

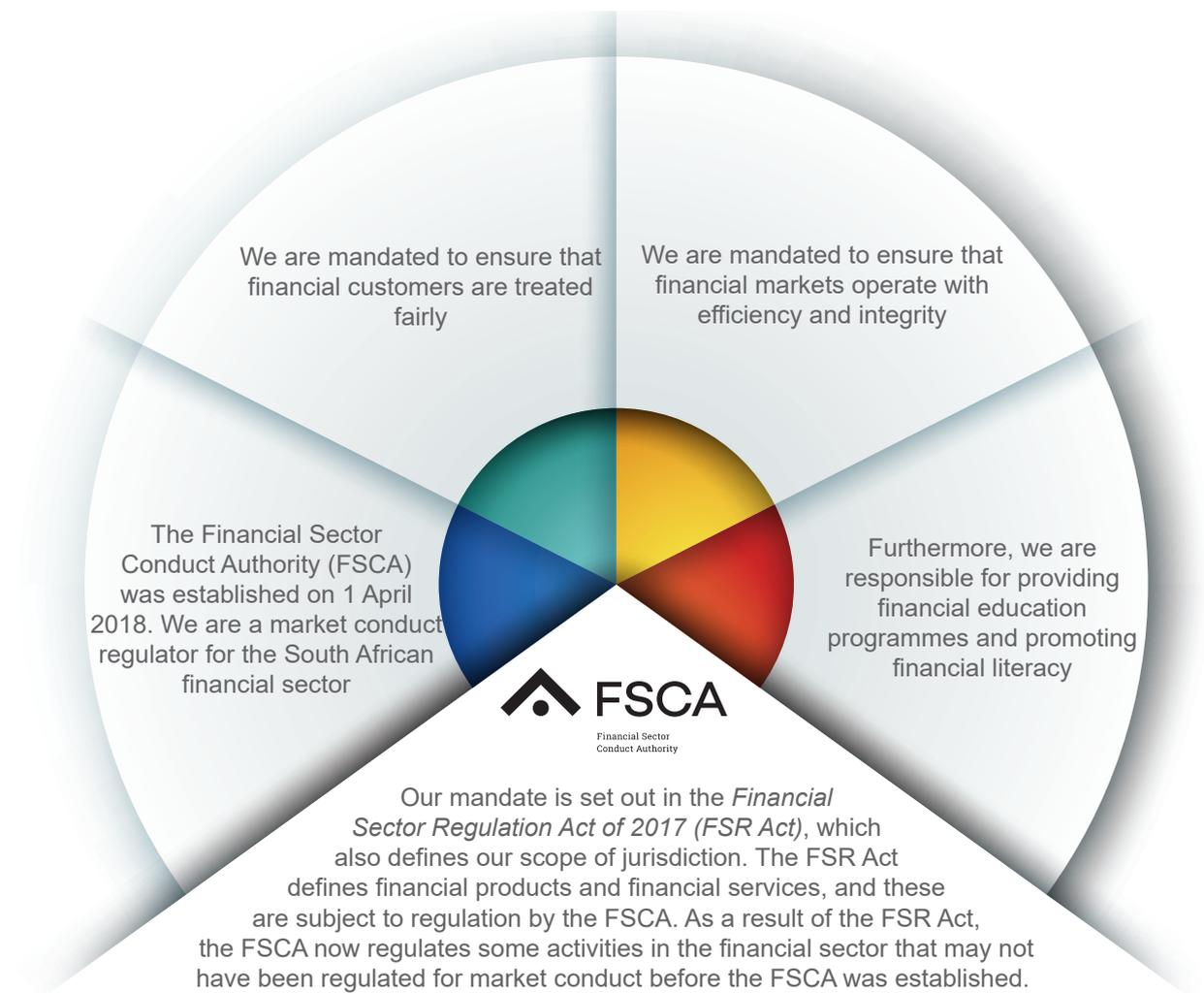


# Perimeter Report 2020

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## A. BACKGROUND



Our mandate is set out in the Financial Sector Regulation Act of 2017 (FSR Act), which also defines our scope of jurisdiction. The FSR Act defines financial products and financial services, and these are subject to regulation by the FSCA. As a result of the FSR Act, the FSCA now regulates some activities in the financial sector that may not have been regulated for market conduct before the FSCA was established.

We carry out our mandate based on our organisational values of agility, camaraderie, diligence, fairness, integrity and perseverance.

## 1. WHO DOES THE FSCA REGULATE?

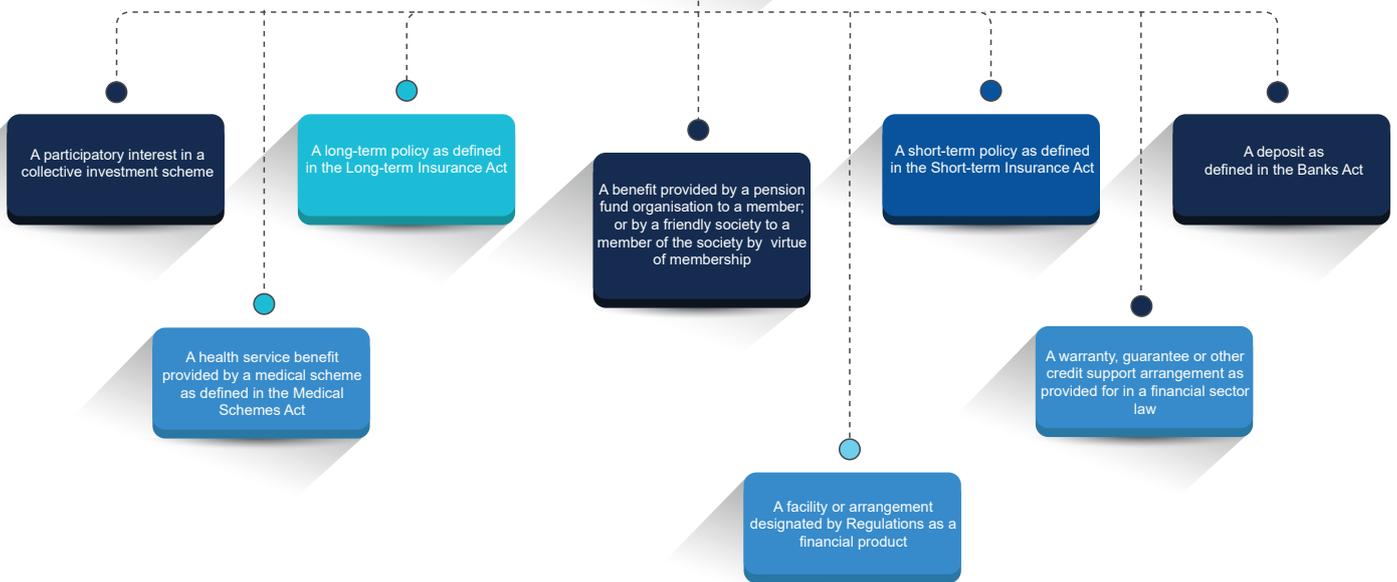
The FSCA regulates and supervises all financial institutions that provide a financial product and/or a financial service, as set out in the figure below. Traditional types of financial institutions include life and non-life insurers, banks, collective investment schemes (CIS), retirement funds, investment managers, financial advisers and other financial intermediaries.

The FSCA also oversees market infrastructures (MIs) such as exchanges, central counterparties, central securities depositories, clearing houses and trade repositories. In terms of the strong self-regulatory organisation (SRO) model adopted by South Africa for the supervision of securities markets, MIs regulate and supervise their members in terms of rules approved by the FSCA. The FSCA's primary focus in overseeing these infrastructures is informed by the objective to enhance the efficiency and integrity of financial markets.

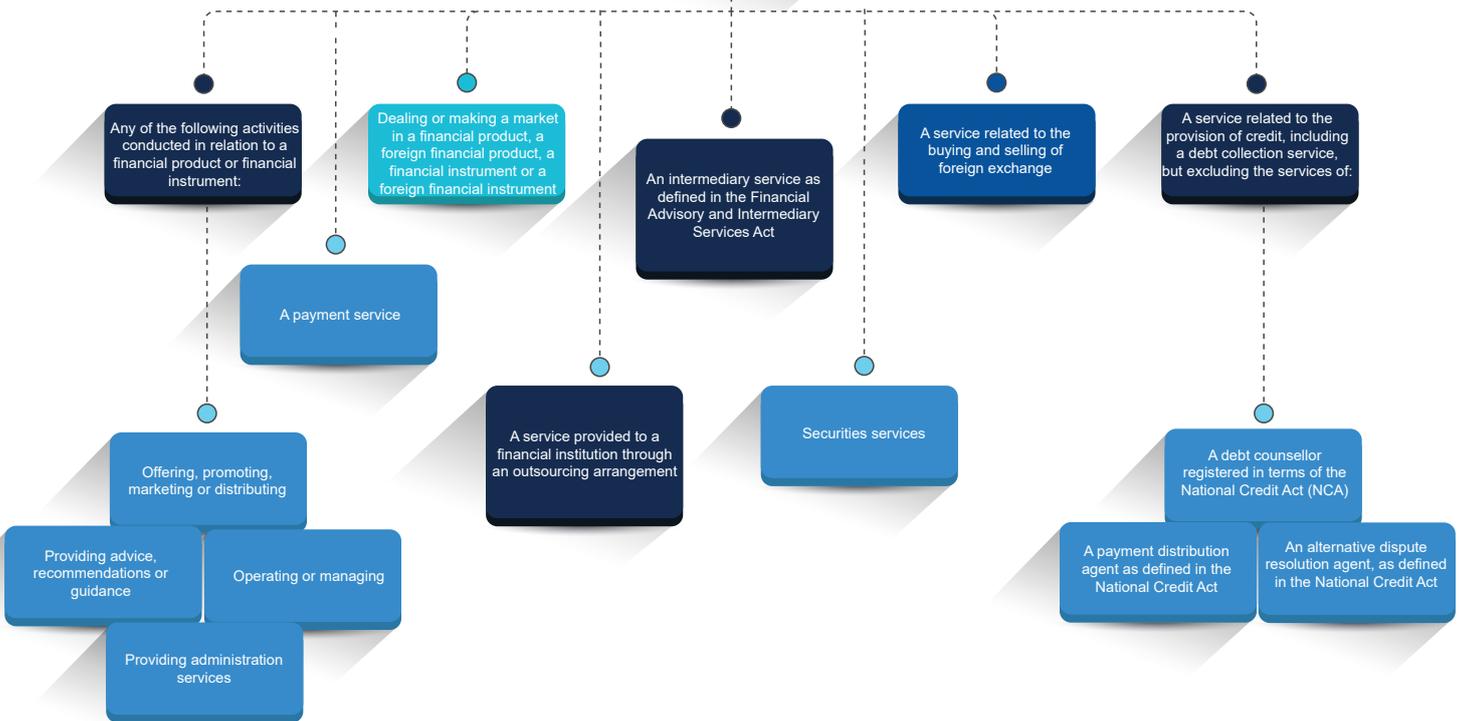
Furthermore, the FSCA regulates credit rating agencies.



## Financial Products



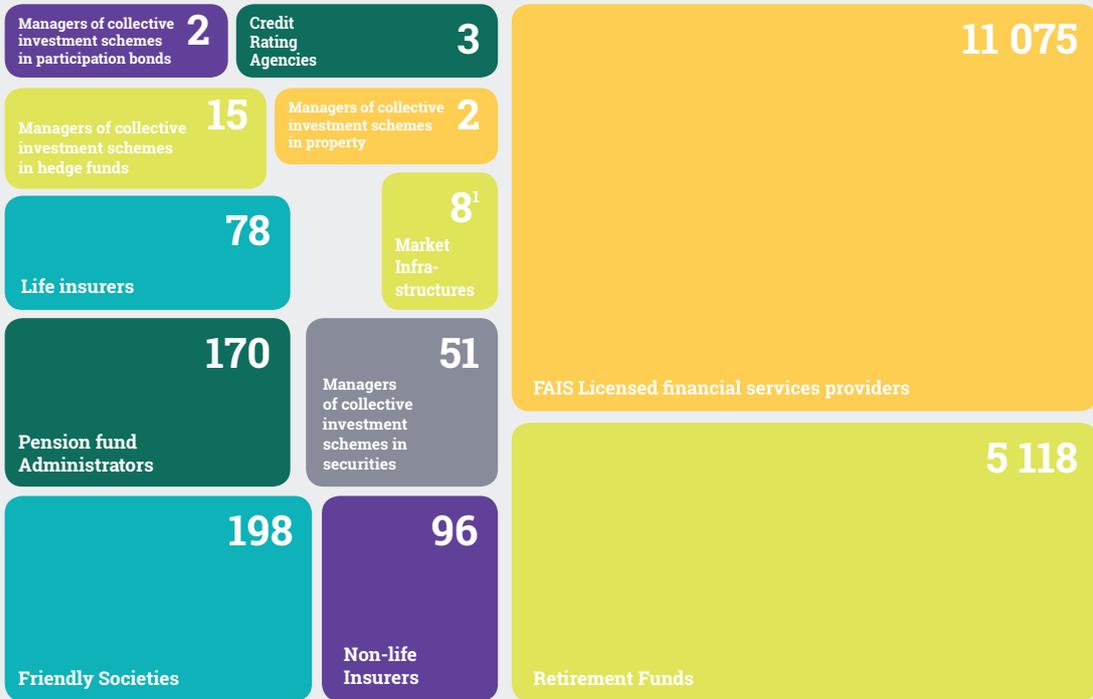
## Financial Services



# WHAT TYPES AND NUMBERS OF FINANCIAL INSTITUTIONS DOES THE FSCA OVERSEE?

## Types of entities also overseen by the former FSB (as at 31 March 2018):

(In mid-2018, the FSCA also became responsible for licensing and supervising Over the Counter Derivative Providers (ODPs))



1. This number includes Exchanges, Clearing Houses and Securities Depositories



**Additional types of entities to be overseen by the FSCA:**

Figures below are illustrative and will be confirmed as the relevant licensing frameworks evolve



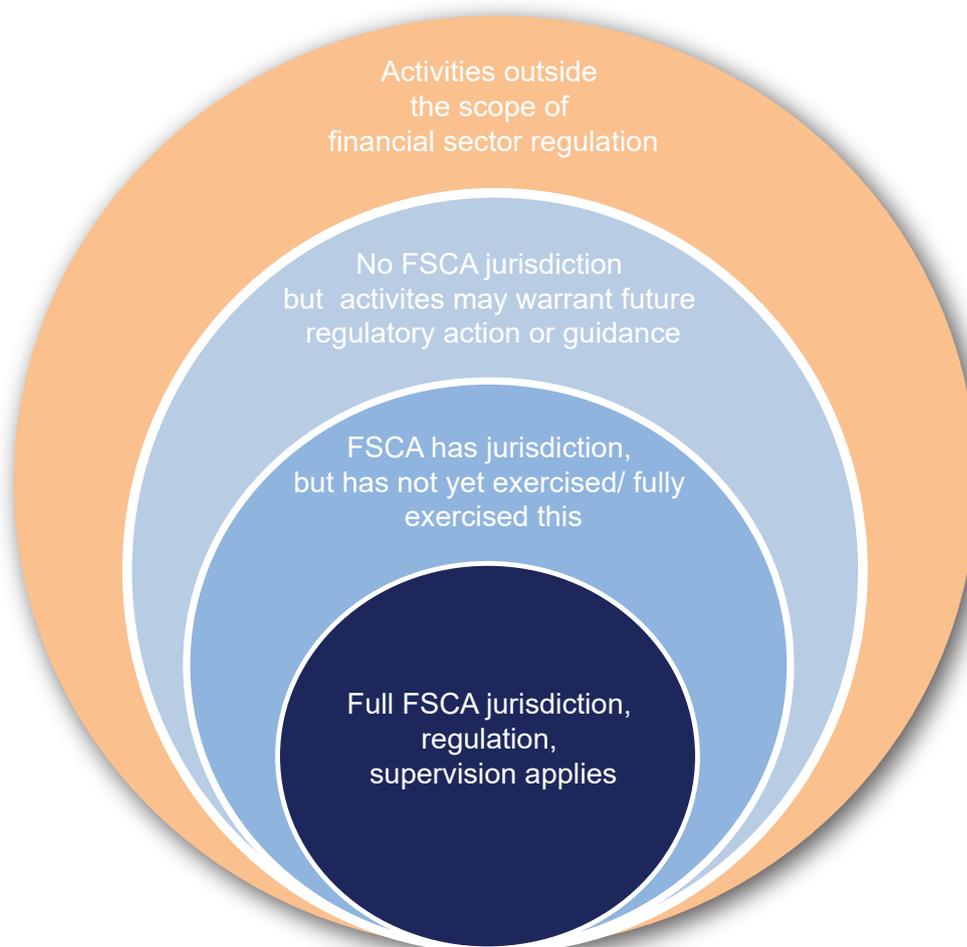
2. Numbers obtained from the South African Reserve Bank, Bank Supervision Department Annual Report 2017 with figures as at 31 December 2017
3. PASA Members and Designated Clearing Participants obtained from Payment Association South Africa Annual Report 2017, including System Operators and third party payment providers.
4. Number of Debt Collectors as extracted from the Council for Debt Collectors Annual Report 2016/2017. The FSCA's focus will be on those debt collectors who collect debts arising from credit agreements falling within the scope of the National Credit Act.
5. Approximate number of registered Credit Providers overseen by the National Credit Regulator however the mandate of the FSCA is wider than registered credit providers and the exact scope of this area still needs to be determined.
6. This number reflects the indices, interest rate benchmark and reference interest rates for the domestic market. However the FSCA has in September 2018 published a consultation paper aimed inter alia at determining the exact number of benchmark providers in South Africa.
7. Number extracted from the Council for Medical Schemes Annual Report 2016/2017 financial year.
8. Numbers extracted from National Treasury website.

## 2. WHAT IS THE FSCA'S PERIMETER?

Our perimeter is that boundary between what we regulate and what we do not. Issues outside our perimeter are those activities that we have no jurisdiction over.

Decisions regarding what activities are subject to regulation (and the type of regulation thereof) are part of a careful balancing of considerations, including risks and outcomes. Public authorities would not want to create an overly complex and burdensome regulatory environment. At the same time, authorities cannot wait for the public to be exposed to greater than acceptable levels of risk without putting in place some form of protection.

This report identifies activities that are *testing* the FSCA's regulatory perimeter. Such activities can include those that we may have jurisdiction over in law, but in practice have no way to apply our jurisdiction. The perimeter is also tested by those activities that the FSCA does not currently have jurisdiction over, but because of the impact or potential impact the activities have on financial customers or financial institutions we consider that such activities may soon require a regulatory response (e.g. regulatory guidance or action). Regulatory responses to these perimeter issues can include bringing the activities squarely within the FSCA's regulatory perimeter and subjecting these to regulation and supervision.



The **dark blue** circle includes all those activities within our perimeter – full FSCA regulation and supervision applies

The **lighter blue** rings can be thought of as issues on the regulatory perimeter – either the FSCA has no jurisdiction, or has not applied its jurisdiction

The **orange ring** is all activities that do not affect the perimeter of FSCA regulation

## 3. ISSUES TESTING THE FSCA'S PERIMETER

### 3.1. Activities within jurisdiction requiring regulatory responses

#### a) Banking

Banks in South Africa have historically had limited regulatory oversight over their customer interactions. Some conduct regulation applied in terms of the Financial Advisory and Intermediary Services (FAIS) Act and in terms of the National Credit Act (NCA). As a result of the Twin Peaks approach, banks now fall under the jurisdiction of the FSCA, with market conduct regulation fully applying. The FSCA is currently developing its regulatory and supervisory approach to this sector.

Poor customer outcomes that the FSCA is aware of in the banking sector relate to opaque and complex bank charges, unauthorised debit orders, misleading advertising, internet fraud and the potential impact of the closure of bank branches on customers.

In 2018, the FSCA together with the National Treasury commissioned an in-depth retail banking diagnostic which aimed to examine and identify poor customer outcomes in relation to transactional and fixed deposit accounts. The final report made several recommendations, and the FSCA is leading the process of implementing these recommendations, together with the banking industry.

The FSCA has also published and consulted on a draft conduct standard for banking. The objective of the proposed conduct standard is to introduce requirements that promote the fair treatment of financial customers of banks. The draft conduct standard was designed to follow the sequencing of the six *Treating Customers Fairly Outcomes*, along the typical financial product lifecycle. It deals with fair customer outcomes in relation to governance, product design and distribution, and the post-sale environment.

#### b) Services related to credit

The National Credit Regulator (NCR) regulates the market conduct of credit providers. However, many credit providers are financial institutions providing other financial services and products for which they are also regulated by the FSCA.

Poor customer outcomes are evident in the credit market. To strengthen and harmonise regulatory oversight over this market with the aim of improving customer outcomes, the FSR Act gives the FSCA jurisdiction over the services provided in relation to credit. This can include for example, advice provided in relation to a credit agreement or intermediary services where the credit provider uses agents to distribute the credit products. The NCR retains oversight over credit providers and the credit products they provide to customers.

Debt collection is also specifically defined in the FSR Act as a financial service under the jurisdiction of the FSCA.

As a new area of regulatory oversight, the FSCA has not yet applied any regulatory or supervisory tools to services related to credit, or to debt collection. However, the FSCA and NCR have entered an MOU that aims to clarify each regulator's roles and responsibilities.

### c) Ability to switch credit life policies

Customers may be required to pay for a credit life policy when granted a loan by credit providers. Given that this policy is often a secondary consideration for most customers, whose main objective is to access the credit product, numerous poor outcomes were observed in the design and sale of such products. The regulatory oversight over these products is also complicated since the provision of credit is responsibility of the NCR while the FSCA is responsible for regulating insurance. To address the poor practices in the sale of these products, Regulations governing credit life policies were issued by the DTI in consultation with the Ministry of Finance in 2017.

Despite the Regulations allowing for customers to switch their credit life insurance policy, provided that the level of cover over the loan remains the same, many customers have expressed difficulty in doing so. There is also customer confusion regarding who to complain to about the difficulty in switching policies, particularly when the switch is recommended by a debt counsellor.

This issue will form part of the discussions between the NCR and FSCA as a more detailed MOU is agreed between the two agencies.

### d) Payment services

The FSR Act includes a payment service as a financial service, giving the FSCA regulatory jurisdiction over conduct issues. Poor customer outcomes that have been experienced in relation to payment services include debit order abuses and complex fee structures that are poorly disclosed. Efforts underway to address these poor outcomes will be strengthened by the application of market conduct regulation by the FSCA.

However, it is well-recognised that payment services are provided within an intricate national payments system, which is strictly regulated from an efficiency and integrity perspective by the South African Reserve Bank (SARB). The National Treasury and SARB have initiated a review of the current National Payment Systems (NPS) Act, aiming to ensure that the system remains stable and efficient but also better supports financial inclusion, competition and fair customer outcomes.

The FSCA is participating in this review process to ensure that the exercise of its new mandate over payment services aligns to broader reforms in the payment system. This includes a focus on defining the nature of payment services that would be subject to conduct requirements.

### e) Buying and selling foreign exchange (forex)

The buying and selling of forex from and to retail customers has typically had limited conduct oversight. Regulation of the buying and selling of forex aims to ensure that exchange control requirements are not breached. However, there are limited requirements in terms of how customers must be treated when they sell or purchase foreign currency. Similar to payment services, the FSR Act has also defined the buying and selling of forex as a financial service that the FSCA has regulatory responsibility for.

The FSCA is engaging with SARB, in particular the Financial Surveillance department, regarding the roles of the various regulators in relation to regulation in this sector.

## f) Medical schemes

Medical schemes fall under the jurisdiction of the Council for Medical Schemes (CMS). However, as with credit, many institutions that offer medical aid are also financial institutions providing other financial products and services. There are also many similarities between medical aid and insurance business models, although the medical scheme environment is more complex because of the technical health policy matters that must also be considered.

The Twin Peaks reform aimed to ensure that stronger prudential and market conduct oversight could also apply to the medical schemes' environment, ensuring stronger customer protection.

The FSCA, PA and CMS are engaging with the National Treasury, to better understand the roles and responsibilities of each regulator and the ways in which the FSR Act can be used to improve and harmonise market conduct and prudential oversight in this sector.

## g) Enforcement powers of the FSCA

Apart from activities in the financial sector, the FSCA is also working on strengthening its ability to enforce its mandate over regulated and unregulated activities in the sector. This includes strengthening its ability to:

- i. **Order redress and compensation to victims of poor outcomes in the financial sector by regulated entities and unlawful entities:** the FSR Act empowers the FSCA to issue conduct standards or enforceable undertakings relating to redress, which the FSCA has yet to implement. It is noted that this only applies to licensed entities.
- ii. **Criminally prosecute:** the ability of the FSCA to exercise this power is being investigated. This is particularly necessary for unlicensed entities and entities responsible for misuse of customer funds
- iii. **Freeze assets of registered and unregistered entities operating in the financial sector:** this would be similar to a FIC intervention order
- iv. **Suspend an administrative penalty:** as the FSCA does not have this ability, it currently must remit penalties rather than suspend until the penalties can be paid. This was seen in the recent penalty issued against Steinhoff.

## h) Financial market fragmentation – a conduct standard for exchanges

South Africa has historically had a single stock exchange – the JSE. In recent years, this has changed as more exchanges have entered the market. This has resulted in the need to ensure that regulation is appropriately catering for risks in a multi-exchange environment. Requirements that previously were straightforward to oversee in relation to a single exchange – for example, how and when to publish price sensitive information – must be tailored to address a multi-exchange environment. A conduct standard has been drafted and is being consulted on that seeks to address several issues in the context of a multi-exchange financial sector. In addition to publication of price sensitive information, it also addresses corporate actions, capital adequacy calculations for brokers, accounting standards, best execution and interoperability.

## i) Review of financial markets legislation, regulatory and supervisory approach

While the FSCA currently regulates and supervises the financial markets in South Africa, several other projects are underway to strengthen the role of the regulator. The current Financial Markets Act (FMA) does not extend regulatory coverage to all wholesale financial markets. A review of legislation is underway, including to make sure that regulation can be consistently applied in all wholesale financial markets, both organised and over the counter (OTC), and include a broader range of instruments, such as:

- i. Derivatives
- ii. Money market
- iii. Foreign exchange
- iv. Cryptoassets

There are also ongoing considerations regarding the jurisdiction of the FSCA over public offerings that are made by companies but not on regulated exchanges. A uniformity of requirements should apply. Further considerations of uniformity relate to public offerings of alternative investments, for example investments in livestock, art or classic cars. While this does not happen through regulated exchanges or markets, the activity is very similar to those regulated under financial sector legislation, and the consistent protection of customers should be considered.

Other key aspects under consideration include:

- i. **Alternative Trading Systems (ATS) / Multilateral Trading Facilities (MTF):** The FMA does not provide for the licensing of Alternative Trading Systems, Multilateral Trading Facilities and different market infrastructure models and structures in respect of trading venues. This will require the introduction of different requirements and standards compared to the traditional exchanges, as currently defined and provided for in the FMA, with the aim of bringing the South African legislation on par with international practices in this regard.
- ii. **Review of the current self-regulatory organisation (SRO) model:** Currently the South African financial markets operate under a self-regulatory system, where market infrastructures regulate their members, in line with high-level requirements set on market infrastructures by the FSCA. The rules in terms of which market infrastructures supervise their members are approved by the FSCA. This model is being reviewed including to ensure that the regulator retains strong oversight over activities.
- iii. **Regulation of authorised users:** Related to the above, market infrastructures are currently solely responsible for the **authorisation** and **supervision** of their members. To ensure greater oversight over activities in the market, it is proposed in terms of the FSCA Regulatory Strategy that the FSCA assumes direct responsibility for the regulation and supervision of members, while the market infrastructures continue to oversee their members in terms of their rules.
- iv. **Market surveillance:** As part of its regulatory functions as an SRO, a licensed exchange performs market surveillance of trading activity on its exchange and reports any suspected market abuse (i.e. insider trading, market manipulation and false and misleading reporting) to the FSCA for investigation in terms of the FMA. The FSCA has however, in terms of its

approved Regulatory Strategy, decided to perform cross-market surveillance of trading activity across all licensed exchanges directly. The individual exchanges must continue its market oversight of trading activity by their members on their own exchanges. This decision came about because of the former Financial Services Board licensing four more exchanges (A2X, 4AX, ZARX and Equity Express Stock Exchange) bringing the total number of licensed exchanges in South Africa to five, inclusive of the JSE.

## j) Approval of nominees

Currently a nominee of an authorised user must be approved by the exchange and a nominee of a central securities depository (CSD) participant must be approved by the CSD in terms of the rules of the exchange and CSD, respectively. The rules in terms of which nominees are approved must be equivalent to the nominee requirements applied by the FSCA. The FSCA approves all other nominees (e.g. nominee of an exchange). Different standards are currently being applied by the FSCA and the exchange and CSD. This is problematic and requires attention.

A second matter of concern is the lack of enabling provisions in legislation under the jurisdiction of the FSCA to approve and to supervise nominees. The use of nominee companies within the South African financial markets has resulted in several problems and challenges over the years. The possible introduction of a Securities Ownership Register (SOR) (central securities register) was investigated and debated at length in the past, but not implemented. These issues are being considered under the FMA and Conduct of Financial Institutions (COFI Bill) frameworks.

## k) Short sales reporting regime

The IOSCO Secondary and Other Market Principles form part of IOSCO's 38 Objectives and Principles of Securities Regulation, which provide core elements of an essential regulatory framework for securities regulation. The Principles seek to promote fair, efficient and transparent markets. Principle 37 in particular deals with managing risks, such as monitoring large exposures, default procedures and short selling.

In order to comply with the principle, the FSCA has developed a draft framework for the management of large exposures, which was published for public comment in 2018. Submissions were received from a broad range of stakeholders, including exchanges, authorised users of the exchanges, banks, broker-dealers, investment managers and industry associations. The majority of respondents were in favour of enhanced transparency of short sales by way of the implementation of a reporting and disclosure regime.

A conduct standard is anticipated to be published in due course. This will assist in oversight of exposures that may incentivise conflicted behaviour (e.g. short-selling) or pose risks to the entity exposed.

## I) Conduct supervisory framework for Central Counterparty Clearing Houses (CCPs)

A CCP is a financial institution that takes on counterparty credit risk between parties to a transaction and provides clearing and settlement services for trades in foreign exchange, securities, options, and derivative contracts. CCPs may operate in more than one jurisdiction. In South Africa, consideration is being given to providing an equivalence framework for CCPs licensed in other jurisdictions to operate in South Africa. The FMA empowers the FSCA to, on application by an interested party, determine, with the concurrence of the South African Reserve Bank (SARB) and the Prudential Authority (PA), that the regulatory framework of a foreign country is equivalent to the regulatory framework established in terms of the FMA. A joint standard is being developed between the FSCA and PA for this purpose.

### 3.2. Perimeter issues where the FSCA's jurisdiction is unclear

#### a) Ponzi schemes

Ponzi schemes promise investors unrealistic high returns at low to no risk. Returns are paid by using the money invested by new investors to pay existing investors, which is ultimately unsustainable. Investors into the scheme typically lose all money they have put in when the scheme eventually collapses<sup>1</sup>. The National Consumer Act makes Ponzi schemes illegal and makes it illegal for customers to invest in such schemes. However, financial sector regulators, including the FSCA, do not have regulatory oversight over these activities, making it difficult to protect customers from falling victim to these scams.

Given the negative consequences of these schemes, particularly on vulnerable consumers, the FSCA is developing an MOU with the PA that will give the FSCA jurisdiction to investigate unlawful deposit taking activities. This will mean that the FSCA can take regulatory action against schemes collecting funds without a license.

Ponzi schemes undertake criminal activity and can therefore never be licenced or brought within a regulatory framework. This is one of the drivers for the FSCA to consider requesting criminal powers in relation to these schemes.

Customers can report suspected Ponzi schemes to the FSCA for further action.

#### b) Stokvels

Stokvels are voluntary groups of natural persons (members) bound by a common cause who pool financial resources for the benefit of the group<sup>2</sup>. They can be clubs, associations or syndicates in which members contribute regularly and receive pay-outs in rotation. Stokvels (and other informal member-based groups) are not subject to financial sector regulation, on the understanding that a common bond exists between members within the group.

These groups pool and use the funds for the benefit of their members and rely on self-imposed regulation to protect the interests of their members. In terms of Exemption Notice

<sup>1</sup> Pyramid schemes operate similarly but rely on multi-level marketing where the returns paid to new entrants to the scheme rely on how many recruits these new entrants are able to bring to the scheme. They are ultimately unsustainable.

<sup>2</sup> <http://nasasa.co.za/site/#intro>

No. 1176, stokvels must register under the National Stokvel Association of South Africa (NASASA) to remain exempt from the Banks Act requirement to license as a deposit-taking institution. Groups are exempt if the aggregate value of subscriptions from members that are held, is less than R30 million<sup>3</sup>.

According to NASASA figures, there are an estimated 81 000 stokvels operating in South Africa. The size of these stokvel groups, as well as the amount of money under management, can vary from relatively small to very large. In releasing the 2019 Old Mutual Savings and Investment Monitor, it was noted that the largest stokvel group included in the survey had more than 550 members and accumulates R24 million a year from monthly contributions that range from R3 500 to R15 000. NASASA estimates that the size of the SA stokvel market is R49 million annually.

As groups increase in size, they may be less able to self-regulate using the common bond between members. The growth in size could leave customers at risk of mismanagement of their funds. The amount of money under management can also pose risks to members, particularly where these require the management of physical cash at specific times of the year – for example over the festive season. It is important that customers understand what levels of protection do and do not apply to them when engaging in stokvel groups.

There is also the potential for confusion amongst customers as to when a group scheme is informal and not required to be regulated – such as a stokvel or burial society – and when these groupings are small member-based organisations that do require regulatory licensing and oversight – for example friendly societies or other cooperative financial institutions.

At this stage, there are no significant issues in the stokvel industry that warrant a regulatory response, but the FSCA will continue to monitor the industry and consider whether consumer education, guidance or regulatory interventions may in future be necessary.

### c) Cryptoassets

A cryptoasset can be thought of as a digital representation of value that is not issued by a central bank, but traded, transferred or stored electronically by natural or legal persons and used for payment, investment or other form of utility for the user. The most well-known cryptoasset is Bitcoin. Cryptoassets make use of distributed ledger technology to perform transactions that can happen outside of the formal financial sector. Such activities can include buying and selling of cryptoassets, capital raising through issuance of such assets, investment in such assets, and using such assets to effect payments.

The FSCA has collaborated through the Intergovernmental Fintech Working Group (IFWG) to develop a draft position on the regulation of cryptoassets in South Africa. This approach is intended to be activity-based and technology neutral. A forthcoming discussion paper will set out proposals for capturing these activities within the regulatory framework.

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<sup>3</sup> <http://www.treasury.gov.za/coopbank/supervisory%20CFIs/BankActExemptionNotices/2006%20No29412%20No%201176%201%20Dec%202006.pdf>

## d) Crowdfunding

Crowdfunding is an umbrella term describing the collection of small amounts of money, obtained from a large number of individuals or organisations, to fund a project, a business, or financing of other activities through an online web-based platform<sup>4</sup>. There are different forms of crowdfunding models:

- i. **Donation model:** this model is based on donations by donors with no rewards or returns attached.
- ii. **Reward model:** this model offers supporters tangible and/or intangible rewards for their monetary support.
- iii. **Debt model:** this model pays investors interest on money invested through debt offerings.
- iv. **Equity model:** this model enables investors to acquire shares or another form of equity in a business and earn dividends or share profits.

Crowdfunding platforms are online intermediaries that facilitate this process, whereby they collect contributions from investors (usually through a separate bank account) and transfer all these funds to the beneficiary less their fees. There are clearly risks to customers in providing funding. This includes adequate disclosures of risks and due diligence undertaking by those raising capital.

The equity crowdfunding model is relevant to the FSCA as it involves trading and possibly providing of intermediary services in respect of a financial product as defined in the Financial Advisory and Intermediary Services Act, 2002 (FAIS Act), such as shares. The business activities of the equity crowdfunding platforms were therefore deemed to constitute intermediary services as defined in the FAIS Act.

Other crowdfunding platforms however, which raise capital for investment in non-financial products or facilitate peer-to-peer lending, need further consideration as to the most appropriate regulatory framework and approach. Given the cross-cutting nature of such platforms, consideration will be undertaken in collaboration with other financial regulators through the IFWG.

## e) Binary options

Binary options are considered as high-risk forward transactions, functioning in a similar manner to placing a bet<sup>5</sup>. According to the Australian Securities and Investments Commissions (ASIC), investors speculate on whether the price of a security will fall or rise, and in the event that the outcome predicted by the investor occurs, then the investor 'wins' and receives a predetermined amount. The value of binary options is derived from the value of another asset such as a share, commodity or market index. Other underlying assets that maybe traded include foreign exchange. The risks related to binary options are often not comprehensively disclosed on the mediums that are used to promote them. This can result in investors acquiring a product that is not aligned to their level of risk tolerance.

While this activity has been banned in some jurisdictions, it is not prohibited in South Africa. Consideration is being given to deal with them in South Africa, particularly for retail customers who may not fully understand the risks involved.

<sup>4</sup> IOSCO Staff working paper of the IOSCO research department.

<sup>5</sup> <https://www.moneysmart.gov.au/investing/investment-warnings/binary-options>

## f) Regulation of financial benchmarks

Credible benchmarks are important for a successfully functioning financial system. For benchmarks to fulfil this role, their calculating methodologies, characteristics and governance framework should match best practice. The recent cases of manipulation of the LIBOR and EURIBOR, as well as commodity and forex benchmarks, have highlighted the shortcomings in the benchmark regulatory framework. In response, international regulatory bodies have introduced regulatory frameworks to stem the misconduct. The FSCA, in consultation with stakeholders, is developing appropriate benchmark conduct standards for the South African market and in September 2018 published a consultation paper in this regard. The standards will address the following:

- i. Improving governance and controls over the benchmark process to ensure that administrators avoid conflicts of interest, or at least manage them appropriately
- ii. Improving the quality of input data and methodologies used by benchmark administrators
- iii. Ensuring that contributors to benchmarks and the data they provide are subject to adequate controls to avoid conflicts of interest
- iv. Protecting consumers and investors through greater transparency and adequate rights of redress.

The FSR Act provides that the Minister must designate in Regulations the provision of financial benchmarks as a financial service. Doing so will bring the activity formally within the FSCA's jurisdiction. It is anticipated that the designation of the financial service will coincide with the publication of draft standards regarding their regulation and supervision.

## g) Securities Financing Transactions

Securities financing transactions (SFTs) allow investors and firms to use assets, such as the shares or bonds that they own, to secure funding for their activities. A securities financing transaction can be:

- a repurchase transaction - selling a security and agreeing to repurchase it in the future for the original sum of money plus a return for the use of that money
- lending a security to a borrower for a fee, and with a guarantee in the form of financial instruments or cash given by the borrower
- a buy-sell back transaction or sell-buy back transaction
- a margin lending transaction

It has been identified that there may be a need to regulate the activity of the agent in these transactions, particularly where there is the potential for a conflict of interest. However, it is important to clearly define the activity being performed by the agent, to ensure it is appropriately regulated, particularly where sophisticated counterparties may be involved, and does not result in a duplication of other legislative requirements. This issue remains under consideration.

## 4. THE FSCA'S RESPONSE TO ISSUES TESTING OUR PERIMETER

The FSCA will continue monitoring issues that test our regulatory perimeter. As noted above, our responses to these issues include the actions below, undertaken as appropriate to the relevant issue:

- i. We will clarify our role in relation to perimeter issues
- ii. We will target improved customer understanding of issues that may pose risks to fair customer treatment and customer protection
- iii. We will continue to monitor activities in the economy that may impact on our perimeter
- iv. In developing responses, we will study the responses of other regulators to similar issues, both locally and internationally
- v. We will work with the National Treasury and other stakeholders to promote a sound regulatory framework, remove jurisdictional uncertainties and clarify legislative ambiguities



## **B. ANNEXURE:**

### **1. What can financial customers expect of the FSCA?**

The FSCA's mandate is to protect financial customers by striving to ensure that you are treated fairly by the financial institutions you deal with and by providing free financial education and promoting financial literacy. This helps customers to make informed and sound financial decisions and be part of a safer financial environment. Part of the FSCA's mandate is also to enhance the efficiency and integrity of financial markets and to assist in maintaining financial stability.

### **2. Why customers engage with the FSCA**

- 2.1. To report abuses and ensure that the financial rights of customers are protected
- 2.2. To receive financial information and education that helps you to make better financial decisions
- 2.3. To get information about investigations we have carried out and enforcement actions taken

### **3. What the FSCA provides**

- 3.1. A safer financial sector through licensed financial institutions that treat customers fairly
- 3.2. Fair, efficient and transparent markets with reliable and effective price discovery
- 3.3. Financial empowerment through effective education
- 3.4. Information and guidance that is empowering and easy to comprehend
- 3.5. Assurance that customers will be taken seriously and receive information and assistance, although we cannot resolve individual complaints
- 3.6. Promotion of what the FSCA does and how we can assist consumers

### **4. What must financial customers know?**

- 4.1. The FSCA authorises financial services providers to sell financial products and services
- 4.2. Customers must ensure that they only deal with authorised financial services providers
- 4.3. Customers can confirm with the FSCA if a financial services provider is authorised and has a valid FSCA license, and exactly what that entity is licensed to do/sell
- 4.4. Customers have the right to be treated fairly and the FSCA enforces that right
- 4.5. Making sure that firms treat customers fairly is at the heart of what we do

## 5. What we do not do

- 5.1. There are six financial sector ombuds whose role it is to resolve individual complaints that customers have against financial institutions. (See contact details below.) As it is not our mandate to resolve complaints, we refer customers to these ombuds. We may (and do) take regulatory action where complaints signal a systemic problem in the industry
- 5.2. We do not sell financial products
- 5.3. We do not offer any financial advice
- 5.4. We do not manage money on behalf of financial customers
- 5.5. We do not regulate pyramid or Ponzi schemes, but we take our responsibility of alerting customers to these schemes/scams very seriously
- 5.6. We do not regulate credit agreements
- 5.7. We do not regulate matters relating to private investments that are not conducted through a registered market

Ombud office	Contact details
Credit Ombud	0861 OMBUDS (0861 662837) SMS: "Help" to 44786 ombud@creditombud.org.za <a href="http://www.creditombud.org.za/contact-us/">http://www.creditombud.org.za/contact-us/</a>
Ombudsman for Banking Services	0860-800-900 011-712-1800 info@obssa.co.za <a href="https://www.obssa.co.za">https://www.obssa.co.za</a>
Ombudsman for Short Term Insurance	011 726 8900 Share Call: 0860 726 890 Email: info@osti.co.za <a href="https://www.osti.co.za/contact">https://www.osti.co.za/contact</a>
Ombudsman for Long Term Insurance	0860 103 236 021 657 5000 info@ombud.co.za <a href="https://www.ombud.co.za/">https://www.ombud.co.za/</a>
Pension Funds Adjudicator	012 748 4000 012 3461738 enquiries@pfa.org.za <a href="https://www.pfa.org.za/">https://www.pfa.org.za/</a>
FAIS Ombud	012 762 5000 / 012 470 9080 Sharecall: 086 066 3247 info@faisombud.co.za <a href="https://faisombud.co.za/">https://faisombud.co.za/</a>