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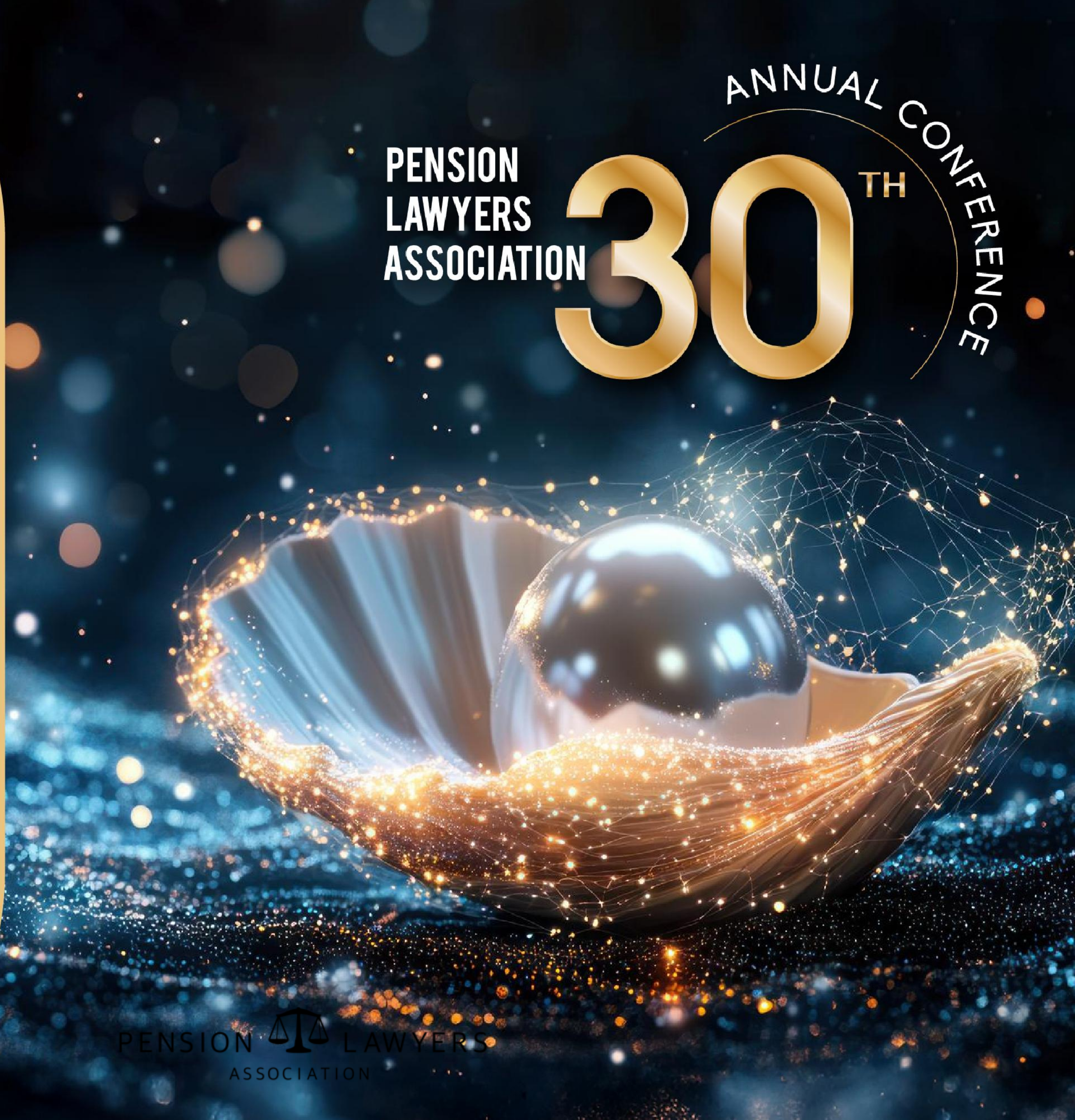

THE OMNI RISK RETURN

Presented by:
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PART 1:

THE ORR AND THE FSCA'S SUPERVISORY FUNCTION

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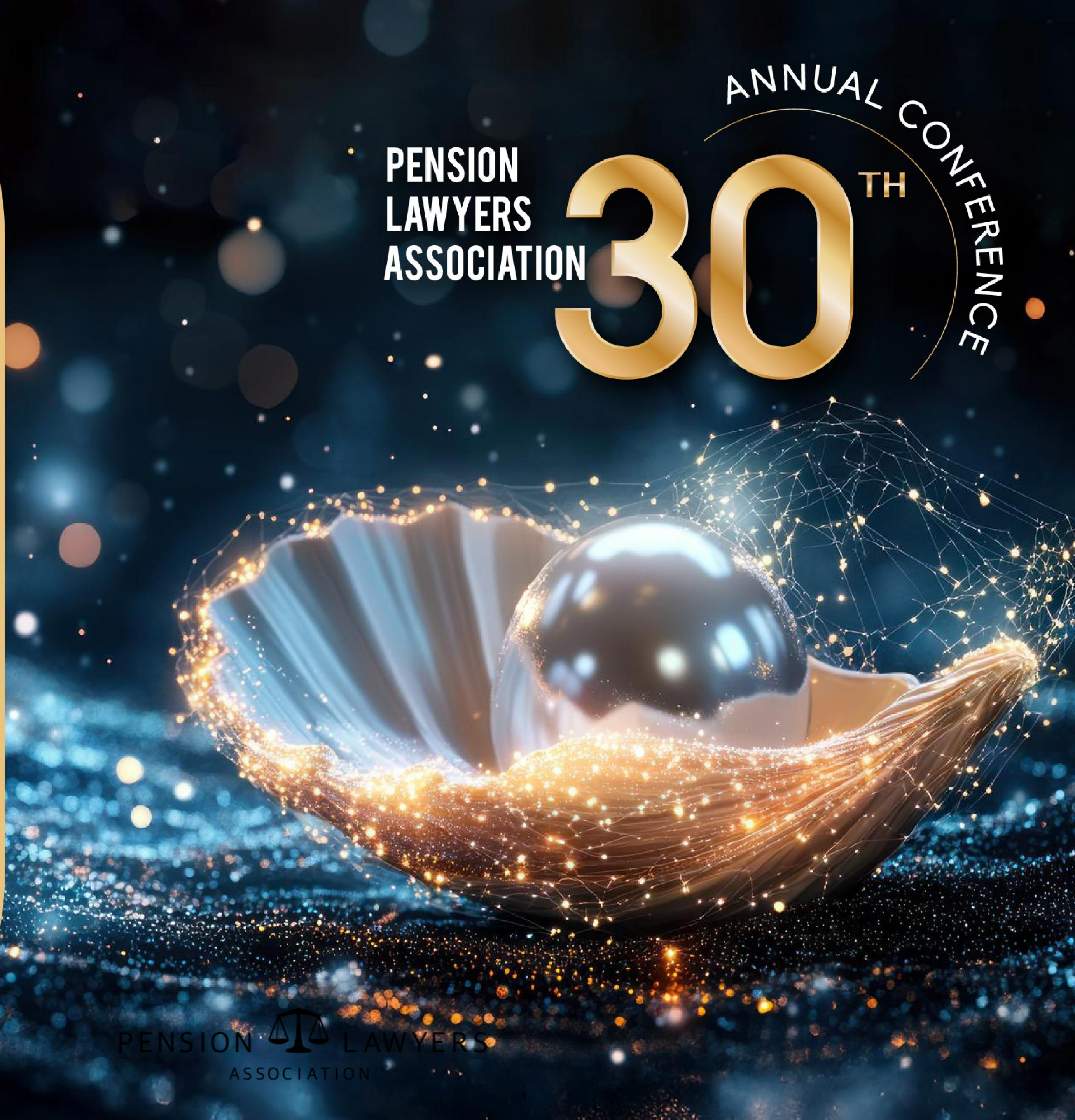

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PART 1: CONTENTS

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1

What is the ORR and where are we?

What is the OMNI-Risk Return?

- **Supervisory data collection tool** developed by FSCA
    - Forms part of the FSCA's Integrated Regulatory Solution (IRS), a supervisory technology platform
    - Underpinned by **FSCA's statutory information-gathering powers**
- Imposes **annual reporting obligations** on financial institutions
- <u>Not</u> a regulatory instrument
- Compliance = matter of **supervisory co-operation and information provision**
- Applies to "**financial institutions**" supervised by FSCA – **including pension funds**
    - Single consolidated risk profile for each FI regardless of how many licenses it holds
    - Includes entities operating across multiple sectors and product lines, as well as single licensed institutions

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WHAT IS THE OMNI-RISK RETURN?

Primary purposes: (*FSCA Explanatory Guide*) *ORR – designed to support risk-based supervision – aligns with s58(5)(b) of the FSRA, requiring FSCA to adopt a "primarily pre-emptive, outcomes focused and risk-based approach"*	
Risk-based and proportionate supervision	**Data collected to be used to risk profile financial institutions** and determine appropriate intensity and frequency of supervisory activities
Early warning indicators	Key data points that act as **early signals of potential conduct risks**, **internal control or governance weaknesses, or institutional failure,** enabling FSCA to intervene before risks materialize
Comparative analysis	Over time, data will **benchmark institutions** against their peers
Focused enforcement	Where risks escalate, data will be used to **prioritise enforcement** cases, ensuring matters with the greatest risk are prioritised.
Regulatory Policy Calibration	Insights from ORR will help inform **regulatory policy development**
Reduced duplication in reporting	Supervised entities will be asked for info only **once during a reporting cycle** and in a **consistent format**

TIMELINE AND CONSULTATIVE PROCESS

Part of FSCA's broader digital transformation and supervisory programme

2021-2023

- FSCA communicated intention to roll out **cross-sectoral Conduct of Business Return** (OMNI-CBR) for financial institutions

2022 - 2023

- Industry consultation
- Feedback **raised concerns** about regulatory reporting burden and duplication

June 2025

Strategic Pivot from OMNI-CBR to OMNI Risk Return

- No more OMNI CBR; more streamlined approach
- Communication 12 – key strategic developments including Digital Transformation Strategy and procurement of Supervisory Technology (SuperTech) platform – the Integrated Regulatory Solution (IRS)

TIMELINE AND CONSULTATION PROCESS

Publication of Draft ORR and Consultation: Sept – Nov 2025

30 Sept 2025

- FSCA Communication 19 of 2025 – announcing release of OMNI-Risk Return and Explanatory Guide; publication of Annexures A and B

1 Oct – 30 Nov 2025

- 2-month industry consultation period

30 November 2025

- Deadline for comments, consultation period closed

TIMELINE AND CONSULTATION PROCESS

IMPLEMENTATION PHASES FOR THE IRS:

PHASE	FOCUS AREA	STATUS
PHASE 1	Review and integration of all existing FSCA reporting requirements / returns onto the IRS	Completed as at 30 September 2025
PHASE 2	Finalisation of new automated risk model and supporting OMNI-Risk Return; consultation and engagement, industry pilot	Partially complete (FSCA at an inflection point – proceed with current ORR or engage further with comments and issue revised template) Intention for pilot to take place in 2026
PHASE 3	Review and integration of FSCA's overall licensing, supervisions and enforcement processes	Under development (to follow Phase 3)

TIMELINE AND CONSULTATION PROCESS

2026: GOING FORWARD

DATE	EVENT
Early-2026	Further info relating to industry pilot, including planned training initiatives and call for pilot participants, to be communicated
Mid-2026	Industry pilot engagement commences
September 2026	IRS “go-live” planned – ORR industry pilot testing FSCA to provide updates to the industry at appropriate junctures
2026 onwards	FSCA may adopt a staggered or phased implementation of the ORR Subject to further industry engagement

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2

FSCA Statutory Powers

FSCA'S information-gathering powers

Financial Sector Regulation Act, 2017 (FSRA)

- *"REQUEST POWER" – "any person"*
  *Section 131(1)(a) – permits FSCA to request, by **written notice**, to **<u>any person, request</u> the person to provide specified information or a specified document in possession of or under the control of the person that is <u>relevant</u> to assisting the FSCA to perform its functions** in terms of a **"financial sector law"***

- *"REQUIRE POWER" – more targeted to supervised entities (including retirement funds)*
  *Section 131(2) empowers FSCA to, by **written notice**, to **<u>a supervised entity</u>, require the supervised entity to** provide **information relevant to assessing compliance by a supervised entity with, or risk of contraventions by "financial sector laws",** directives, enforceable undertakings*

- **Section 131(2)(c) –** A supervised entity that has been given a notice in terms of paragraph (a) or (b) **<u>must</u>** comply with the requirements in the notice **– STATUTORY OBLIGATION TO COMPLY**

FSCA'S information-gathering powers

Financial Sector Regulation Act, 2017 (FSRA)

- **Section 258 – Financial Sector Conduct Register**:
  - National Treasury must establish and maintain the Register
  - Purpose – to provide reliable access to accurate, authoritative and up to date info relating to financial sector laws, implementation, etc.
  - Section 258(2) – Register may include other documents relevant to the regulation and supervision of the financial sector

COFI Bill

Envisaged powers under COFI Bill:

- **Section 34 –** Information for supervisory purposes
  - FI must provide FSCA with “*any information that the Authority may require, in the medium, form and manner and tat the intervals determined, for the supervision and enforcement of this Act*”

- Permits FSCA to differentiate requirements between different types of FIs, activities, categories of financial customers, and financial products or services

- FSCA acknowledges strategic reprioritization includes accelerating the FSCA’s readiness to transition its regulatory policy, licensing, supervising and enforcement approaches to align with principles and outcome-based framework envisaged under COFI.

- ***Until the COFI Bill is enacted, FSCA must rely on existing statutory powers under FSRA***

- ***FSCA: Where delay on COFI enactment, FSCA may utilize FSRA and/or financial sector laws to implement reporting requirements***

FSCA v Municipal Employees Pension Fund

(Case No: 2025-229206, High Court, Gauteng Division, Johannesburg)

- Judgment delivered on 10 December 2025 (Acting Judge Mahon)
- Examines lawfulness of decisions taken by FSCA under sections 131 and 132
- **Background:**
  - MEPF preparations for its December General Meeting, where employee representatives from municipalities elect members to the Fund's board of trustees
  - FSCA sought to compel production of unredacted municipal returns and to conduct an on-site supervisory inspection at the meeting
  - Application had its origin in allegations of irregularities received by FSCA re governance and administration of Fund
- **2 contested notices:**
  - **S131 Notice** – FSCA instructed MEPF to provide unredacted municipal returns indicating nominees for representatives at the meeting (for FSCA to verify legitimacy of nomination process)
  - **S132 Notice** – Authorised FSCA to conduct supervisory inspection

FSCA v Municipal Employees Pension Fund

- **Fund's challenges:**
  - Instituted a counter-application for collateral review, contending decisions were unlawful, irrational, unreasonable, procedurally unfair
  - Decisions constituted administrative action that adversely impinged upon rights, including pertaining to privacy, freedom of association, integrity of electoral processes
- **s131**
  - Contended that **decision to require unredacted returns was unlawful and irrational**
  - Jeopardised integrity of electoral process through **risk of disclosure**
  - Conflicted with Fund's **obligations under POPIA**
  - Redacted returns were **sufficient**

FSCA v Municipal Employees Pension Fund

- **Court's findings**
  - Court expressly confirmed that the FSCA **does have the statutory authority** to request election-related info and conduct inspections, **provided FSCA meets conditions in FSRA**
  - Interpretation confirms FSCA's **supervisory mandate is not confined to financial reporting or ordinary business records;** oversight may extend to governance processes such as trustee elections

However, despite confirming powers, the Court found:

- **Under s131 – FSCA had to demonstrate that info demanded was "reasonably necessary"** for supervisory purposes;
- FSCA had **not met this requirement**
- MEPF had already supplied **redacted returns** indicating number of delegates and municipalities' compliance with nomination process
- **FSCA had not explained why unredacted versions were indispensable or why its concerns could not be addressed through less intrusive means**
- Court noted **privacy concerns** raised and lack of engagement by FSCA on these issues

FSCA v Municipal Employees Pension Fund

- **OUTCOME – Court reviewed and set aside both decisions and ordered FSCA to pay costs**

- **Importantly**, Acting Judge Mahon clarified that the **Court's finding does not restrict the FSCA's ability to invoke Sections 131 or 132 in the future** where a proper factual and statutory foundation exists

> *"It does, however, preclude reliance on supplemented reasoning to revive the impugned decisions in relation to the imminent December meeting, which will by then be a spent event.* ***Any future exercise of these statutory powers must concern a new occasion and must satisfy the requirements of lawful, rational, and fair administrative action****."*

Industry stakeholder concerns

Is the information relevant to the FSCA's supervisory function?

- ORR may be exceeding the scope of **s131 of the FSRA** and be an overreach which broadens the FSCA's authority outside of financial sector laws in the FSCA's jurisdiction
  - *information from "any person" must be relevant to assisting the FSCA to perform its functions in terms of a "financial sector law"*
  - *information from a "supervised entity" must be relevant to assessing compliance with or risk of contraventions by "financial sector laws"*
- Some data requested relates to entities **not currently within FSCA's direct regulatory ambit** or **information not usually collected by FI's**
- Meaning of the word **"relevant"** – is there a rational connection to the Authority's statutory purposes

Industry stakeholder concerns

Section 4: Legal Entity Customer Segmentation

- **Section 4.1:** Request for customer turnover data - to assess composition and scale of FI's customer base

> *"turnover categories help the FSCA understand the scale and type of business customers served, to assess whether products are appropriately targeted, and to identify potential conduct risks. The thresholds offer a practical, consistent way to group customers by size…"*
>
> **- FSCA workshop material**

Section 4: Natural Person Customers

- **Section 4.2(a):** Customer segmentation – Low income or mass market, medium income or mass affluent, high income or HNW

> *"to segment customers by income/affluence level and PEP status in order to understand exposure to customer vulnerability and AML/CFT risks. A high proportion of low-income or mass-market customers may increase conduct risk, particularly around affordability and potential mis-selling…. These categories provide a broad segmentation of customers by financial capability and product needs…Institutions should comply a consistent, justifiable approach any may use recognizes tools like the Socia-Economic Measure (SEM)."*
>
> **- FSCA workshop material**

Industry stakeholder concerns

Are there POPIA concerns?

- **Broad ambit:** Requests for data not usually collected
  - customer turnover and income data **–** retirement funds do not request a customer's turnover information. If obtained, this may be at the inception of the product only.
  - customer segmentation by income - some financial institutions do not request a customer's income information (e.g. members of a retirement fund).

- **Key POPIA principles**
  - lawful purpose: The collection must serve a **specific, lawful, and legitimate purpose**. If the FSCA recommends income segmentation for regulatory or risk-based reasons, this could be considered lawful. However, a legitimate interest test must be conducted.
  - minimality principle: Only collect **what is necessary**. If income brackets are sufficient (e.g., ranges rather than exact figures), that may be preferable.

Industry stakeholder concerns

POPIA: statutory authorisation for processing data

- FI's **may not collect this info in the ordinary course of business** (e.g. customer segmentation info)

- POPIA requires that personal information be "*collected for a specific, explicitly defined and lawful purpose related to a function or activity of the responsible party*" (**Section 13**).
  - If a financial institution does not require income information from a data subject for a valid purpose during the course of its business, a financial institution will not require or hold the information.
  - Collecting it solely for regulatory reporting may breach POPIA's minimality principle
- The purpose must be communicated to data subjects (**Section 18**), including the law authorising collection.

- **For the OMNI Risk Return to comply with POPIA:**
  - Data collection must be **limited to what is necessary** for the legitimate supervisory purposes.
  - Financial institutions must be able to demonstrate **lawful basis for collecting customer information** that may not ordinarily be required for their business operations

Industry stakeholder concerns

Proportionality

- ORR is structured for profit-oriented financial institutions (banks, insurers), while retirement funds are not for-profit vehicles, most operational functions relate to the s13B administrator. **Raises questions about how reporting framework aligns with the regulatory structure of retirement funds**

- **FSCA**
  - recognizes that financial institutions differ in size, complexity and business models
  - ORR is designed in this way – apart from limited sector-specific of AML-focused items, questions common to all FI's
  - Objective is to understand each FI's risk drivers and plan engagement accordingly, rather than apply a "one size fits all" approach
  - Where not applicable, disregard?

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Are the concerns valid?

- May be legitimate concerns that certain elements of the ORR may go beyond the scope of Section 131 of the FSRA

- However, enactment of **COFI Bill** would address many gaps by providing a **comprehensive statutory framework** for **conduct-related data collection**

- In the interim, the FSCA should ensure that **each data request is clearly tied to an existing statutory function**, and that **POPIA compliance is maintained**, particularly with respect to the minimality principle and purpose limitation.

Repercussions of non-compliance

- Range of regulatory consequences under the **FSRA + COFI Bill (when enacted)**

- **FSRA**
  - supervised entity that contravenes Section 131(1)(b)
    - commits an offence (attracts criminal liability)
    - is liable on conviction to a fine not exceeding **R1,000 for each day** during which the offence continues
  - **Section 167** - the responsible authority may impose an "appropriate administrative penalty" on a person who has contravened a financial sector law

- **COFI Bill** - specifically addresses failures to submit returns to the FSCA
  - FSCA may impose **an administrative penalty** in the case of any failure by a financial institution to submit to the Authority within a period specified... any scheme, statement, report, return or other document or information required in terms of subsection (1) to be submitted, **not exceeding R5,000 for every day during which the failure continues**

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3

What are the Board's duties?

Board responsibility

- **The Board bears the ultimate responsibility for ORR compliance**
  - Delegation does not remove accountability (s13B administrators)

- **Fiduciary duties under PFA:**
  - **s7D(1)(f)** – trustees to ensure that the rules and operation of the fund comply with the PFA, the Financial Institutions (Protection of Funds) Act and all other applicable laws
    - ORR mandated under FSRA (or COFI) – therefore non-compliance could constitute a breach of this duty
  - **s7D(1)(a)** – duty to ensure that proper registers, books, records and other documents are kept
    - inability to provide accurate data for the ORR may suggest deficiencies in record-keeping practices
  - **s7C(2)** – duty to the fund to ensure that it is financially sound and is being responsibly managed
    - ORR designed to identify conduct risks, internal control weaknesses, governance deficiencies
  - **s7C(2)(b) -** requires trustees to act with due care, diligence and good faith
    - negligent completion or disregard for reporting obligations could be characterized as failure to act with due care, diligence and good faith

Board responsibility

- **Proportionality considerations**
  - Some data **may not be available to** funds (e.g. turnover and income data)
  - **Legitimate constraints on data availability, POPIA compliance and structural mismatches** between ORR and retirement fund sector may provide justification for omissions or variances in reporting

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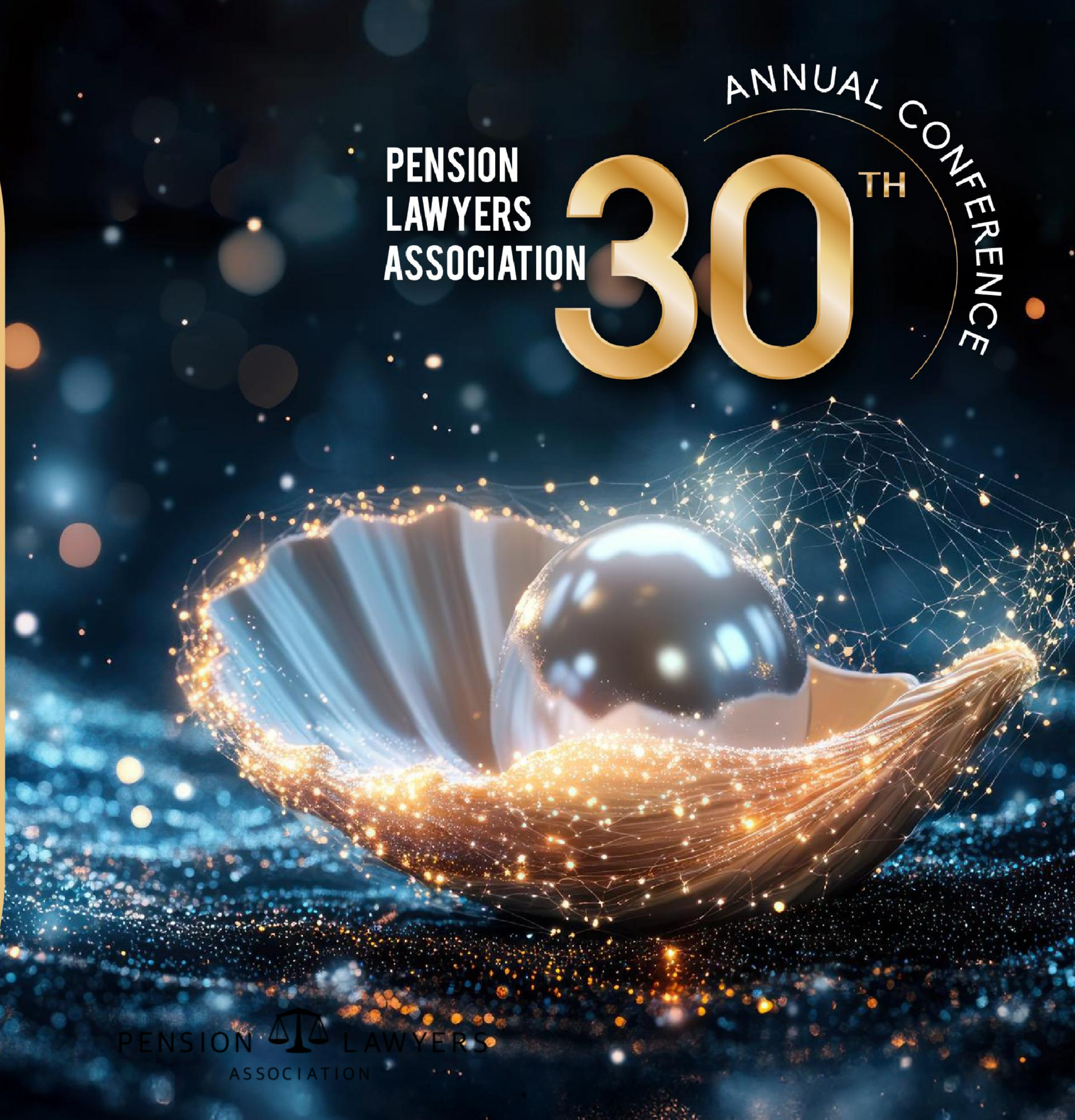
PART 2:

A RETIREMENT FUND PERSPECTIVE

Presented by:
Kirstie Gibson (Discovery)



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PART 2: CONTENTS

1

Introduction

Why the ORR?

The FSCA identified key deficiencies in the current supervisory framework:

- **Fragmented** supervisory visibility across institutions
- **Inconsistent risk ratings** across supervisory teams
- **Significant manual effort** to consolidate supervisory data
- **Duplicate reporting** across regulatory processes

The ORR Response

A **structured, consolidated supervisory dataset** supporting **consistent and data-driven supervision**. Published 30 September 2025, with an industry pilot planned for mid-2026 and full IRS go-live scheduled for September 2026. The ORR is structured into 12 sections capturing **key risk drivers across business models and operations**.

Session Overview

Three practical themes from the ORR that the retirement fund sector is already grappling with and the structural questions they raise…

01 **Duplicate Reporting**
Duplication with existing frameworks, the Fund–Administrator data triangle, reconciliation risk and data ownership.

02 **Costs & Operational Impact**
System enhancements, data quality costs, member impact, and proportionate reporting.

03 **Implementation Readiness**
Sequencing risk, governance readiness, and the risk of premature investment.

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2

The Retirement Fund Context

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The Multi-Entity Ecosystem

Unlike many financial institutions, retirement funds operate through a **distributed model** where **responsibilities are spread** across specialised service providers:

Retirement Fund

Governance · Fiduciary Oversight · Compliance

Section 13B Administrators
Contributions, member records, benefit processing

Asset Managers
Investment management, portfolio allocation

Insurers
Underwritten Fund benefits and Risk benefits (GLA and disability)

Worth reflecting on:
*The underlying operational model for retirement funds is intentionally distributed across **multiple regulated entities**. **What would we need to create a consolidated supervisory view of this decentralised multi-entity regulated operating model?***

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3 Duplicate Reporting

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Duplication with Existing Reporting

Much of the data requested by the ORR already **exists within current regulatory frameworks**. The challenge is consistency across overlapping requirements:

Existing Framework	Type of Data	ORR Overlap
Regulatory Reporting (FSCA)	Financial statements, trustee details, fund rules	Sections 1 – 4 (*governance, ownership*)
Annual Compliance Report	Compliance breaches, risk assessments	Sections 3, 9 (*governance, complaints*)
Regulation 28 Reporting	Investment allocations, asset limits	Sections 5 – 6 (*assets, transactions*)
Section 13B Administrator Returns	Operational data, contributions, benefits	Sections 5 – 9 (*operations, complaints, IT*)

Risk

***Multiple versions of the "same" data** — which creates **skewed risk outcomes**, because of different **entities reporting differently on the same thing**. Again, this emanates from different definitions or methodologies being applied.*

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The Fund-Administrator Data Triangle

FSCA

receives **parallel datasets** from **both entities**

Section 13B Administrator

Day-to-day administration
Holds **operational data**
Contributions, member records
Complaints, benefit processing

Retirement Fund

Governance & fiduciary oversight
Regulatory accountability
Oversees operational activities
May not generate underlying data

Risk

Multiple versions of the "same" data — which creates **skewed risk outcomes**.

Challenge

Ensuring that **reporting responsibilities between retirement funds and administrators are calibrated** in a way that avoids the creation of parallel datasets.

Result

Without careful calibration, there is a real risk that **duplication is reduced at a supervisory level, while being recreated within the reporting system** itself.

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Data Reconciliation Risk & Ownership

Reconciliation Risk

Even small methodological differences create inconsistent datasets:

- **Complaints:** An administrator may record at first interaction; a Fund may classify only after OPFA escalation.
- **Unclaimed benefits:** Some classify when untraceable; others only after formal tracing is completed.

Data Ownership

The ORR requires governing body declarations confirming data accuracy.

Trustees must attest to data produced and maintained within external service provider systems.

This elevates duplicate reporting from a technical issue to one of governance accountability.

Risk: the **same underlying activity being reported differently** across datasets of financial institutions – **"same data" can create skewed risk outcomes**.

Challenge: **regulator receiving multiple versions of the same information** — but not in a consistent form or not always in the same way – creating **skewed risk outcomes**.

Result: ORR's key objective is **consistent supervisory assessment** – without careful calibration, there is a real risk that **conclusions are drawn from inconsistent data**.

4

Costs & Operational Impact

The Cost Chain

Producing structured datasets requires investment in **systems**, **processes** and **governance**. These costs ultimately flow through to **retirement fund members**.

System Enhancements

Data extraction, reporting modules, validation rules, governance workflows. For large administrators, changes must roll out across many Funds simultaneously.

Data Quality Costs

The biggest ongoing cost: validation checks, reconciliations, audit trails and exception management. Not once-off — ongoing operational responsibilities.

Member Impact

Costs flow through administration fee structures. The ultimate cost bearer is the retirement fund member. Supervisory value must be proportionate to cost.

Conduct Standard 2 of 2025 adds further compliance obligations for administrators — data governance, record retention, complaints frameworks — amplifying the cost impact of ORR readiness.

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Proportionate Supervision vs Proportionate Reporting

The ORR Objective

The ORR aims to enable proportionate supervisory responses — supervisory intensity reflecting the level of risk posed by an institution.

The FSCA considers the size and complexity of different businesses, ensuring supervision is fair and proportionate.

The Reality Gap

Retirement funds vary enormously in size and complexity. If reporting expectations are identical, the compliance burden may become disproportionate.

Potential calibration approaches:

Simplified reporting

Phased implementation timelines

Other factors to be determined by the industry

A **proportional reporting approach** should be adopted **FOR ALL RETIREMENT FUNDS** to avoid duplication with the section 13B administrator's returns and the Fund, and the insurer in the case of underwritten Funds.

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5

Implementation Readiness

Balancing Preparation and Prudence

With the industry pilot and full IRS go-live planned for 2026, institutions face a **balancing exercise**: **preparing while avoiding premature investment**…

Sequencing Risk

Administrators service many Funds simultaneously. If timelines are short once the framework becomes effective, reporting changes may need to roll out across dozens or hundreds of Funds at once. **Early data mapping** is essential.

Governance Readiness

ORR submissions require governing body declarations on data accuracy. Trustees need comfort around where data originates, how it is validated, and how discrepancies are resolved. **Data governance becomes a board-level issue**.

Premature Investment Risk

Regulatory frameworks often evolve during early implementation. Investing in complex reporting systems too early may result in costly rework. Focus initially on **foundational preparation** — **data mapping**, **governance processes** and **readiness planning**.

Institutions that understand their data landscape and have clear governance processes will be best positioned to adapt — regardless of how the final framework develops.

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6

Concluding Remarks

The Real Question for Retirement Funds

- The ORR seeks to address key supervisory challenges: fragmented visibility, inconsistent risk assessments, manual consolidation and duplicate reporting.

- The retirement fund sector operates through a **deliberately distributed ecosystem** where:
  - operational data sits across administrators and service providers.
  - governance and accountability sit with the fund board.

- The success of the ORR in this sector depends on whether **distributed operational data can be translated into a coherent and consistent supervisory dataset**.

- But fundamentally — **the ORR is about quantifying risk**.

- In the retirement fund context, this raises a critical question: What is the risk we are seeking to measure, and is this the appropriate tool to measure it?

Worth reflecting on:
*Can the retirement fund industry help shape a more proportionate and **fit-for-purpose** reporting framework — and if so, how should that engagement with the FSCA be structured?*

Fit For Purpose?

- The ORR is designed to **quantify and calibrate risk** across financial institutions.

- Retirement funds are not traditional profit-driven entities:
  - risk is already governed through fiduciary duties and regulation.
  - operational activity is distributed across regulated service providers.

- This raises a fundamental question: **What risk is the ORR seeking to calibrate for retirement funds?**

Worth reflecting on:
Is the ORR the right tool for this sector — or should a more proportionate approach be considered?

Worth reflecting on:
As an industry, how do we actively engage with the FSCA to shape a framework that is both effective and fit for purpose?

THANK YOU