



Financial Sector
Conduct Authority

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Market Infrastructures & SROs
Financial Sector Conduct
Authority (FSCA)




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1. About the FSCA



Who we are

- The **Financial Sector Conduct Authority (FSCA)** is a market conduct regulator that started operating on **1 April 2018** in terms of the **Financial Sector Regulation Act, 2017** (Act No. 97 of 2017).
 - The FSCA reports to the **Minister of Finance** and is accountable to **Parliament**.
 - **Replaced** the Financial Services Board (FSB)
- 




Who we do

- Market conduct regulator of **financial institutions** that provide financial products and financial services – financial institutions that are licensed in terms of a **financial sector law**, including
 - banks, insurers, retirement funds and administrators, and market infrastructures.
- Responsible for market conduct regulation and supervision.





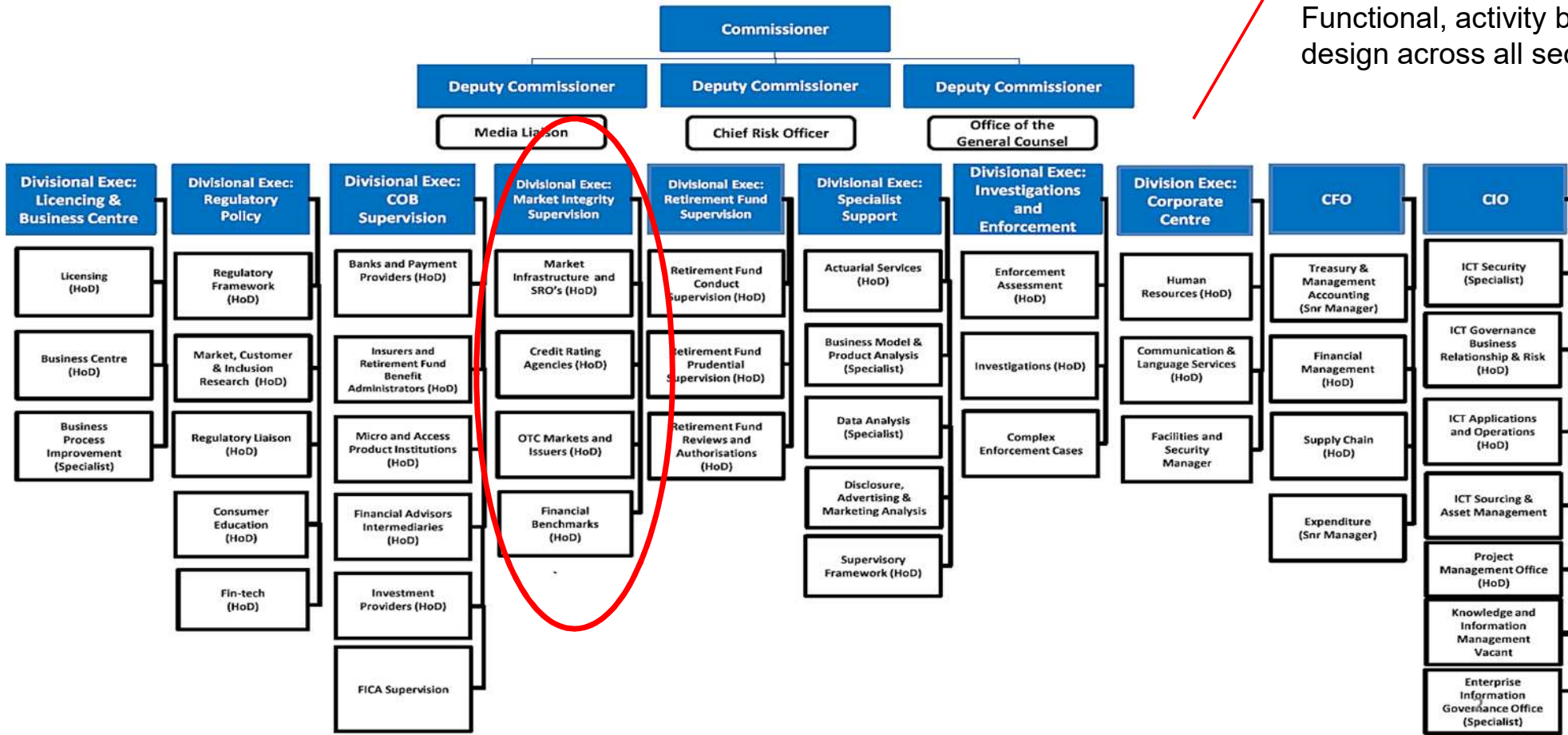
Mandate

- Administer 8 Acts
 - Aim to:
 - enhance and support the **efficiency** and **integrity** of financial markets
 - **protect financial customers** by promoting fair treatment by financial institution
 - provide financial customers with **financial education**
 - assist in maintaining **financial stability**
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2. Organisational Structures

Organisational Organogram

10 Divisions
 10 Divisional Executives
 Functional, activity based
 design across all sectors



Governance

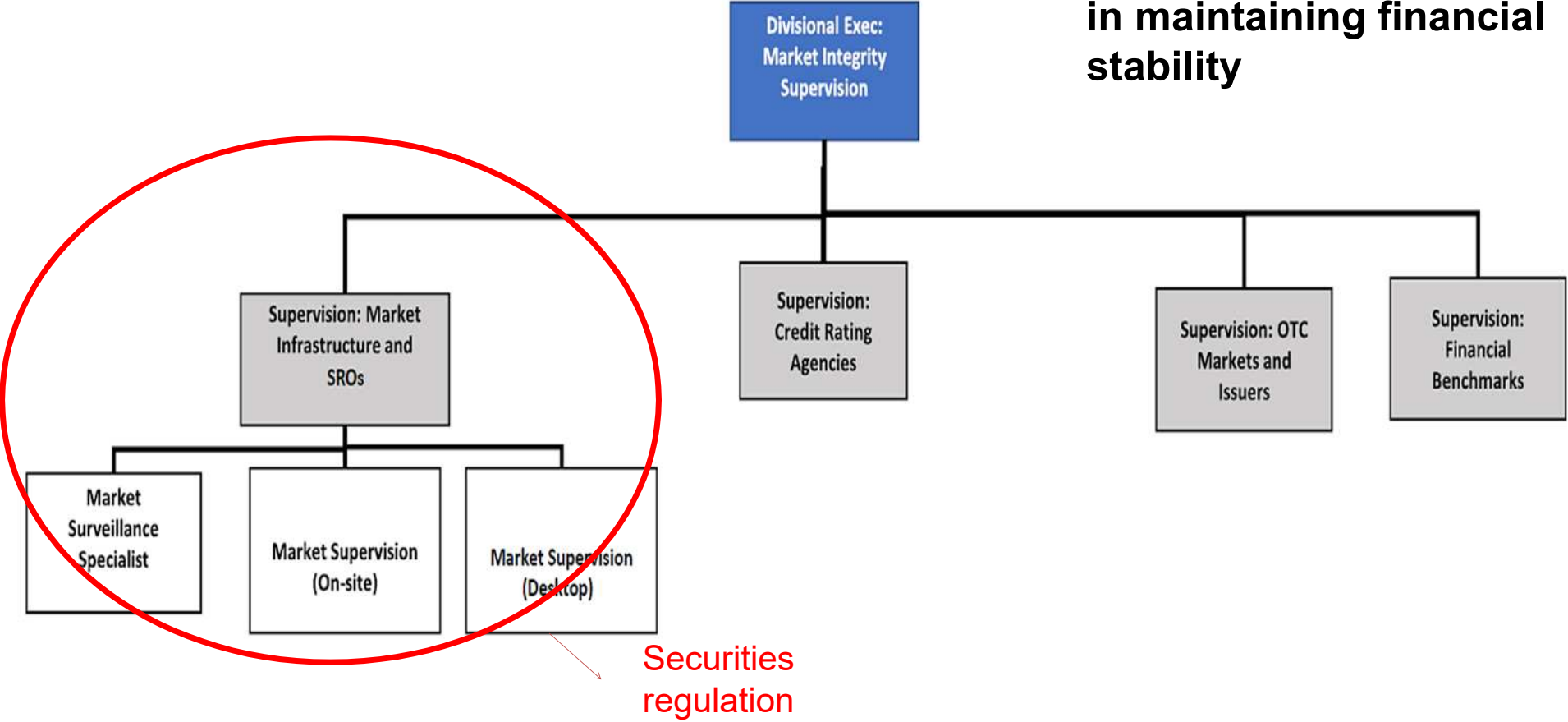
- FSR Act provides for the governance structure -
 - Commissioner and deputy commissioners
 - All of appointed by the Minister of Finance
 - As at the time of this presentation, neither a commissioner nor deputy commissioners had been appointed
 - The role of the EXCO was assumed by the FSCA Transitional Management Committee (TMC):
 - **Acting commissioner**, the **executive management** of the FSCA and an **independent member** appointed by National Treasury.



Market Integrity Supervision Division

Market Integrity Supervision Division

Ensuring the efficiency and integrity of financial markets thereby assisting in maintaining financial stability



Departments

Market Infrastructures & SROs

- Licensing and supervising the conduct of market infrastructures as defined in the Financial Markets Act, 2012

Credit Ratings

- Licensing and supervising the conduct of entities authorized to provide credit rating services in terms of the Credit Rating Services Act, 2012.

OTC Issuers & Markets

- Licensing and supervising OTC derivative providers who as a regular feature of their business originate OTC derivatives or make a market in OTC derivatives.

Financial Benchmarks

- Establishing credible and transparent governance, oversight and accountability procedures for the benchmark determination process, including an identifiable oversight function accountable for the development, issuance and operation of the benchmark.

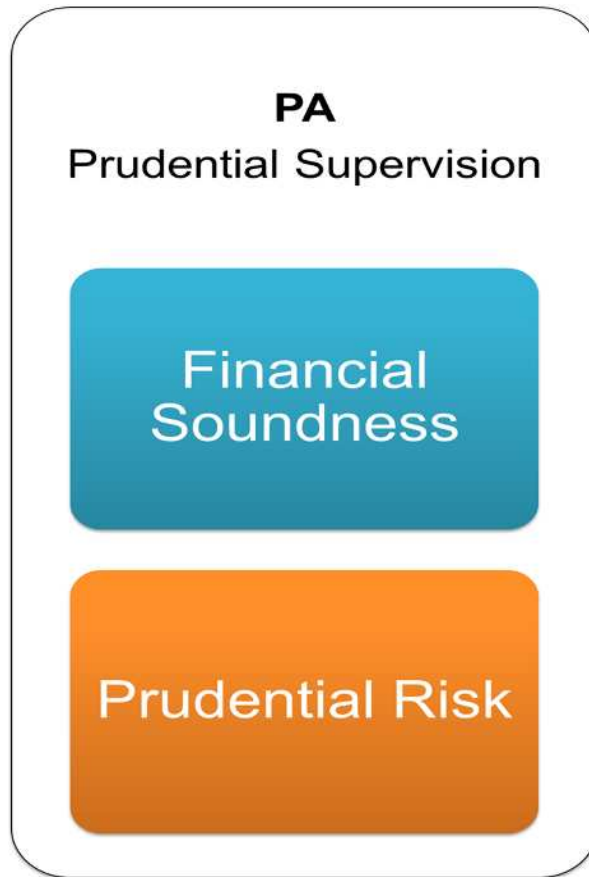
3. Securities Markets Regulation

Twin Peaks Regulatory Model

- Reform of the financial sector regulation
- The FSR Act established two Authorities (peaks):
 - The **Prudential Authority** (PA)(housed in the South African Reserve Bank (SARB))
 - The Financial Sector Conduct Authority (**FSCA**)
- Both regulators have jurisdiction over all financial institutions
- Ability of Minister of Finance to designate new financial products and services not captured in existing sectoral legislation



Twin Peaks Mandate



Twin Peaks (concurrency and cooperation)



Regulatory Approach

Strong SRO Model

- Frontline regulation, supervision and surveillance
- MIs must supervise, monitor and enforce compliance with the FMA and rules of the MI:
 - Authorised users
 - Issuers
 - Clearing members
 - CSD participants
 - nominees

Supervisory Tools (incl.)

- Boards and Committees
- Fit & Proper assessment - board, directors and senior managers
- Onsite and offsite inspections
- Submission of annual reports, self assessment questionnaires, financial statements
- Shareholding approval
- Complaints handling
- Additional business
- Approval of rules and listings requirements
- Administrative penalties
- Withdrawal or suspension of licenses

List of licensed Market Infrastructures

Exchanges

Johannesburg Stock Exchange (JSE)	A2X	ZARX	4AX	Equity Express
<ul style="list-style-type: none"> • 19th biggest exchange in the world • Biggest exchange in Africa • All securities 	<ul style="list-style-type: none"> • Secondary listings exchange • Top 65 shares on JSE • Equities, Notes and Funds 	<ul style="list-style-type: none"> • Pre-funded • Equities 	<ul style="list-style-type: none"> • Equities, bonds, notes, interest rate instruments • Target companies with market capitalisation of up to R8 billion • Pre-cleared 	<ul style="list-style-type: none"> • Equities • black economic empowerment schemes • Issuer imposed restricted shares • Issuers determine which brokers may trade shares



List of licensed Market Infrastructures (cont)

Central Securities Depositories

2
Strate
Granite

Associated Clearing Houses

2
JSE Clear
Strate

- No CCP – JSE Clear will transition by 1 January 2022 (independent CH and CCP)
- No Trade Repository



4. Current projects



Current Projects

- Licence applications (exchange and TR)
- Draft Standards
 - Conduct Standard for Securities Financing Transactions Participants
 - Conduct Standard for Exchanges
 - Margin Requirements (non-centrally cleared over-the-counter derivative transactions)
 - Equivalency Frameworks for CCPs and TRs
- Consultation Papers
 - Implementation of Legal Entity Identifiers (LEI)
 - Implementation of a Financial Benchmark Regulatory Regime
 - Implementation of a Short Sale reporting and disclosure framework



THANK YOU