



FINANCIAL SECTOR REGULATION ACT, 2017

NOTICE REGARDING THE PUBLICATION OF DRAFT CONDUCT STANDARD [-] OF 2023 (GENERAL) - REQUIREMENTS FOR FINANCIAL INSTITUTIONS PROVIDING FINANCIAL EDUCATION INITIATIVES

The Financial Sector Conduct Authority (FSCA) hereby invites, in accordance with section 98(1)(a)(iv) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (FSR Act), submissions on the draft Conduct Standard [-] of 2023 (GENERAL) – Requirements for Financial Institutions Providing Financial Education Initiatives, to be made in terms of section 106(1)(a) read with sections 106(2)(c) and 106(3)(d) of the FSR Act, as per the Schedule below.

The draft Conduct Standard, together with a statement supporting the draft Conduct Standard, is available on the FSCA's website at <https://www.fsca.co.za>.

Submissions on the draft Conduct Standard must be submitted in writing, using the submission template hereto attached, on or before **15 May 2023** to the FSCA, at FSCA.RFDStandards@fsca.co.za. The submission template consists of four parts. Part A relates to the details of the commentator, Part B relates to comments on the drafting, substance and other details of the draft Standard, Part C relates to comments on the expected impact of the draft Standard and Part D relates to general comments.

**FARZANA BADAT
COMMISSIONER (ACTING)
FINANCIAL SECTOR CONDUCT AUTHORITY**

Date of publication: 31 March 2023

SCHEDULE

CONDUCT STANDARD [-] OF 2023 (GENERAL) - REQUIREMENTS FOR FINANCIAL INSTITUTIONS PROVIDING FINANCIAL EDUCATION INITIATIVES

1. Definitions

In this Schedule, “**the Act**” means the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) and any word or expression to which a meaning has been assigned in the Act bears the meaning so assigned to it, and unless the context otherwise indicates –

“**Authority**” means the Financial Sector Conduct Authority as defined in section 1 of the Act;

“**financial education**” means 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;

“**financial education initiative**” means any financial education programme, or other activity promoting financial education or literacy;

“**evaluation**” means an in-depth analysis and review of a financial education initiative against pre-determined objectives and anticipated outcomes;

“**monitoring**” means the regular collection of data throughout the implementation of a financial education initiative;

“**service provider**” means any person, whether or not that person is a representative or other agent of a financial institution, with whom a financial institution has an arrangement relating to the provision of financial education initiatives on the financial institution’s behalf; and

“**target group**” includes, but is not limited to:

- (a) youth;
- (b) women;
- (c) small, medium and micro-enterprises;
- (d) older persons/pensioners;
- (e) people living with disabilities;
- (f) previously disadvantaged;
- (g) underserved groups;
- (h) black people as defined in the Financial Sector Code;
- (i) over-indebted individuals;
- (j) individuals unable to repay debts; and
- (k) individuals unable to maintain insurance policy payments.

2. Application, purpose and proportional application

(1) This Conduct Standard is only applicable where a financial institution provides or offers a financial education initiative, including the provision of a financial education initiative by a service provider on behalf of the financial institution.

(2) The purpose of this Conduct Standard is aimed at ensuring –

- (a) the protection of financial customers by providing financial customers with financial education initiatives that promote financial education and literacy and the ability of

financial customers to make sound financial decisions about their personal finances, as well as the financial health of their small businesses;

- (b) that financial education initiatives, or other activities promoting financial education and literacy are appropriate to achieve the intended outcome in item (a);
 - (c) that a financial institution providing financial education initiatives takes reasonable steps to ensure appropriate standards of behaviour, governance and oversight when developing content, implementing, monitoring, evaluating and reporting on the effectiveness, efficiency and appropriateness of financial education initiatives, including reporting to the Authority.
- (3) The requirements in this Conduct Standard, where appropriate, may be applied in a proportional manner taking into account the nature, size, complexity, target market and risk profile of the financial institution concerned.

3. Governance arrangements

- (1) A financial institution must have appropriate governance arrangements in place to oversee the design and implementation of financial education initiatives.
- (2) The governance arrangements referred to in subparagraph (1) must include establishing and implementing appropriate oversight arrangements to monitor and review the design, suitability and effectiveness of its financial education initiatives on an ongoing basis.
- (3) A financial institution must have appropriate systems, processes, policies and controls in place to ensure appropriate reporting on financial education initiatives, pre- and post-implementation, to the Authority.
- (4) A financial institution must ensure that the relevant employees responsible for the design and implementation of financial education initiatives possess the necessary skills, knowledge and expertise to fulfil their functions.
- (5) A financial institution must ensure that the governance arrangements referred to in this paragraph also apply to, and that it obtains sufficient information from, a service provider providing financial education initiatives on the financial institution's behalf, to ensure that these financial education initiatives are, and remain, effective in achieving the intended outcomes.
- (6) A financial institution retains responsibility and accountability for all regulatory obligations pertaining to the provision of financial education initiatives as set out in this Conduct Standard, regardless of whether such financial education initiative is performed by the financial institution itself or on the financial institution's behalf by a service provider.

4. Design and development requirements for financial education initiatives

- (1) 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.
- (2) A financial institution may use any delivery platform for a financial education initiative, provided that the delivery platform is appropriate for the type of financial education initiative and the identified target groups, to ensure appropriate and effective reach.
- (3) The content of a financial education initiative provided by a financial institution must –

- (a) be based on objective and impartial information, generally accepted methodologies, research and trends;
- (b) not be prescriptive and must be targeted appropriately at the appropriate target group, taking into account the identified needs of the target group and financial inclusion objectives;
- (c) be distinct from any brand specific financial product or financial service sales process or marketing campaign; and
- (d) be brand agnostic but may unpack the meaning of different types of financial concepts and terms related to a particular financial product or financial service, or categories of financial products or financial services.

5. Location and logistics

- (1) A financial institution providing face-to-face financial education initiatives must utilise a location that is appropriate for this purpose to ensure that the financial education initiative is effective.
- (2) 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.
- (3) A financial institution should consider contingency plans for unforeseen circumstances regarding implementation of financial education initiatives.¹

6 Measurability requirement

- (1) The outcomes of financial education initiatives must be measurable, in order to, amongst other things, –
 - (a) demonstrate effectiveness; and
 - (b) measure impact.
- (2) The manner used by a financial institution to measure each financial education initiative provided must be appropriate for the specific initiative and relate directly to the outcome.

7 Monitoring and evaluation requirements

- (1) A financial institution must monitor and evaluate each financial education initiative that is provided to, amongst other things –
 - (a) assess its effectiveness;
 - (b) identify areas for improvement; and
 - (c) 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.
- (2) Where a financial institution utilises a service provider to offer financial education initiatives on its behalf, the financial institution must –

¹ For example, load shedding.

- (a) monitor the output of the service provider to ensure that the financial education initiatives are appropriate and effective;
- (b) ensure that the external service provider is appropriately and suitably skilled, equipped and knowledgeable enough to be able to adapt and offer the financial education initiative in the relevant field, to cater for the specific needs of the target group;
- (c) monitor the service provider to ensure that they perform their service efficiently, effectively and in alignment with this Conduct Standard; and
- (d) have an appropriate service level agreement in place to ensure quality implementation of projects.

8 Marketing restrictions

A financial institution may not use a financial education initiative or the learning content thereof for the –

- (a) excessive marketing of a specific brand or financial institution, such that the marketing or branding overwhelms the educational content; or
- (b) marketing of a financial product or financial service.

9 Reporting to the Authority

- (1) A financial institution must report information relating to the provision of financial education initiatives in compliance with this Conduct Standard to the Authority.
- (2) The Authority may determine the medium, form, manner, content and intervals for reporting the information contemplated in subparagraph (1), by notice on the website of the Authority.

10 Short title and commencement

This Conduct Standard is called Requirements for Financial Institutions Providing Financial Education Initiatives, 2023 and comes into effect 9 months after the date of publication.