

FSCA COMMUNICATION 15 OF 2021 (CFI)

Publication of draft Conduct Standard for Co-operative Financial Institutions and accompanying documentation for public comment.

1. Purpose

The purpose of this Communication is to inform stakeholders that the Financial Sector Conduct Authority (FSCA) today published the draft Conduct Standard for Co-operative Financial Institutions and accompanying documentation on the FSCA's official website for public comment.

2. Background and Objective

- 2.1 The advent of the twin peaks model of regulation through the FSR Act resulted in the regulation and supervision of the prudential framework for Co-operative Financial Institutions (CFIs) moving from the Co-operative Banks Development Agency to the Prudential Authority (PA).
- 2.2 The FSR Act also gave the FSCA jurisdiction over the conduct of CFIs and fair member outcomes. This includes ensuring that CFIs provide fair and appropriate financial services and products that meet the needs and reasonable expectations of their members. To appropriately execute this mandate, it is important that the FSCA develops an appropriate and enabling regulatory framework for the conduct of CFIs that will protect CFI members and at the same time support new CFI entrants and the resilience of CFIs over time, in support of longer term growth and sustainability of the sector. This is in line with the National Treasury's approach to transformation and its financial inclusion policy, as well as the FSCA's strategy for transformation and financial inclusion.
- 2.3 The main purpose of this draft Conduct Standard is therefore to introduce requirements which promote the fair treatment and protection of members of CFIs. As the FSCA's understanding of conduct risk in the sector matures, the regulatory requirements applicable to CFIs may be further tailored. This is the approach that the FSCA has taken in respect of banks, with the introduction and implementation of the Conduct Standard for Banks, 2020.

- 2.4 More details on other specific areas where comments are invited, as well as full reasons informing the proposed amendments, are set out in the Statement of need, expected impact and intended operation, published alongside the draft Standard.

3. Public Consultation

- 3.1 The following documents are published on the FSCA's website to inform the objective of the above regulatory development:
- 3.1.1 The draft Conduct Standard for Co-operative Financial Institutions, 2021, incorporating the Notice regarding the publication of the draft Conduct Standard and an invitation to make submissions in terms of the FSR Act.
 - 3.1.2 The Statement of need, expected impact, and intended operation of the draft Conduct Standard for Co-operative Financial Institutions, 2021.
 - 3.1.3 Comments template.
- 3.2 The above listed documentation is available on the FSCA's website (<https://www.fsca.co.za>) under Regulatory Frameworks > Documents for Consultation > General FSCA Legislation > 2021.
- 3.3 Interested parties are invited to, in writing, submit comments on the proposed amendments, and supporting documents using the comments template available on the FSCA website, on or before **24 September 2021** to FSCA.RFDStandards@fsca.co.za.
- 3.4 In addition, the FSCA will workshop the draft Conduct Standard with stakeholders to ensure its suitability. More information will be sent out in due course, and interested parties are encouraged to contact the Regulatory Framework Department of the FSCA using the email address given in paragraph 3.3 above.

4. Enquiries

- 4.1 For more information regarding the Conduct Standard and/or this Communication please contact the Regulatory Framework Department of the FSCA at Hannelie.Hattingh@fsca.co.za.



Unathi Kamlana
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FINANCIAL SECTOR CONDUCT AUTHORITY

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