Omni-CBR.

1.2 The document, among other things:

- Provides background on the objectives and intended outcomes of the Omni-CBR for the financial sector and the FSCA;
- Highlights the extensive local and international foundational work that helped inform the approach and content of the Omni-CBR;
- Sets out the envisaged engagement and implementation milestones to facilitate an incremental phasing in of harmonised conduct of business reporting across the financial sector;
- Provides a high level overview of the type of data requested in the Omni-CBR; and
- Confirms the immediate next steps in respect of Phase 1 of a multi-year consultation process leading up to the finalisation of the Omni-CBR.

1.3 **Annexure A** to this document contains the draft Omi-CBR template that will form the basis of the upcoming industry consultation process. This will be supplemented by a three-part webinar series containing very detailed information on the contents and structure of the draft Omni-CBR.

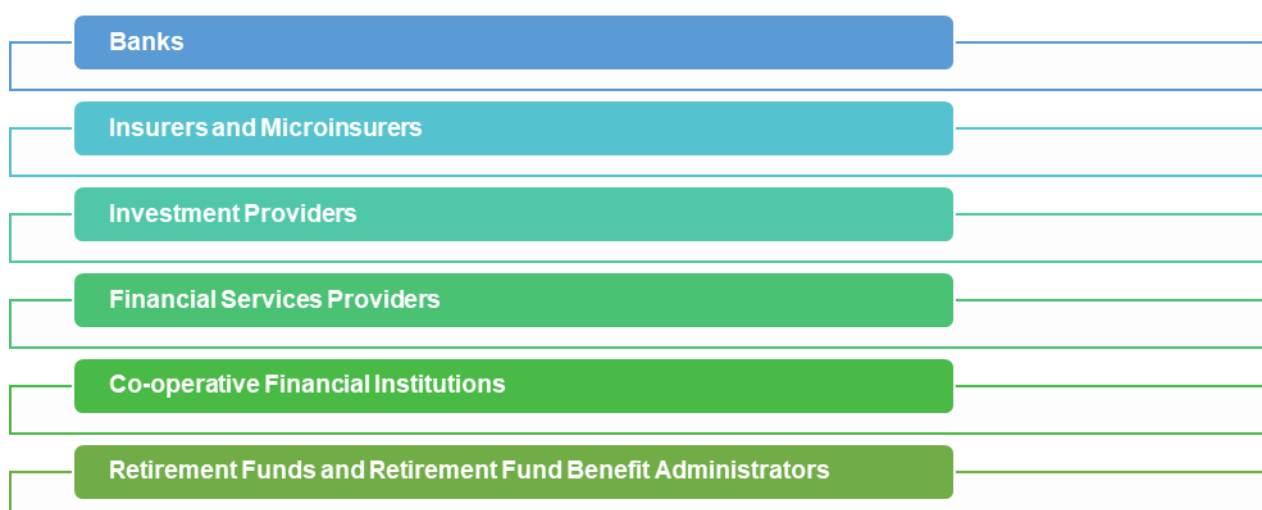
2 BACKGROUND TO THE DEVELOPMENT OF THE OMNI-CBR

2.1 Established as a dedicated market conduct regulator in terms of the Financial Sector Regulation Act, No. 9 of 2017 (FSR Act), the objectives of the FSCA include, among others, to:

- Enhance and support the efficiency and integrity of financial markets; and
- Protect financial customers by promoting their fair treatment by financial institutions.¹

¹ Section 57 of the FSR Act.

- 2.2 To achieve its objectives, the FSCA is required to monitor the extent to which the financial system is delivering fair outcomes to financial customers, with a focus on the fairness and appropriateness of financial products and financial services and the extent to which they meet the needs and reasonable expectations of financial customers.²
- 2.3 As outlined in the FSCA’s inaugural Regulatory Strategy (2018-2021) published in 2018, in order to monitor whether the financial system is delivering fair outcomes to customers, the FSCA needs access to meaningful, reliable, measurable and comparable information on key conduct indicators across financial institutions.³ To give effect to this the FSCA embarked on a multidisciplinary project to facilitate a process for detailed and consistent conduct of business reporting by financial institutions in future.
- 2.4 The FSCA has adopted an incremental approach to the implementation of this type of reporting. To date, conduct of business statutory reporting has only been formally implemented in respect of insurers. Building on the extensive work done and insights gained during the roll-out of the insurance conduct of business returns, the FSCA’s supervisory team has more recently been working on the development of a broader Omni-CBR.
- 2.5 The Omni-CBR is intended to facilitate streamlined cross-sectoral reporting and sets out the types of conduct indicators that will need to be reported on in future by the following financial institutions:



- 2.6 The Omni-CBR forms a key part of the FSCA’s off-site supervisory toolkit and reflects

² Section 58(1)(i) of the FSR Act.

³ [Regulatory Strategy of the Financial Sector Conduct Authority: October 2018 to September 2021](#) at page 41.

the FSCA's increasing focus on embedding an evidence-based and data-driven approach to regulation and supervision as highlighted in the FSCA's new Regulatory Strategy (2021-2025) published on 14 December 2021.⁴ This approach will assist the FSCA to be more proactive and pre-emptive in promoting the embedment of good conduct and fair customer outcomes, and improve responsiveness to potential conduct risks, consistently across the financial sector.

3 PHASED APPROACH TO ROLL-OUT AND IMPLEMENTATION OF THE OMNI-CBR

3.1 The FSCA is embarking on a multi-year consultation and implementation process aimed at reaching a steady state of full and complete conduct of business reporting on a quarterly basis across the financial sector by June 2026.

3.2 The FSCA recognises the potential resource, data and system development implications of this type of ongoing reporting for financial institutions as well as the FSCA itself. The FSCA is further mindful that different institutions may face different challenges in arriving at the appropriate state of readiness required for full and complete reporting, depending on the nature, size and complexity of their businesses. Therefore, the consultation process in the lead up to the implementation of the Omni-CBR will focus not only on the contents of the return but also, importantly, on the potential systems and operational impacts thereof.

3.3 The roll-out and implementation of the Omni-CBR will consist of four phases over a four-year period (June 2022 – June 2026) as illustrated below:

PHASE 1 (2022) CONSULTATION ON TERMINOLOGY AND DATA REQUIREMENTS

- Webinars to explain the Omni-CBR and roll out plan
- Industry engagement workshops per sector
- Written comments

PHASE 2 (2023) ASSESSMENT OF SYSTEMS AND OPERATIONAL IMPACT

- Industry pilot reporting to assess systems and operational impact
- Alignment with internal FSCA systems and digital transformation developments
- Consideration of potential further regulatory harmonisation and COFI impacts

PHASE 3 (2024) TWO-YEAR TRANSITIONAL REPORTING

- Incremental reporting on a best effort basis
- Proportional phasing-in based on readiness of different sectors and entity types (large, emerging, small)
- Two-year transitional period

PHASE 4 (2026) STEADY STATE POST COFI FINAL IMPLEMENTATION

- Full and final statutory conduct reporting across all sectors on a quarterly basis

⁴ [FSCA Regulatory Strategy 2021-2025](#).

3.4 Further details on the breakdown of specific activities during each phase of the roll-out plan are discussed in the three-part webinar series to be posted on the FSCA's YouTube channel as an accompaniment to this document.

4 FOUNDATIONAL WORK THAT INFORMED THE CONTENT AND APPROACH OF THE OMNI-CBR

4.1 The conduct risk indicators contained in the draft Omni-CBR template were informed by various data sources, such as the FSCA's ongoing supervisory activities, complaints information, risk information shared between the various financial sector regulators and ombudsman offices, industry trends, local and global regulatory developments and international best practice.

4.2 Many of the risk indicators were designed largely around existing sector based regulatory requirements. However, it is important to highlight that the return is intended to be forward looking and also considers key financial sector regulatory reforms currently underway such as the FSCA's sector-based regulatory harmonisation project, development of the Conduct of Financial Institutions (COFI) Bill and outstanding proposals from the Retail Distribution Review (RDR).

4.3 The FSCA is also currently working with the Prudential Authority (PA) on an industry data taxonomy project to agree on an extensive, but not exhaustive, list of terminologies common to the reporting requirements of both Authorities to help ensure alignment and minimise definitional inconsistencies where possible.

4.4 The draft Omni-CBR template was also benchmarked against the following international requirements:

- Reporting requirements introduced by the Australian Securities and Investments Commission (ASIC);
- Annual return for retail intermediaries developed by the Central Bank of Ireland;
- Requirements for registering and reporting of intermediaries developed by the Financial Markets Authority (FMA) in New Zealand;
- Consumer outcomes data being collected by the Financial Conduct Authority (FCA) in the United Kingdom;

- Recommendations by the International Monetary Fund (IMF) emanating from the Financial Sector Assessment Program (FSAP) evaluation conducted in South Africa in 2020;
- Recommendations from the Financial Action Task Force's (FATF) Mutual Evaluation Report on South Africa's approach to anti-money laundering and combatting the financing of terrorism (AML/CFT);
- Recommendations from the International Organisation of Securities (IOSCO) on portfolio level information for investments; and
- Insurance Core Principles (ICPs) and supporting material developed by the International Association of Insurance Supervisors.

4.5 In developing the Omni-CBR, the FSCA also participated in a pilot project undertaken in South Africa by the Consultative Group to Assist the Poor (CGAP). The pilot project tested a customer outcomes indicator framework together with the FSCA and five voluntary financial institution participants, which included intermediaries, banks, and insurers. Useful learnings from the pilot project included a deeper understanding of how to collect and analyse data for the purposes of evaluating outcomes in the sector and the importance of conducting trends analysis. Most of the key customer indicators proposed in the pilot framework have also been included in the draft Omni-CBR. These indicators focus primarily on testing the embedment of fair customer treatment during all phases of the financial product life cycle and can provide important insights into the overall culture of a financial institution.

5 HIGH LEVEL OVERVIEW OF DATA REQUESTED IN THE OMNI-CBR

5.1 As mentioned earlier, a three-part webinar series will be posted on the FSCA's YouTube channel following the publication of this document. The webinar series contains extensive detail and guidance on the contents, structure and format of the draft Omni-CBR template. This includes explanations of the general information that will be required from all financial institutions as well as specific data requirements for different sectors based on individual customisation of the template depending on the entity that is completing the return.

5.2 The draft Omni-CBR template is contained in an Excel spreadsheet (**Annexure A**) that is composed of several tabs. All financial institutions will be required to submit baseline information in response to a general set of questions contained in the "All Sheets" tabs of the return. More specific information relevant to different sectors is requested in the

“Additional Business Composition” tabs specific to each sector.

5.3 Below is an overview of the structure and contents of the draft return:

5.3.1 Introduction sheet

This is the first sheet in the return and needs to be completed to ensure that the correct sheet is linked to the correct financial institution. All fields need to be completed or the return will not be accepted by the FSCA.

5.3.2 Company information sheet

All financial institutions will be required to provide the following information:

- Names of shareholders;
- Names of directors;
- Business address;
- Location of branches;
- Customer type/s;
- Nominated Persons/Contact Persons;
- External auditors; and
- Details of any foreign jurisdictions in which the institution may operate.

Collective Investment Schemes and Hedge Fund Managers will also be required to indicate the number of portfolios as a separate tab needs to be completed for each portfolio.

The second table on the sheet relates to sector information and here the financial institution needs to indicate what type of financial institution it is. After this step, the specific activity table applicable to that sector will appear. This is the second step in the customisation process.

The activities identified in the third level of the activity table on this sheet include some of the proposed activity categorisations contained in the current version of the draft COFI Bill. The intention of this is to start obtaining activity-based information from financial institutions. The activity selection on this level will not influence the customisation of the return. The activity categories that have been included will be refined over time to align with developments in respect of the COFI Bill.

Once the “Activity Information” table has been completed, the financial institution will need to click on the “customise” link to generate a customised version of the return.

Certain financial institutions, i.e. banks, insurers and microinsurers, co-operative financial institutions and investment providers, will have to do a further customisation on their product specific sheet. After completing the product sheet, the financial institution will need to click on the “customise” link again to generate questions for information that is required on a product level.

5.3.3 Instructions and terminology sheet

This sheet contains a few basic instructions to assist financial institutions to complete the return correctly.

It must be noted that the terminology sheet is not designed to explain all the terms used in the return. The purpose of the terminology sheet is to provide clarity on certain terms used in the return that are not defined in existing legislation. Where terms are already defined in existing legislation, these existing definitions would apply to the return. Comments are requested on the level of clarity and interpretational challenges relating to any new or unfamiliar terms that are specifically defined in the return to ensure consistent understanding across the financial sector.

5.3.4 All sheets (Retail and Business)

Financial institutions will be required to indicate whether their focus is on retail or business customers, or both.

The distinction between “retail” and “business” in the draft return has not been completely aligned to the definition currently proposed in the COFI Bill. This was done to avoid confusion and to cater for the current legislative framework, which contains some definitional limitations in respect of certain sectors.

It is mandatory for financial institutions to complete the target market segmentation questions in the return. Insurers should note that this is a different approach from the current Insurance CBRs. The rationale for making these questions mandatory is to ensure that the information provided is comparable across financial institutions and sectors.

Segmentation by age has been chosen for retail customers as it is expected that financial institutions should have ready access to this information, which should be relatively simple to update on an ongoing basis. However, please note that this is not the only information that will be relied on to understand a financial institution’s target market and suitability of products and services in this regard. Other indicators in the return will be cross-referenced and assessed to test the financial institution’s knowledge and understanding of its target market.

Annual revenue or fund value has been used as a segmentation category for business customers. Similar to age for retail customers, it is expected that for business customers annual revenue or fund value information should be readily available and easy to update on an ongoing basis.

Under the “All sheets” tab, all financial institutions will be required to provide information relating to the following themes:



More detailed explanations of the different themes highlighted in the above graphic are provided in the three-part webinar series mentioned earlier.

However, since the draft return contains “All Business Composition” sheets and “Additional Business Composition” sheets, which form the biggest part of the

submission for most financial institutions, a more detailed explanation of these particular focus areas is provided below.

5.3.5 All Business Composition sheets

These sheets are divided into the following sections:

- Business Composition; and
- Product Performance.

The Business Composition section requires financial institutions to provide the following:

- total number, value and type of financial products and services as at the end of the reporting period;
- details about the financial customers for whom the financial institution provided financial products and services to distinguish financial customers from other customers who may have been provided with non-financial products and services by the institution during the reporting period;
- details about the various distribution channels utilised by the financial institution;
- breakdown of the financial institution's various revenue streams, including additional costs, interest, and fees charged in relation to the products sold and services rendered;
- the size of the financial institution's customer base, value of the financial institution's books of business and/or the assets under management to determine the potential impact and market share of the financial institution relative to other financial institutions;
- details on the financial institution's quality assurance processes to test the level of embedment of fair customer outcomes across the financial product lifecycle;
- details relating to the financial institution's progress in respect of transformation and inclusion objectives;
- details about the financial institution's insurance cover, e.g. indemnity/fidelity and/or other guarantees held by the financial institution to assess potential customer exposure in the event of a major loss suffered by the institution; and

- details about the different types of third party agreements entered into by the financial institution to assess potential business model and/or outsourcing risks posed to customers.

The Product Performance section focuses on the following:

- details about the type, number and value of product-related instructions received by the financial institution and whether different customers are treated differently based on specific criteria;
- details about the costs to customers when utilising different distribution channels to obtain a holistic view of the costs associated with different channels and platforms relative to the take-up and accessibility of products and services to customers. Information provided here will be linked to information obtained from the Complaints and Governance sheets in respects of costs associated with the use of various communication, queries and complaints channels; and
- certain customer behavioural information, including the extent to which debit order payments are being reversed by customers.⁵

5.3.6 Additional Business Composition sheets for specific sectors

Each sector will have its own “Additional Business Composition” sheet/s to cater for different types of financial institutions and product types applicable to that specific sector.

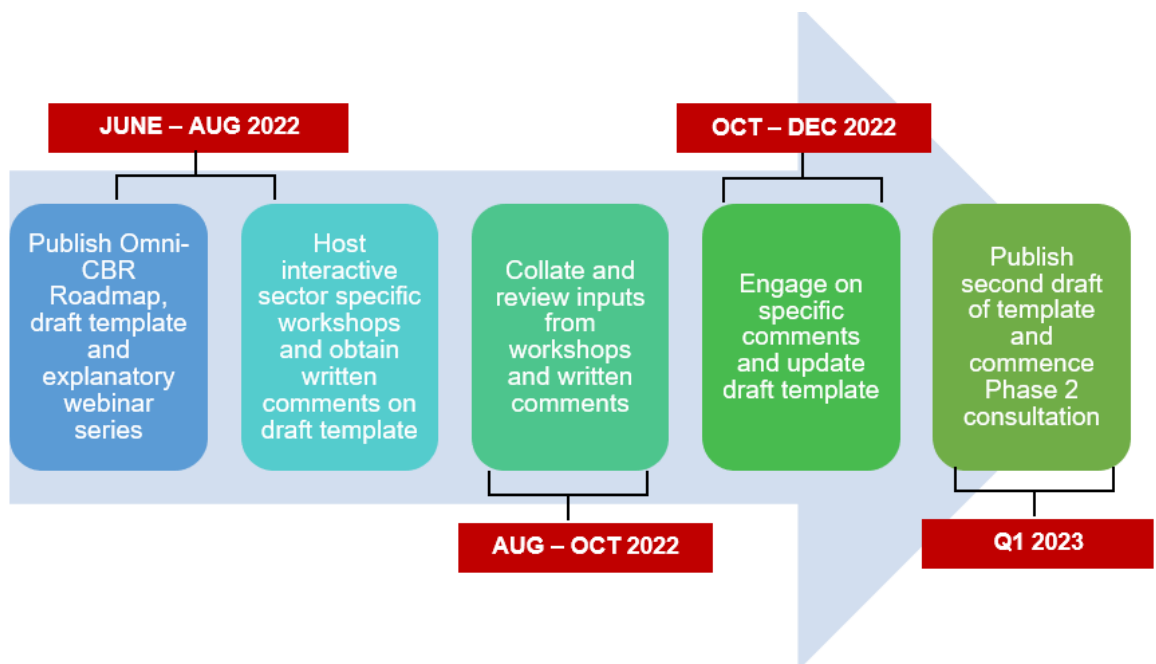
The following factors were considered when developing the additional sheets:

- proportionality in respect of the availability of data and level of maturity of conduct risk embedment in a specific sector;
- the need to obtain specific risk indicator information that may only apply to financial institutions in a specific sector and not across all sectors that will be reporting through the Omni-CBR; and
- the frequency at which certain information needs to be obtained depending on the risk profile of financial institutions in a particular sector, e.g. certain governance information may need to be obtained on a quarterly basis from one sector whereas it may be sufficient for the same information to be obtained on an annual basis from another sector.

⁵ It is worth noting that the need for this information may fall away in the future with an increase in the usage of the Debicheck system that allows a customer to electronically approve debit order payments.

6 PHASE 1: IMMEDIATE NEXT STEPS

Below is the envisaged timeline for Phase 1 of the roll-out and implementation of the Omni-CBR:



7 ENQUIRIES

For any queries relating to the information contained in this document please send an email to FSCA_Omni_CBR_Comments@fsca.co.za.

Please note that further details about the explanatory webinar series and scheduling of the interactive sector specific workshops are provided in the covering communication to this document.

Attachments:

ANNEXURE A