



Financial Sector
Conduct Authority

FSCA Draft Transformation Strategy



The current policy and legislative framework for transformation

	Legislative framework	Institutional mechanisms for monitoring and overseeing transformation
Current framework	B-BBEE Act*	B-BBEE Commission supervises adherence to the Act
	Financial Sector Code	FSTC sets targets & monitors adherence to the FS Code
	Insurance Act	Requirements apply only to insurance companies; overseen by Prudential Authority

- The B-BBEE Act is the main regulatory framework for transformation in SA.
- The FS Code (issued in terms of the B-BBE Act) sets targets for fostering B-BBEE in the financial sector specifically
- The Financial Sector Regulation Act includes the support of transformation as an objective of the Act
- The Insurance Act was the first financial sector law to provide for transformation requirements; only applies to insurance companies
- The FSCA's role in promoting transformation of the sector has been limited, due to the lack of enabling legislation.

* The B-BBEE Act does not impose obligations upon any enterprise to achieve specific B-BBEE targets.

COFI BILL – transformation provisions

	Legislative framework	Institutional mechanisms for monitoring and overseeing transformation
Current framework	B-BBEE Act	B-BBEE Commission supervises adherence to the Act [economy-wide]
	Financial Sector Code	FSTC sets targets & monitors adherence to the FS Code [sector-wide]
	Insurance Act*: provisions of the Insurance Act relating to transformation will be repealed and replaced by stricter provisions in the COFI Bill	
Future framework	FSR Act + COFI Act	FSCA will supervise transformation requirements at an institutional level [sector-wide]

Draft COFI Bill provides for the following:

- Promoting transformation is made an **explicit function of the FSCA** through consequential amendments to section 58 of the FSR Act.
- Section 17 requires all licensed financial institutions to **have in place a transformation plan**
- Section 12 requires all **financial institutions to promote transformation** in a manner consistent with its transformation plan
- The plan must be **aligned to the achievement of targets** in the Financial Sector Code.
- The FSCA is empowered to **make standards relating to transformation**, in terms of consequential amendments to the section 108 of the FSR Act.
- The FSCA is empowered to **issue directives** in relation to transformation plans and to use its **supervisory and enforcement powers** to ensure that a financial institution's transformation frameworks are **adequate** and **adhered to**.

*The Insurance Act provisions in relation to transformation are understood to be an interim measure as the sector wide legal framework is developed. The COFI Bill provides for the FSCA to oversee the transformation requirements of all licensed financial institutions.

FSCA draft strategy for promoting financial sector transformation

- **Phase 1** will focus on the role that the FSCA will play within the current legislative framework
- **Phase 2** will focus on the role that the FSCA will play within the COFI Act legislative framework once the Act is implemented, amongst others:
 - Considering transformation plans during the licensing process and supervising the progress of financial institutions against their plans.
 - Setting minimum B-BBEE levels (**e.g. Level 4**) that must be targeted by each firm and documented in the transformation plan and requiring progression through the levels of transformation over defined periods of time.
 - Take action when there is a lack of commitment

- Engaging with financial institutions on existing transformation plans and the extent to which targets identified in the plan are achieved
- Improving availability and quality of transformation data, especially in relation to ownership
- Build strong co-operative relationships with the FSTC and the B-BBEE Commission
- Coordinate supervisory transformation initiatives with the PA
- Support initiatives of Nedlac and the FSTC related to financial sector transformation
- Support small businesses in the financial sector
- Developing regulatory frameworks that promote transformation of the financial sector
- Internal readiness for Phase 2

Phase 1

Phase 2

- Subject to the final approved framework for transformation in financial sector laws, undertake regulatory and supervisory actions to promote transformation
- Regular engagement with the FSTC and B-BBEE Commission
- Continual evaluation of the effectiveness of legislative frameworks and their application

**END.
THANK YOU.**



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