MAKING A DIFFERENCE
SINCE 1996

NAVIGATING THE CONDUCT STANDARD FOR 13B ADMINISTRATORS

Presented by:
Leanne van Wyk, Ensimini

Miranda Mkhumbuzi-Rasehala, FNB Employee Benefits

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PENSION LAWYERS ASSOCIATION 30TH ANNUAL CONFERENCE

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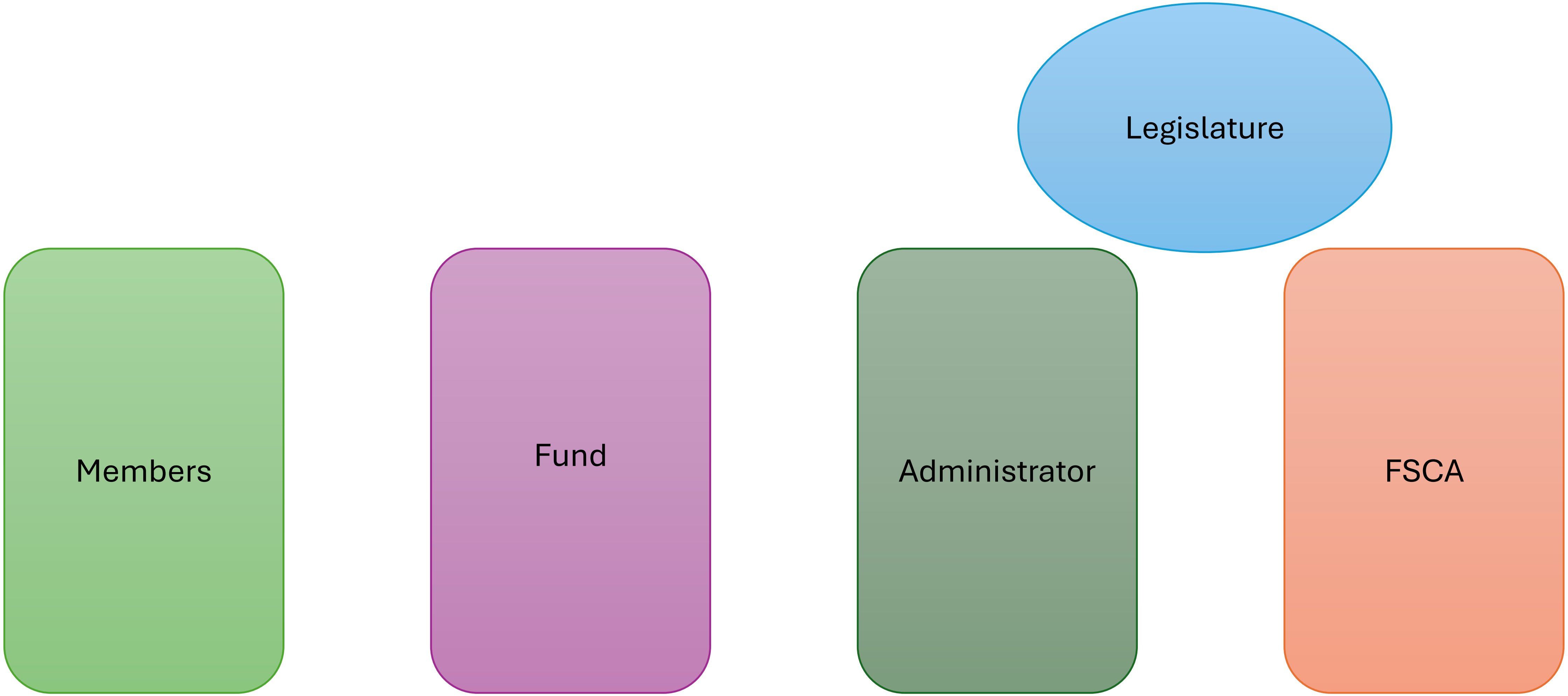
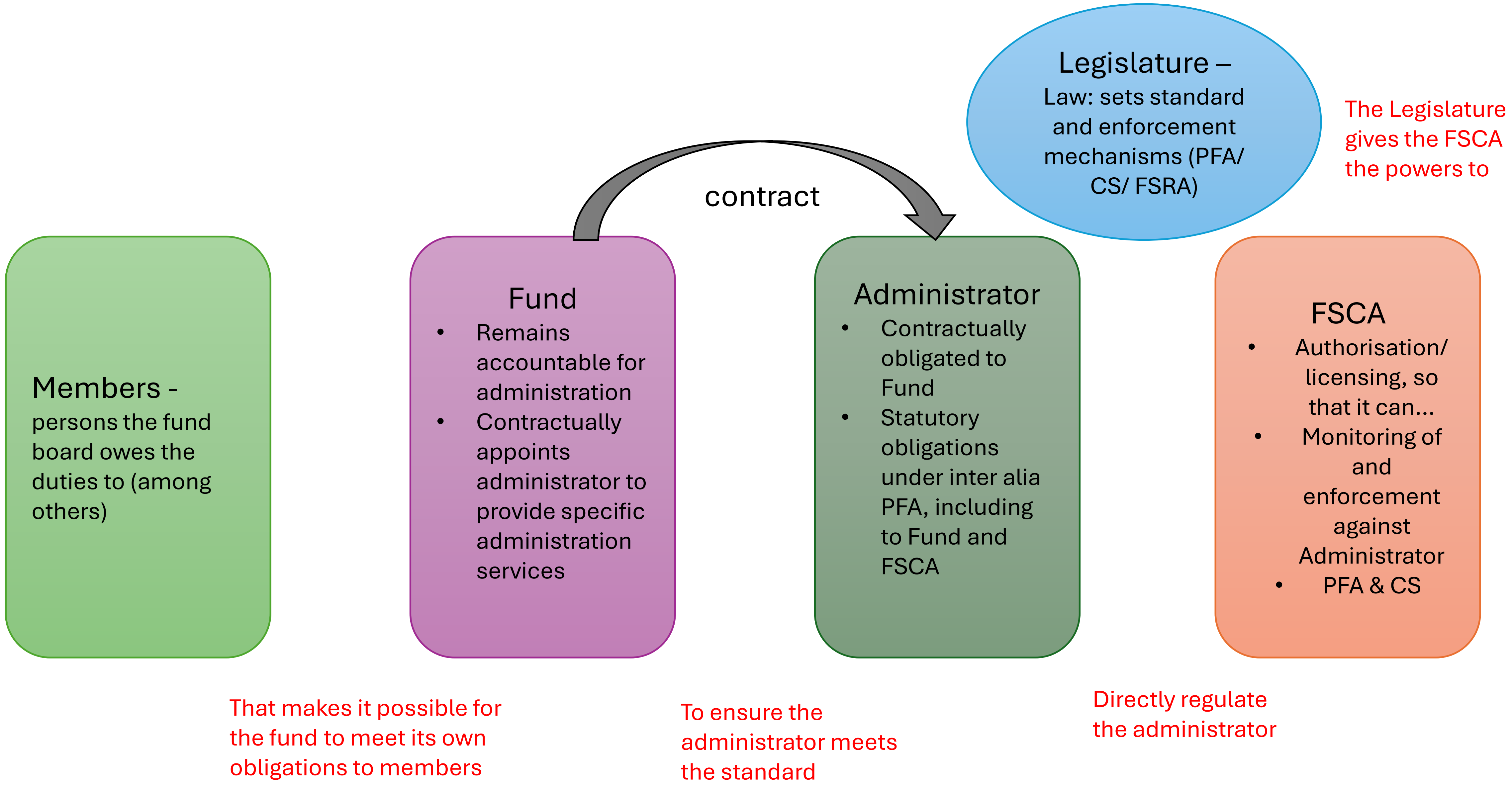
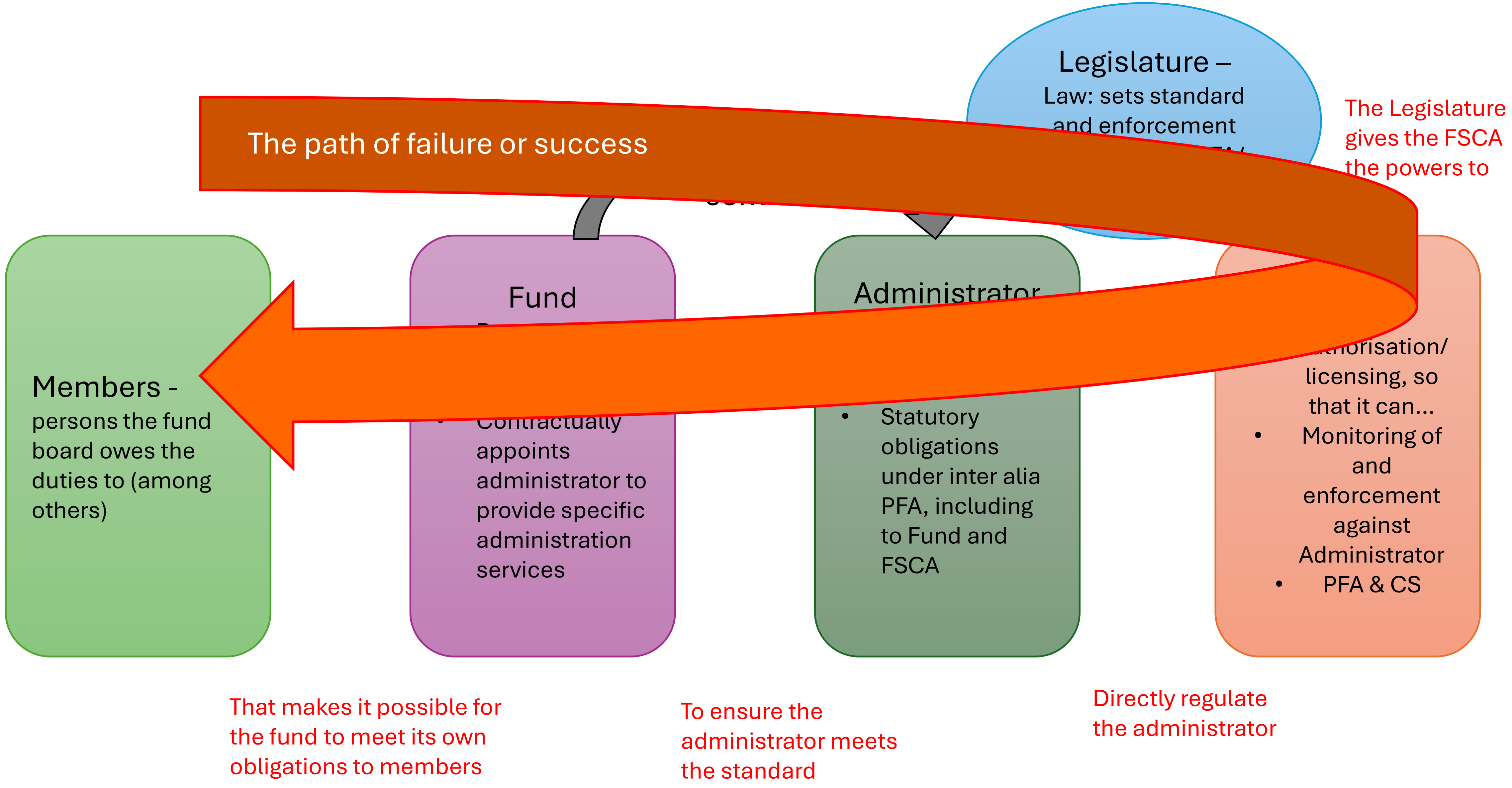
Why does the Conduct Standard exist?



Why does the Conduct Standard exist? Here are our players in this space...



Why does the Conduct Standard exist?



Why does the Conduct Standard exist?

What is a Conduct Standard in law?

What does it provide for?

What is a Conduct Standard in law?

- Issued by the FSCA under section 106 of the Financial Sector Regulation Act
- It is **subordinate legislation:** not a guideline, circular, or best-practice notice
- It has the **force of law** and binds every person to whom it applies
- Obligations exist **by operation of law,** not by contractual incorporation or consent
- Parties **cannot contract out** of a conduct standard
- The FSCA enforces it directly, enforcement does not depend on the fund taking action
- Non-compliance puts the administrator's **section 13B approval** at risk

What is the Conduct Standard

The Conduct Standard

- Refers back to 13B of the Pension Funds Act
- Replaces BN 24 of 2002, modernises conditions for 13B administrators
- Embeds TCF principles and aligns administration with the **FSRA market conduct framework**
- Introduces clearer accountability for **governing bodies, key persons and control functions**
- Moves from a rules-based approach → **outcomes-based, customer-focused regime**

Why it matters:

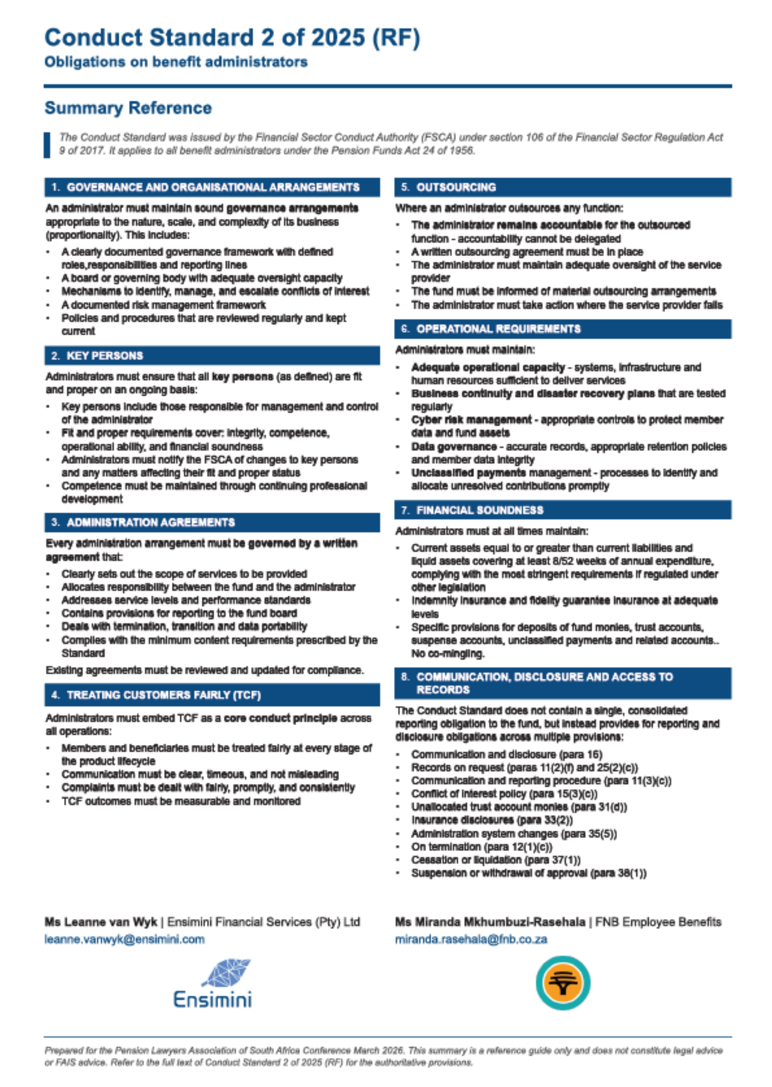
- Elevates the conduct expectations of administrators
- Strengthens protection of members and funds
- Increases transparency, governance and oversight

What does the CS provide?

Area	What it introduces
Business Principles & Governance	TCF, transparency, governing body accountability, documented governance arrangements
Key Persons	Appointment/termination notifications; FSCA may object; oversight responsibilities
Fit & Proper	Ongoing competence, honesty, integrity; remediation powers for FSCA
Administration Agreements	Mandatory SLAs; minimum content (scope, comms, fees, timelines, termination, handover)
Outsourcing	Only to approved 13B administrators; fund consent required; retained accountability; annual review
Conflicts of Interest	Policy, disclosure, training; publication; notify FSCA of material conflicts
Communication & Complaints	Plain language; structured complaints framework, reporting, escalation, record keeping
Data & Records	Data management framework; retention minimums; safe custody; system change notifications
Financial Requirements	Accounting records; trust account rules; PI & fidelity cover; liquidity & solvency
Termination	Handover duties; timelines; required reports to fund and FSCA

See summary in handout

- Summary of the Standard (and other docs)
- Bar code at the end
- In conference app
- Will be on PLA website



Conduct Standard 2 of 2025 (RF)

Obligations on benefit administrators

Summary Reference

The Conduct Standard was issued by the Financial Sector Conduct Authority (FSCA) under section 106 of the Financial Sector Regulation Act 9 of 2017. It applies to all benefit administrators under the Pension Funds Act 24 of 1956.

1. GOVERNANCE AND ORGANISATIONAL ARRANGEMENTS

An administrator must maintain sound **governance arrangements** appropriate to the nature, scale, and complexity of its business (proportionality). This includes:

- A clearly documented governance framework with defined roles,responsibilities and reporting lines
- A board or governing body with adequate oversight capacity
- Mechanisms to identify, manage, and escalate conflicts of interest
- A documented risk management framework
- Policies and procedures that are reviewed regularly and kept current

2. KEY PERSONS

Administrators must ensure that all **key persons** (as defined) are fit and proper on an ongoing basis:

- Key persons include those responsible for management and control of the administrator
- Fit and proper requirements cover: integrity, competence, operational ability, and financial soundness
- Administrators must notify the FSCA of changes to key persons and any matters affecting their fit and proper status
- Competence must be maintained through continuing professional development

3. ADMINISTRATION AGREEMENTS

Every administration arrangement must be **governed by a written agreement** that:

- Clearly sets out the scope of services to be provided
- Allocates responsibility between the fund and the administrator
- Addresses service levels and performance standards
- Contains provisions for reporting to the fund board
- Deals with termination, transition and data portability
- Complies with the minimum content requirements prescribed by the Standard

Existing agreements must be reviewed and updated for compliance.

4. TREATING CUSTOMERS FAIRLY (TCF)

Administrators must embed TCF as a **core conduct principle** across all operations:

- Members and beneficiaries must be treated fairly at every stage of the product lifecycle
- Communication must be clear, timeous, and not misleading
- Complaints must be dealt with fairly, promptly, and consistently
- TCF outcomes must be measurable and monitored

5. OUTSOURCING

Where an administrator outsources any function:

- The administrator **remains accountable** for the outsourced function - accountability cannot be delegated
- A written outsourcing agreement must be in place
- The administrator must maintain adequate oversight of the service provider
- The fund must be informed of material outsourcing arrangements
- The administrator must take action where the service provider fails

6. OPERATIONAL REQUIREMENTS

Administrators must maintain:

- **Adequate operational capacity** - systems, infrastructure and human resources sufficient to deliver services
- **Business continuity and disaster recovery plans** that are tested regularly
- **Cyber risk management** - appropriate controls to protect member data and fund assets
- **Data governance** - accurate records, appropriate retention policies and member data integrity
- **Unclassified payments** management - processes to identify and allocate unresolved contributions promptly

7. FINANCIAL SOUNDNESS

Administrators must at all times maintain:

- Current assets equal to or greater than current liabilities and liquid assets covering at least 8/52 weeks of annual expenditure, complying with the most stringent requirements if regulated under other legislation
- Indemnity insurance and fidelity guarantee insurance at adequate levels
- Specific provisions for deposits of fund monies, trust accounts, suspense accounts, unclassified payments and related accounts.. No co-mingling.

8. COMMUNICATION, DISCLOSURE AND ACCESS TO RECORDS

The Conduct Standard does not contain a single, consolidated reporting obligation to the fund, but instead provides for reporting and disclosure obligations across multiple provisions:

- Communication and disclosure (para 16)
- Records on request (paras 11(2)(f) and 25(2)(c))
- Communication and reporting procedure (para 11(3)(c))
- Conflict of interest policy (para 15(3)(c))
- Unallocated trust account monies (para 31(d))
- Insurance disclosures (para 33(2))
- Administration system changes (para 35(5))
- On termination (para 12(1)(c))
- Cessation or liquidation (para 37(1))
- Suspension or withdrawal of approval (para 38(1))

Ms Leanne van Wyk | Ensimini Financial Services (Pty) Ltd
leanne.vanwyk@ensimini.com

Ensimini

Ms Miranda Mkhumbuzi-Rasehala | FNB Employee Benefits
miranda.rasehala@fnb.co.za

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The survey

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Survey

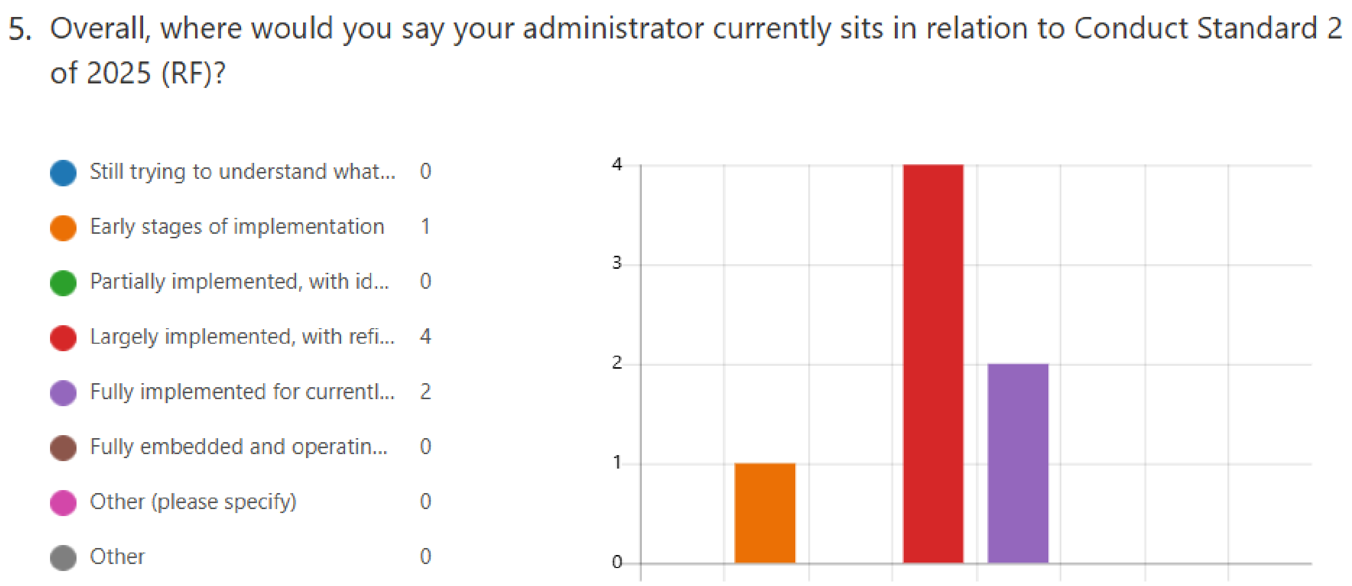
- 7 administrators - mix of small, medium and large
- 41,9% of Assets Under Administration
- 51% of active members.
- Anonymously presented. No info on specific funds - anonymity. Just small, medium and large
- Diverse mix of fund client types and administrative complexity: small, medium, large, very large, only one self-administered, umbrella, stand-alone, bargaining council and retail fund administration
- This is a qualitative survey, not a statistical study
- The value is not necessarily in the percentages. It is in what administrators at very different scales and of very different types said when asked the same questions. Where findings converge across that range, the convergence itself is meaningful.
- The qualitative findings are useful as a basis for a factual departure for structured discussion, though the extreme range in scale among respondents means they should be read as structured, comparable testimony from administrators at very different stages and sizes, not as a representative picture of the industry
- No other comparable evidence at this stage – novel

Survey result and analysis

Do administrators understand the Standard and are they implementing it?

Q: Overall, where would you say your administrator currently sits in relation to Conduct Standard 2 of 2025 (RF)?

- Still trying to understand what it means
- Early stages of implementation
- Partially implemented
- Largely implemented, with refinements ongoing
- Fully implemented for currently effective provisions
- Fully embedded and operationalized
- Other



Finding:

The participants are making meaningful progress

86% of respondents are either fully implemented or largely implemented with refinements ongoing. Only 1 respondent (a smaller administrator) is still in early stages

The fully implemented respondents include a small Administrator and a large Administrator suggesting that both small smaller/ more specialised and large well-resourced administrators can achieve full compliance

The respondents in the "largely implemented" category represent the broad middle ground. They have the architecture in place but are still refining processes, particularly around administration agreements and operational embedding

Q: Which areas of the Conduct Standard have been the most challenging to implement so far?

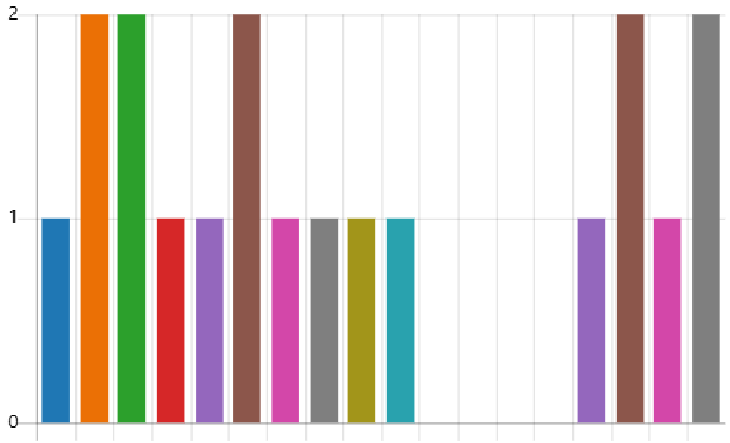
- Making administration agreements compliant
- Governance structures and frameworks
- Key persons requirements
- Outsourcing provisions
- Conflict of interest management —
- Data management and record-keeping
- Accounting records and financial statements
- Treating Customers Fairly (TCF)
- Accountability and role clarity
- Fit and proper requirements
- Operational procedures and internal controls
- Applicability to self-administered funds

Other

Q: Which areas of the Conduct Standard have been the most challenging to implement so far?

6. Which areas of the Conduct Standard have been the most challenging to implement so far?

Accountability and role clarity	1
Governance structures and fra...	2
Key persons requirements	2
Treating Customers Fairly (TCF)	1
Fit and proper requirements	1
Making administration agree...	2
Outsourcing provisions	1
Conflict of interest manageme...	1
Data management and record...	1
Accounting records and financ...	1
Deposit of monies and trust a...	0
Unclassified payments and sus...	0
Indemnity and Fidelity Guaran...	0
Financial soundness requirem...	0
Operational procedures and in...	1
We have not experienced sign...	2
Other (please specify)	1
Other	2



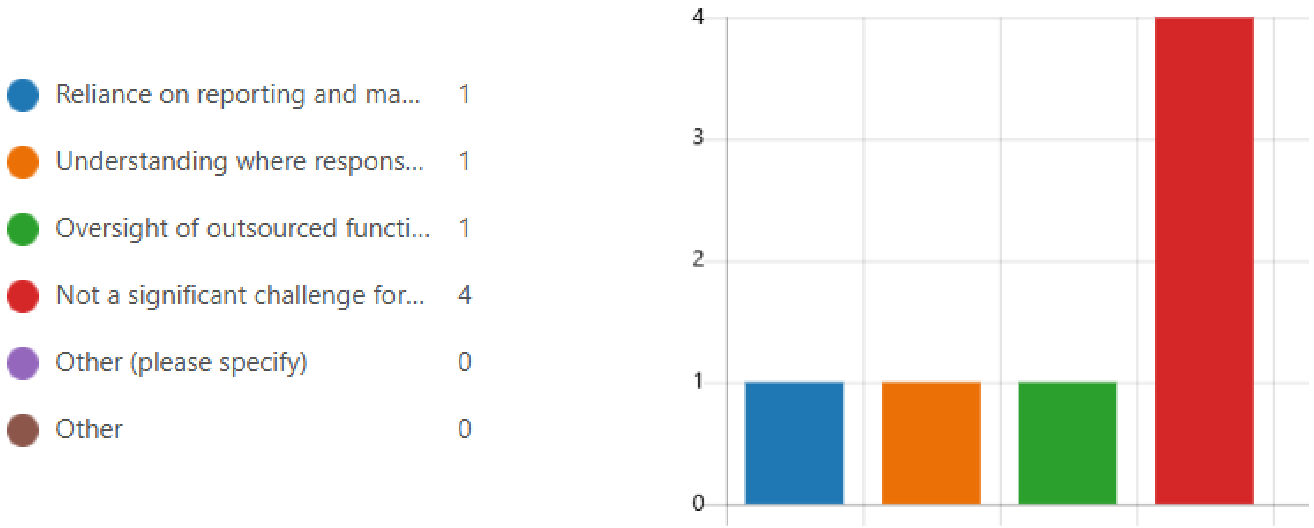
Survey results and analysis

Finding

- Three areas stand out as most commonly cited:
- 1) Making administration agreements compliant. Particularly the process of reviewing, redrafting, and rolling out updated SLAs to existing clients
- 2) Governance structures and frameworks; and
- (3) Key persons requirements
- Findings suggest that diversified administrators serving multiple fund types face compounding complexity
- 29% reported no significant challenges, indicating that some administrators had frameworks in place that aligned well with the Conduct Standard's requirements
- Administrator 7 raised the unique challenge of applying the standard to self-administered funds - a structural issue that may warrant specific FSCA guidance

Q: When it comes to oversight and responsibility, what has been the most challenging in practice?

- Reliance on reporting and management information
- Understanding where responsibility sits when functions are delegated
- Oversight of outsourced functions
- Not a significant challenge
- Other



Finding:

Oversight and responsibility is an area of relative comfort with 57% of respondents found it not to be a significant challenge.

However, the three areas of difficulty that were cited are all connected to the delegation and outsourcing framework:

(1) where responsibility sits when functions are delegated;

(2) oversight of outsourced functions; and

(3) reliance on reporting and management information.

This suggests that while the internal accountability structures are well understood, the lines of responsibility become less clear in outsourced or delegated scenarios . A common theme across regulated industries.

Survey results and analysis

Q: Do you have clarity on what is meant by "governance arrangements" and what should be included within them?

- Yes, we are clear on what should be included
- Partially, but further clarity would be helpful
- No, we do not have sufficient clarity
- Other

Finding:

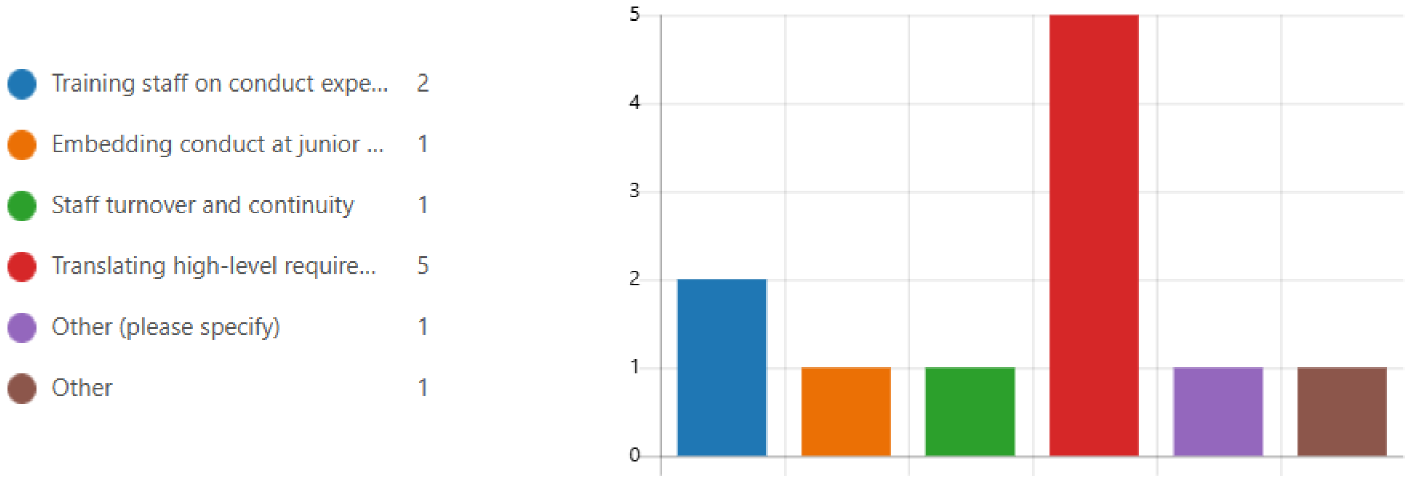
- This is one of the strongest areas of alignment across the sample
- 86% of respondents are clear on what governance arrangements entail
- Only one Administrator indicated that further clarity would be helpful. The same respondent who cited the widest range of implementation challenges
- This high level of clarity is encouraging, given that governance arrangements form the foundation of the Conduct Standard's compliance framework

Survey and analysis

Survey and analysis

Q: From an operational perspective, what has been the most difficult aspect of implementation?

- Training staff on conduct expectations
- Embedding conduct at junior or operational levels
- Staff turnover and continuity
- Translating high-level requirements into day-to-day processes
- Other



Finding:

This is possibly the single most critical finding of the survey

"Translating high-level requirements into day-to-day processes" was cited by 71% as by far the dominant operational challenge

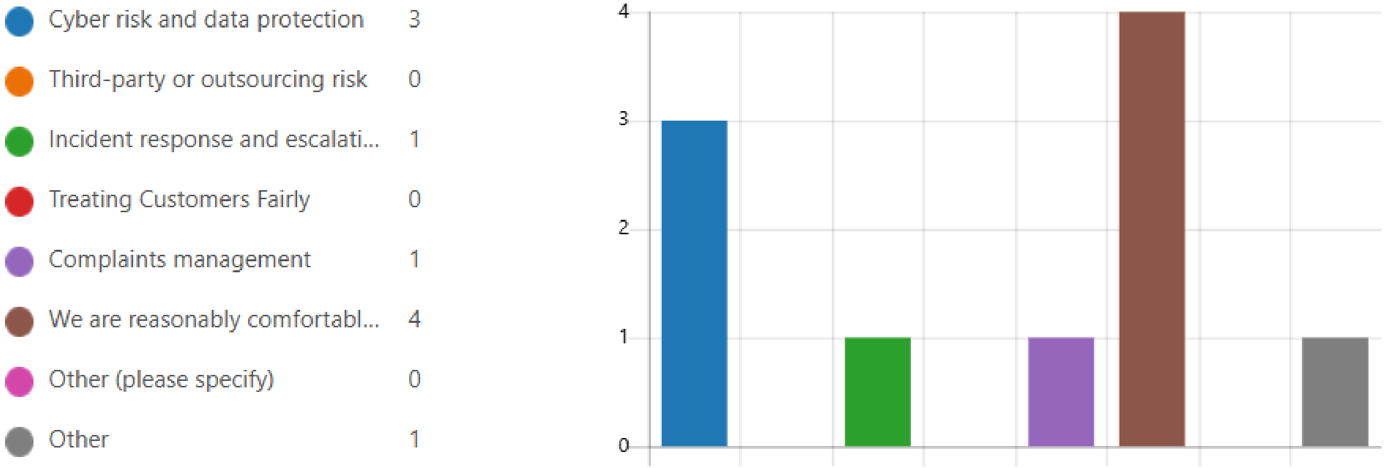
This indicates a gap between regulatory intent and operational reality

Administrators understand what the Conduct Standard requires in principle, but struggle to operationalise it into daily workflows, process checklists and frontline accountability

Training and staff continuity were also cited as compounding factors.

Compliance cannot be treated as a once-off legal exercise. It requires ongoing operational embedding and monitoring

Q: Which area currently presents the greatest uncertainty or risk for your organisation?



Survey and analysis

Finding:

- While 4 of 7 respondents are reasonably comfortable, cyber risk and data protection emerged as the leading area of uncertainty (43%), including the two largest administrators and the most diversified mid-size administrator
- This is significant because the larger the administrator, the greater the data exposure and the more complex the cybersecurity, IT and data architecture required
- With the FSCA's increasing focus on IT and cyber governance and the POPIA requirements, this intersection of conduct standards and cyber resilience/ data governance represents an emerging significant area of legal and regulatory risk

Survey and analysis

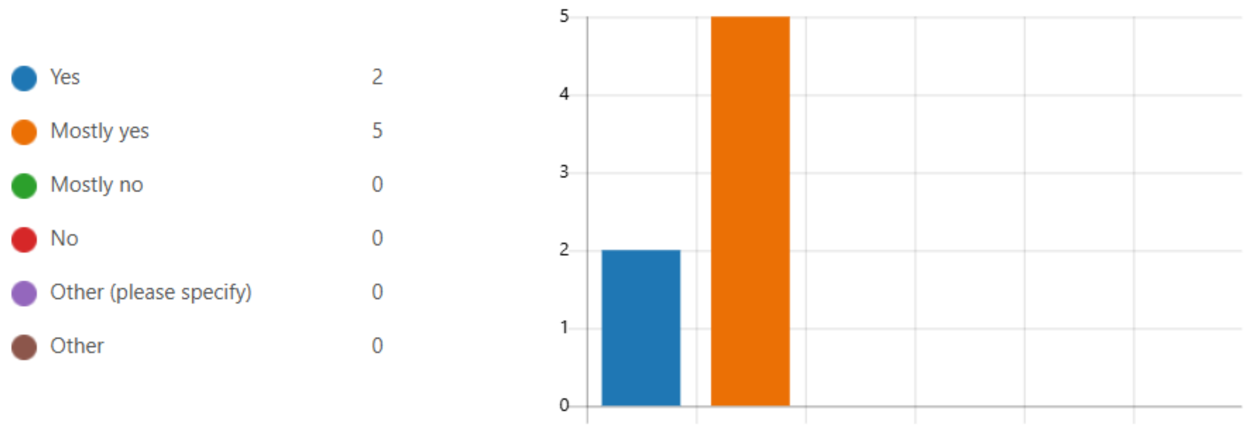
Q: Do you have a standard report on your compliance with the Conduct Standard that you can provide to the funds you administer?

- Yes, standard compliance report available
- No standard report
- Alternative approach: annual assurance letter; included in compliance report

Finding:

- There is no uniform approach to compliance reporting. While 57% of respondents have a standard report,29% use alternative mechanisms (annual assurance letters or inclusion in broader compliance plans), and 1 has no report at all.
- One administrator provides trustees with a bi-annual governance newsletter and detailed compliance reports to management.
- Another administrator provides an annual assurance letter covering all applicable legislation
- Solutions are pragmatic but do they provide the granularity that funds require?
- This diversity of approaches suggests an opportunity for industry standardisation

12. Do you believe funds (or their consultants) are asking appropriate questions about your compliance with the Conduct Standard?



13. Do you believe that funds' information requests include information that may go beyond what is reasonably required (for example, internal policies)?

Survey and analysis

Finding:

- This is a tension point in the industry. While all respondents agree that funds are broadly asking appropriate questions (100% said "mostly yes" or "yes"), there is a clear concern that some requests overshoot
- 43% of respondents said requests go beyond what is reasonable (particularly requests for copies of internal governance policies)
- The emerging consensus position is that funds should receive assurance of compliance, not copies of the administrator's internal policies which contain confidential and proprietary information
- External policies can be shared: e.g. complaints management and conflict of interest
- Where internal policies are shared redacted versions may be appropriate
- This distinction between providing "assurances" and "policy disclosure" was noted

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Q: Is there one issue relating to Conduct Standard 2 of 2025 (RF) that keeps coming up internally, or that you wish there was clearer guidance on?

Finding

Three distinct themes emerged:

(1) Complaints management and the challenge of ensuring staff competency at all levels

(2) The practical burden of making all administration agreements/SLAs compliant. This is not just a legal drafting exercise but a project management challenge involving existing client relationships

(3) The applicability of the standard to self-administered funds which is the only area where a respondent framed their issue as a direct question to the FSCA (see later in presentation)

Survey summary of results

EXECUTIVE SUMMARY — KEY TAKEAWAYS FOR THE PLA CONFERENCE

TAKEAWAY 1: THE STANDARD IS BROADLY WELL-UNDERSTOOD - 71% of respondents find it generally clear. No respondent said it was unclear. The standard's drafting quality is not the barrier to implementation

TAKEAWAY 2: IMPLEMENTATION IS WELL ADVANCED BUT NOT COMPLETE - 86% are fully or largely implemented. The industry is broadly on track, but refinements are ongoing, particularly around administration agreements and operational embedding

TAKEAWAY 3: THE #1 CHALLENGE IS OPERATIONALISATION - "Translating high-level requirements into day-to-day processes" was cited by 71% of respondents. This is the gap between legal compliance and practical reality. Boards and trustees should focus oversight here

TAKEAWAY 4: CYBER RISK IS THE EMERGING FRONTIER - 43% identified cyber risk and data protection as their greatest area of uncertainty. The intersection of the Conduct Standard with POPIA and broader IT governance is an area of growing legal risk

TAKEAWAY 5: ADMINISTRATION AGREEMENTS ARE A PRACTICAL BOTTLENECK - Making SLAs and administration agreements compliant is a major undertaking involving legal review, redrafting, and client-by-client rollout. This is both a legal and project management challenge

TAKEAWAY 6: THE "ASSURANCE VS DISCLOSURE" DEBATE IS LIVE - Administrators push back against fund requests for copies of internal governance policies. The emerging industry position is that funds should receive assurance of compliance, not the policies themselves (unless public). Redacted or summary versions may be offered for specific policies

TAKEAWAY 7: COMPLIANCE REPORTING NEEDS STANDARDISATION - Approaches range from standard reports to annual assurance letters to no report at all. Would the industry benefit from a standardised compliance reporting template?

TAKEAWAY 8: SELF-ADMINISTERED FUNDS NEED TAILORED GUIDANCE - a self-administered fund raised a fundamental question: which requirements apply to self-administered funds? This question of proportionality and applicability may deserve direct FSCA guidance

TAKEAWAY 9: DIVERSIFIED ADMINISTRATORS FACE COMPOUNDING COMPLEXITY - The breadth of fund types served amplifies implementation complexity

4

Administration agreements

Administration and service level agreements

- There is a dedicated section
- But requirements scattered through the Standard
- Quite a big re-write
- Must be done by 6 August 2025 – early signals that this could be a problem
- Administration agreement and SLA Checker (made available)

Administration agreement (and SLA) checker

Administration Agreement Compliance Checker

Conduct Standard 2 of 2025 (RF) ("CS2")

For use by funds, administrators and consultants when reviewing whether an existing administration agreement (and service level agreement) meets the requirements of the Conduct Standard, or when negotiating a new agreement. The checker only references the Conduct Standard, not other legal requirements.

Each item is referenced to the relevant paragraph of the Conduct Standard. Insert the clause number of the relevant provision in your agreement in the final column.

PART A — MINIMUM CONTENT: ADMINISTRATION AGREEMENT (PARAGRAPH 11(2))

#	Requirement	CS2 ref	Present and compliant (Y / N / Partial)	Agreement clause no.
A1	A description of the administration services the administrator will perform for the fund, including the specific duties and responsibilities of the administrator	Para 11(2)(a)		
A2	The particular powers and/or responsibilities of the fund's board that are to be exercised by the administrator on the fund's behalf (may also appear in the SLA)	Para 11(2)(b)		
A3	The administrator's duties and responsibilities in relation to communicating with and making disclosures to members of the fund, including the circumstances in which the administrator must communicate with members and the type of information that must be communicated (may also appear in the SLA)	Para 11(2)(c)		
A4	Details of the administrator's complaints management processes and procedures, which must be communicated to members	Para 11(2)(c) fn 1		
A5	The remuneration to which the administrator is entitled and the basis on which fees for the administration services are calculated	Para 11(2)(d)		
A6	The requirement to disclose any income earned directly or indirectly by the administrator (or its other divisions, subsidiaries or associates) from providing other services to the fund or performing certain functions for the fund	Para 11(2)(d) fn 2		
A7	An undertaking by the administrator to timeously provide information to the fund regarding take-on procedures, including the responsibilities of the relevant parties	Para 11(2)(e)		
A8	Confirmation that all records pertaining to the administration of the fund remain the sole property of the fund	Para 11(2)(f)		
A9	The records must be made available to the fund on request within 7 days of the date of request, or such other period as determined by the fund	Para 11(2)(f)		
A10	The remedies available should a breach of any condition of the administration agreement or service level agreement occur (e.g. breach, cure periods, damages, etc)	Para 11(2)(g)		
A11	The procedure that must be followed to rectify any such breach	Para 11(2)(g)		
A12	Requirements in respect of the outsourcing of administration services to another benefit administrator, including that any such other benefit administrator must be approved in terms of section 13B of the Act	Para 11(2)(h)		
A13	Confirmation that the administrator remains accountable for all duties, responsibilities and record-keeping outsourced to any other benefit administrator	Para 13(1)(b)		
A14	A requirement that the fund's prior written consent be obtained before any outsourcing arrangement is entered into	Para 13(2)		
A15	A provision that a party may only terminate the agreement on at least 90 days' written notice before the effective date of termination	Para 11(2)(i)		
A16	Provision for earlier termination in the case of a breach of the agreement	Para 11(2)(i)		
A17	Details of how the administrator will hand over to another benefit administrator or the fund on termination, including transfer of all information, records and data within 15 business days after the effective date of termination	Para 11(2)(j); Para 12(1)(b)		
A18	Submission within 30 days after the effective date of termination of: (i) a reconciliation of bank accounts, benefits and contributions; (ii) a termination report; and (iii) a report on unresolved complaints	Para 12(1)(c)		
A19	Transfer of records in an electronic format that supports efficient and effective transfer to the fund or new administrator	Para 12(2)		
A20	Details of whether the administrator employs a head of compliance, compliance officer or person responsible for monitoring compliance with the Act, regulations, the Conduct Standard and the rules of the fund	Para 11(2)(k)		

PART B — MINIMUM CONTENT: SERVICE LEVEL AGREEMENT (PARAGRAPH 11(3))

#	Requirement	CS2 ref	Present and compliant (Y / N / Partial)	Agreement clause no.
B1	Clear timelines for the performance of the relevant duties and responsibilities of the parties as set out in the administration agreement	Para 11(3)(a)		
B2	Robust administrative procedures dealing with all aspects relevant to the administration services that will be rendered	Para 11(3)(b)		

PART A — MINIMUM CONTENT: ADMINISTRATION AGREEMENT (PARAGRAPH 11(2))

#	Requirement	CS2 ref	Present and compliant (Y / N / Partial)	Agreement clause no.
A1	A description of the administration services the administrator will perform for the fund, including the specific duties and responsibilities of the administrator	Para 11(2)(a)		
A2	The particular powers and/or responsibilities of the fund's board that are to be exercised by the administrator on the fund's behalf (may also appear in the SLA)	Para 11(2)(b)		
A3	The administrator's duties and responsibilities in relation to communicating with and making disclosures to members of the fund, including the circumstances in which the administrator must communicate with members and the type of information that must be communicated (may also appear in the SLA)	Para 11(2)(c)		
A4	Details of the administrator's complaints management processes and procedures, which must be communicated to members	Para 11(2)(c) fn 1		

#	Requirement	CS2 ref	Present and compliant (Y / N / Partial)	Agreement clause no.
A1	A description of the administration services the administrator will perform for the fund, including the specific duties and responsibilities of the administrator	Para 11(2)(a)		
A2	The particular powers and/or responsibilities of the fund's board that are to be exercised by the administrator on the fund's behalf (may also appear in the SLA)	Para 11(2)(b)		

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Administration agreement and service level agreement – focus on certain requirements

PART A — MINIMUM CONTENT: ADMINISTRATION AGREEMENT (PARAGRAPH 11(2))

#	Requirement	CS2 ref	Present and compliant (Y / N / Partial)	Agreement clause no.
A1	A description of the administration services the administrator will perform for the fund, including the specific duties and responsibilities of the administrator	Para 11(2)(a)		
A2	The particular powers and/or responsibilities of the fund's board that are to be exercised by the administrator on the fund's behalf (may also appear in the SLA)	Para 11(2)(b)		
A3	The administrator's duties and responsibilities in relation to communicating with and making disclosures to members of the fund, including the circumstances in which the administrator must communicate with members and the type of information that must be communicated (may also appear in the SLA)	Para 11(2)(c)		
A4	Details of the administrator's complaints management processes and procedures, which must be communicated to members	Para 11(2)(c) fn 1		
A5	The remuneration to which the administrator is entitled and the basis on which fees for the administration services are calculated	Para 11(2)(d)		
A6	The requirement to disclose any income earned directly or indirectly by the administrator (or its other divisions, subsidiaries or associates) from providing other services to the fund or performing certain functions for the fund	Para 11(2)(d) fn 2		
A7	An undertaking by the administrator to timeously provide information to the fund regarding take-on procedures, including the responsibilities of the relevant parties	Para 11(2)(e)		
A8	Confirmation that all records pertaining to the administration of the fund remain the sole property of the fund	Para 11(2)(f)		
A9	The records must be made available to the fund on request within 7 days of the date of request, or such other period as determined by the fund	Para 11(2)(f)		
A10	The remedies available should a breach of any condition of the administration agreement or service level agreement occur (e.g. breach, cure periods, damages, etc)	Para 11(2)(g)		
A11	The procedure that must be followed to rectify any such breach	Para 11(2)(g)		

Administration agreement and service level agreement – focus on certain requirements

A12	Requirements in respect of the outsourcing of administration services to another benefit administrator, including that any such other benefit administrator must be approved in terms of section 13B of the Act	Para 11(2)(h)
A13	Confirmation that the administrator remains accountable for all duties, responsibilities and record-keeping outsourced to any other benefit administrator	Para 13(1)(b)
A14	A requirement that the fund's prior written consent be obtained before any outsourcing arrangement is entered into	Para 13(2)
A15	A provision that a party may only terminate the agreement on at least 90 days' written notice before the effective date of termination	Para 11(2)(i)
A16	Provision for earlier termination in the case of a breach of the agreement	Para 11(2)(i)
A17	Details of how the administrator will hand over to another benefit administrator or the fund on termination, including transfer of all information, records and data within 15 business days after the effective date of termination	Para 11(2)(j); Para 12(1)(b)
A18	Submission within 30 days after the effective date of termination of: (i) a reconciliation of bank accounts, benefits and contributions; (ii) a termination report; and (iii) a report on unresolved complaints	Para 12(1)(c)
A19	Transfer of records in an electronic format that supports efficient and effective transfer to the fund or new administrator	Para 12(2)
A20	Details of whether the administrator employs a head of compliance, compliance officer or person responsible for monitoring compliance with the Act, regulations, the Conduct Standard and the rules of the fund	Para 11(2)(k)

PENSION LAWYERS ASSOCIATION 30TH ANNUAL CONFERENCE

Administration agreement and service level agreement – focus on certain requirements

PART B — MINIMUM CONTENT: SERVICE LEVEL AGREEMENT (PARAGRAPH 11(3))

#	Requirement	CS2 ref	Present and compliant (Y / N / Partial)	Agreement clause no.
B1	Clear timelines for the performance of the relevant duties and responsibilities of the parties as set out in the administration agreement	Para 11(3)(a)		
B2	Robust administrative procedures dealing with all aspects relevant to the administration services that will be rendered	Para 11(3)(b)		

Administration Agreement Compliance Checker

Conduct Standard 2 of 2025 (RF) ("CS2")

PART B — MINIMUM CONTENT: SERVICE LEVEL AGREEMENT (PARAGRAPH 11(3))

#	Requirement	CS2 ref	Present and compliant (Y / N / Partial)	Agreement clause no.
B3	A clear and effective communication and reporting procedure, specifying at minimum: what is reported, at what frequency, to whom and through what channel	Para 11(3)(c)		
B4	The manner and frequency of review of the service level agreement	Para 11(3)(d)		

Note on effective dates: Paragraphs 11 and 12 of the Conduct Standard take effect 12 months after the date of publication (6 August 2025), i.e., on **6 August 2026**, including in respect of administration agreements entered into before the date of publication. Funds and administrators should ensure compliance by that date.

Annexures - suggestions

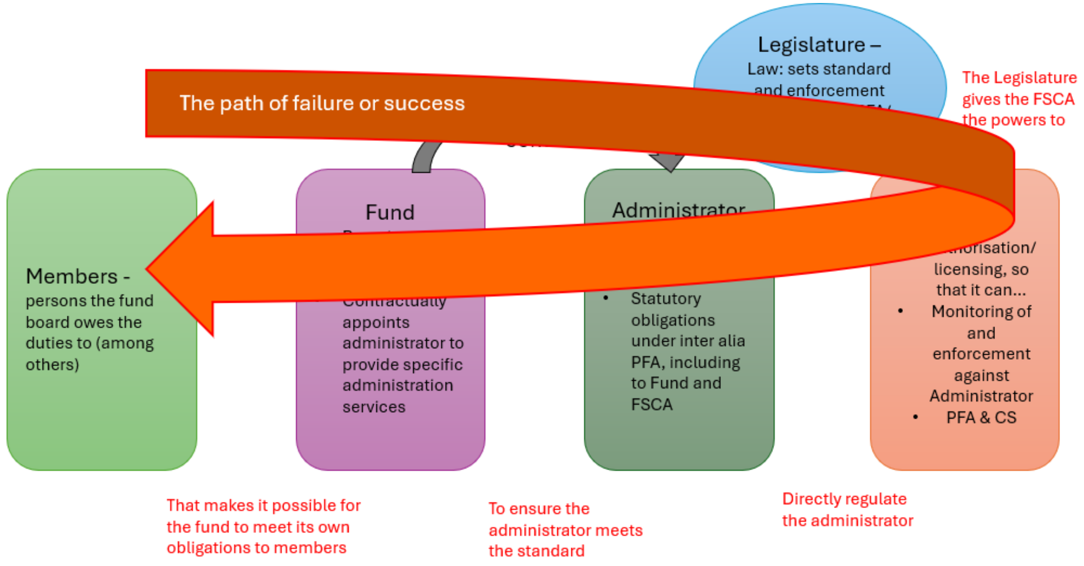
- Service levels and turnaround times
- Sometimes fees
- New: insurance disclosure (then its done upfront)
- Reporting and communication (a suggestion) – consolidate across the agreement
- Not an annexure but may work well – a compliance with legislation tracker (use ours and add other legislation to it)

Note: going to lead lots of lead-in time and project management

What should funds be asking their administrators?

What should funds be asking their administrators?

- Various opinions … e.g. the fund doesn't monitor our compliance with other FSCA requirements, why this one?
- Should funds ask for an annual confirmation/ attestation of compliance with CS annually?
- Remember this relationship:
- Combining this topic with others or lots of questionnaires?
- How these questionnaires overlap with the Omni-Risk Return topics or with other administrator reporting
- Assurances, attestations versus disclosure of docs and processes
- Our view – funds should be doing all of the above
- Apply proportionality (a) size and complexity of administrator (b) to what would be relevant information
- But don't need to overlap with the FSCA requirements
- Find most streamlined way



Questionnaire

Questionnaire

Administrator Compliance Questionnaire

Conduct Standard 2 of 2025 (RF)

For use by funds to obtain assurance of administrator compliance. Responses should be provided in writing and supported by the documentation indicated. This questionnaire may be adapted and sent to the administrator annually or as part of a service review. It can also be combined with other questionnaires.

First Name ______________________ Administrator ______________________

Period under review ______________________ Date of response ______________________

Completed by (name and title): ______________________

SECTION 1 - GOVERNANCE AND ORGANISATIONAL ARRANGEMENTS

#	Question	Response (Yes / No / Partial)	Documentation to be provided plus comment if response is "Partial" or "No"
1.1	Does the administrator have a documented governance framework in place that was reviewed in the last two years?		
1.2	Are roles, responsibilities and reporting lines clearly defined and documented?		
1.3	Does the administrator have a documented conflict of interest policy?		Conflict of interest policy and last review date
1.4	Does the administrator have a documented risk management framework?		Summary of risk management framework

SECTION 2 - KEY PERSONS

#	Question	Response (Yes / No / Partial)	Documentation to be provided plus comment if response is "Partial" or "No"
2.1	Are all key persons fit and proper as required as at the date of response?		List of current key persons
2.2	Confirm that no key person's fit and proper status has been called into question during the review period.		Details if applicable
2.3	Provide details if administrator has notified the FSCA of any changes to key persons during the review period.		Details of any notifications made
2.4	Does the Administrator have competence maintenance processes or policies in place for key persons?		

SECTION 3 - ADMINISTRATION AGREEMENT

#	Question	Response (Yes / No / Partial)	Documentation to be provided plus comment if response is "Partial" or "No"
3.1	Has the administration agreement governing this fund been reviewed for compliance with CS2?		If no or Partial, add date when the Fund will receive an updated version
3.2	Does the agreement set out the full scope of services, service levels and performance standards?		
3.3	Are there any provisions in the current agreement that require updating?		Details if applicable

SECTION 4 - TREATING CUSTOMERS FAIRLY

#	Question	Response (Yes / No / Partial)	Documentation to be provided plus comment if response is "Partial" or "No"
4.1	Does the administrator have a documented TCF policy or framework that was reviewed in the last 2 years?		TCF internal policy summary or external TCF policy
4.2	How does the administrator monitor and measure TCF outcomes?		Provide detail
4.3	Has the Administrator provided the Fund with a complaints report in the last six months?		
4.4	Of the complaints received in the review period relating to this fund, what proportion were upheld? What were the three most common categories of upheld complaint?		Complaints uphold data by category
4.5	What changes to processes, communications or practices have been made as a direct result of complaints received or TCF monitoring conducted during the review period?		Summary of changes made and the complaints or monitoring findings that prompted them
4.6	What steps does the administrator take to identify potential member harm that has not generated a complaint, for example through benefit statement reviews/ audits, calculation reviews or proactive member contact?		Description of proactive harm identification steps

SECTION 5 - OUTSOURCING

#	Question	Response (Yes / No / Partial)	Documentation to be provided plus comment if response is "Partial" or "No"
5.1	Have any material functions been outsourced by the administrator in relation to this fund during the review period? If yes, provide details		List of new outsourced functions and service providers
5.2	Are written outsourcing agreements in place for each outsourced function?		
5.3	How does the administrator oversee and monitor outsourced service providers?		Oversight framework summary
5.4	Does the administrator's business continuity and disaster recovery plan address the continuity of administration services in circumstances where an outsourced service provider fails or is unavailable?		

Administrator Compliance Questionnaire

Conduct Standard 2 of 2025 (RF)

SECTION 6 - OPERATIONAL CAPACITY AND CYBER RISK

#	Question	Response (Yes / No / Partial)	Documentation to be provided plus comment if response is "Partial" or "No"
6.1	Does the administrator have a documented business continuity and disaster recovery plan?		
6.2	Has the BCP/DRP been tested during the review period? What were the outcomes?		Date of last test. Test results or summary thereof
6.3	Does the administrator have a cyber risk management framework?		Cyber risk management framework (or summary); last review date
6.4	There have not been any material cyber incidents or data breaches experienced during the review period.		Details and remediation steps if applicable
6.5	How does the administrator ensure the integrity and accuracy of member data for this fund?		Data governance policy or summary
6.6	Are unclassified payments managed within the timelines required (if applicable)?		
6.7	Does the administration system used by the administrator comply with the requirements of CS2, especially as regards timeous and accurate service delivery, record integrity, member communication and regulatory reporting?		
#	Question	Response (Yes / No / Partial)	Documentation to be provided plus comment if response is "Partial" or "Yes"
6.8	Has the administrator undertaken any administration system migration, data migration or new payroll integration for this fund during the review period?		What data integrity checks were performed and what were the outcomes? Summary of checks performed and outcomes, if applicable
6.9	Does the fund have unclassified payments or unallocated payments?		If you answered Yes, what is the current total value and age profile of unclassified or unallocated payments relating to this fund? Provide aged analysis

SECTION 7 - FINANCIAL SOUNDNESS

#	Question	Response (Yes / No / Partial)	Documentation to be provided plus comment if response is "Partial" or "No"
7.1	Does the administrator maintain adequate financial resources as required by CS2?		
7.2	Is adequate indemnity and fidelity guarantee insurance maintained?		Summary of these insurances if they have changed since the last communication
7.3	Are client monies held in separate trust accounts (if applicable), free from co-mingling?		
7.4	Has the administrator experienced any material financial difficulty during the review period? If yes, provide details.		Details if applicable

SECTION 8 - REPORTING TO THE FUND BOARD

#	Question	Response (Yes / No / Partial)	Documentation to be provided plus comment if response is "Partial" or "No"
8.1	Was there a management information report provided to the fund's board in the last 6 months?		
8.2	Has the administrator provided a compliance report against CS2 during the period of implementation?		
#	Question	Response	Documentation
8.3	Were there any material incidents, breaches or risk events applicable to the administration services provided to the fund during the review period?		If you answered Yes or Partial, please add the relevant details here
8.4	Based on the monitoring conducted under section 4 above, have TCF related metrics shown overall improvement, deterioration or no material change during the review period compared to the prior period? Provide a brief trend summary.		Whatever you answer, please provide a trend summary or extract from a TCF monitoring report

Declaration and certification

I certify that the responses provided above are accurate and complete to the best of my knowledge.

Signed ______________________ On behalf of ______________________

Name and title ______________________ Date ______________________

Note on proportionality: Funds are entitled to request information reasonably necessary to discharge their oversight obligations. Requests for the full text of internal policies and operational manuals are generally not required - a certification, summary, or compliance confirmation is usually sufficient. The fund's legal adviser or consultant can assist in calibrating what is proportionate in the circumstances.

Prepared for the Pension Lawyers Association of South Africa Conference March 2026. This questionnaire is a reference guide only and does not constitute legal advice or FAIS advice.

Administrator Compliance Questionnaire

Conduct Standard 2 of 2025 (RF)

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7

Self-administered funds

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Self-administered funds

- Our and FSCA understanding: self-administered funds are not subject to the Conduct Standard at this stage
- But will be under COFI
- Need to start working towards compliance

- The definition of "benefit administrator" in the Standard does not include self-administered funds. The Standard seeks to address the relationship between the benefit administrator and the fund with whom it is contracted, as contemplated in section 13B(1). Should the COFI Bill be promulgated prior to this Standard coming into effect, the appropriate steps will be taken to transition this standard into the COFI framework and also to deal with self-administered funds.
- Noted. However, the Standard has to be based on the current framework. The necessary changes will be made once COFI comes into effect.
- The definition of "administrator" cannot be deleted in the Pension Funds Act by way of a Conduct Standard (i.e. subordinate legislation cannot amend primary legislation).

4.3. Approach to benefit administrators and self-administered funds

The revised COFI Bill now requires that a retirement fund that performs its own benefit administration should be authorised for the licensing activity of benefit administration in addition to the activity of providing a financial product (item 5.b on Schedule 1). This is to ensure that the current regulatory gap in respect of self-administered funds is closed, as s13B of the Pension Funds Act only applies to third party administrators.

Retirement fund benefit administrators, previously known as section 13B administrators, will be subject to the requirements in the Bill as "third-party retirement fund administrators" (item 5.c on Schedule 1). The regulation of retirement fund benefit administration is accordingly removed from the Pension Funds Act to the COFI Bill framework (section 13B is set to be repealed).

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8

Adequacy of insurance

Adequacy of insurance – methodology

Current requirement:

(1) A benefit administrator must maintain in force professional indemnity and fidelity guarantee insurance **from and up to such an amount as determined by the benefit administrator and which is adequate relative to the complexity and size of its administration business**

Not so easy

(2) The benefit administrator must disclose to the fund –

(a) instances where the professional indemnity and fidelity guarantee insurance provides for a self-payment gap; and

(b) any material exclusions, limitations or restrictions contained in the professional indemnity and fidelity guarantee insurance.

- Fairly easy
- Upfront and ongoing
- Consider adding cyber insurance details as well

An administrator shall take out and maintain professional indemnity insurance and fidelity guarantee insurance from and up to such an amount as the administrator's auditor in consultation with the registrar may determine.

Previous Board Notice

Adequacy of insurance – methodology

Previous Board Notice

An administrator shall take out and maintain professional indemnity insurance and fidelity guarantee insurance from and up to such an amount as the administrator's auditor in consultation with the registrar may determine.

Current requirement:

(1) A benefit administrator must maintain in force professional indemnity and fidelity guarantee insurance **from and up to such an amount as determined by the benefit administrator and which is adequate relative to the complexity and size of its administration business**

Was: Auditor in consultation with the Registrar
Lots of attempts to find a methodology for this in the past

Now:

- Determined by the administrator
- Adequate
- Relative to complexity and size of admin business

Process

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Conduct Standard requirement

- "Adequate":
- Complexity of admin business
- Size of admin business

Dictionary meaning of adequate

- "enough or satisfactory for a particular purpose"
- "of a quality that is acceptable but not better than acceptable"
- quality or quantity
- "as much or as good as necessary for some requirement or purpose; fully sufficient, suitable, or fit"
- "able to fulfil a need or requirement without being abundant, outstanding, etc"

Process

- Identify and document the **complexity and size** of your administration business (2 criteria given)
- Translate your complexity and size profile into **risk exposure**: identify the categories of loss that can arise: errors, omissions, fraud, third-party claims. Assess the potential scale of each
- **Develop a methodology** that converts your risk exposure assessment into a coverage figure and apply it consistently
- **Document** the methodology and the coverage conclusion it produces, so your determination is recorded and can be **demonstrated and defended**
- Consider **stress testing** the conclusion against external reference points, including any industry benchmarks, your own claims history, peer practice and broker guidance. Adjust if the conclusion falls outside a defensible range
- **Review the determination** whenever the complexity or size of your administration business changes materially and not less than annually (probably with your renewal)

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9

How effective is TCF?

How effective is TCF actually?

- TCF mandatory and enforceable for administrators
- The Standard requires administrators to treat members fairly
- But how would you know if they actually are being treated fairly?"

The measurement gap

What the Standard requires an administrator to do: monitor and assess its own TCF performance against standards it has set for itself

And what would actually tell you whether members are receiving better TCF outcomes than before.

gap

Standard will produce self-reported, internally benchmarked data

independently verified, externally benchmarked evidence of actual member outcomes

- **Who measures**: the administrator measures itself. There is no independent verification of whether the self-assessment is accurate or whether the metrics chosen are the ones that would reveal real problems

- **What is measured**: e.g. frameworks, processes, and complaint volumes. Not whether e.g benefits were calculated correctly, whether members understood their statements, or whether outcomes are improving year on year

- **Against what standard**: the administrator's own prior assessment. There is no external benchmark that says what good looks like or what counts as improvement

How effective is TCF actually?
The Standard requires administrators to treat members fairly. But how would you know if they actually are?"

UK experience - 3 failure modes documented:

a. the conduct principle converts into a documentation exercise

b. complaint signals are muffled because members cannot identify what they cannot see; and

c. where enforcement precedent in a new regime is limited, the rational path is documentation quality over genuine conduct improvement

- PPI experience
- Large insurer communication experience
- New tools to counter TCF failings (e.g. Consumer Duty) more focused on measurement, attestation…

The TCF measurement gap

What the Standard requires an administrator to do: monitor and assess its own TCF performance against standards it has set for itself

And what would actually tell you whether members are receiving better TCF outcomes than before.

gap

Standard will produce self-reported, internally benchmarked data

Independently verified, externally benchmarked evidence of actual member outcomes

- How do we close the gap?
- One way external FSCA benchmarks/ standards -probably unrealistic for our sector
- The better answer is **administrators genuinely measuring and demonstrating their own improvement against TCF outcomes over time**

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Self regulation

Kamlana:

"…effective regulation is not about prescribing detailed rules for every possible situation. It is about ensuring that the right outcomes are achieved in practice."

"This means institutions must consider not only whether they have complied with rules, but whether the products they design, the advice they provide and the services they deliver genuinely serve the interests of financial customers. And this shift does not begin only when the legislation formally comes into effect, it should already be shaping how institutions think about conduct today."

The better answer is administrators genuinely measuring and demonstrating their own improvement against TCF outcomes (and other outcomes) over time
Self regulation or
DON'T and the standard will be defined from the outside for us

10 The pace of change

The pace of change

- Rapid regulatory reform: CS2, Two-Pot implementation, COFI on the horizon
- Significant implementation pressure on administrators and funds
- Uneven readiness across the industry (as reflected in survey findings)
- Persistent operational challenges: data integrity, contributions, claims processing
- Risk: outcomes-based framework introduced without a stable operational foundation

Questions and comments (if time) Thank you for spending time with us

Presented by:
Leanne van Wyk, Ensimini,
vanwykl@ensimini.com

Miranda Mkhumbuzi-Rasehala, FNB Employee Benefits,
miranda.rasehala@fnb.co.za