



Q4 FSCA Newsletter

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Editor's Note

Across the financial sector there are significant changes that are shaping the way the sector operates and how it must be regulated. From technological advancements to the evolution of market structures and customer expectations, these changes are redefining our regulatory approach. The recently held 2026 FSCA industry conference brought together stakeholders from across the sector to discuss these changes. In this edition of the newsletter, we bring you highlights from the conference, including an update on the Conduct of Financial Institutions (COFI) Bill, and the keynote speech delivered by Commissioner Unathi Kamlana.

The key message from the conference was that it is no longer enough for institutions to demonstrate that they meet regulatory requirements, they must show that they are always delivering fair and meaningful outcomes for customers. In addition, institutions must ensure that conduct, governance and culture translate into real-world impact.

Tembisa Marele



Regulatory
Focus



Reimagining the future of finance - Why the next chapter will be defined by trust, technology and accountability

By Reneilwe Mthelebofu, Communications Specialist (FSCA)

There is a quiet but significant shift underway in the global financial system. It is not a single event or disruption that signals this change, but rather the accumulation of pressures, innovations and evolving expectations that are reshaping how finance works, who it serves, and how it is governed.

Speaking at the FSCA's third annual industry conference, Commissioner Unathi Kamlana framed this moment not as a continuation of the past, but as the beginning of a new phase. One that demands reflection, but more importantly, adaptation.

The past five years, he noted, have offered an unusually rich set of lessons. But the real question is not what has changed. It is what comes next, and whether both regulators and the industry are ready for it.

At the centre of this transition is a global environment that is becoming more fragmented and uncertain, even while there are signs of resilience here at home. Technology sits at the forefront of transformation in the financial sector. What began as incremental improvements in digital infrastructure has accelerated into something more fundamental. Artificial intelligence, data analytics and cloud computing are no longer just tools for efficiency. They are redefining business

models, lowering barriers to entry and introducing new forms of competition. However, a digital financial sector must also be a more accountable one.

At the same time, the structure of financial markets is evolving in less visible but equally important ways. While new trading venues and exchanges are emerging, fewer companies are choosing to remain listed on public markets. This gradual decline in listings, particularly among smaller firms, risks concentrating market power and reducing the diversity that healthy capital markets depend on.

Perhaps the most profound shift, however, is coming from customers themselves.

Today's financial customers are more informed, more connected and less willing to accept opaque or unfair outcomes. Technology has given them both visibility and voice. A poor experience is no longer contained. It can be amplified instantly, with reputational consequences that institutions cannot easily contain.

As the financial sector looks ahead, the forces shaping it are unlikely to become simpler. They will become more complex, more interconnected and more demanding. Technology will continue to evolve. Customer

expectations will continue to rise. Global uncertainty will persist.

Click [here](#) to read the full speech

The institutions that succeed will not be those that react to change, but those that are structured to adapt to it.





Wake up and smell the COFI

By Eugene Du Toit, Divisional Executive: Regulatory Policy (FSCA)

The Conduct of Financial Institutions (COFI) Bill arrives at a moment when South Africa's financial sector is already shaped by decades of reform, each wave responding to new risks, new markets, and new expectations.

From the early foundations of market conduct regulation through frameworks such as Financial Advisory and Intermediary Services Act (FAIS) and Financial Intelligence Centre Act (FICA), to more recent shifts under the Financial Sector Regulation Act, the trajectory has been clear: regulation has had to evolve alongside a sector that is becoming more complex, more digital and more interconnected.

What makes COFI different is not simply that it adds another layer to this history. It represents a more fundamental shift in how regulation is conceived and applied. Instead of building on fragmented rules across sectors, COFI proposes a single, coherent conduct framework. It moves away from a narrow focus on compliance and towards an outcomes-based approach that asks a more difficult question: are financial institutions actually delivering fair outcomes for customers?

This shift is not happening in a vacuum. Globally, trust in financial institutions has

been under pressure, and the rise of digital platforms, artificial intelligence, and cross-sector products has introduced risks that traditional regulatory models struggle to address. The assumption that more rules automatically lead to better outcomes is increasingly being challenged.

COFI responds to this by aiming to simplify and rationalise conduct requirements, while strengthening accountability and aligning regulation with emerging risks such as cyber threats, and risks associated with digitalisation, artificial intelligence, open finance, and sustainable finance.

At the heart of COFI is a redefinition of responsibility. Boards and senior leadership are no longer distant overseers of compliance functions. With COFI, they become directly accountable for culture, conduct, and customer outcomes. This is a meaningful shift, but it also raises a practical question: are institutions prepared for this level of accountability? Many organisations still treat culture as something intangible, measured through surveys and statements rather than embedding culture into decision-making, incentives, and daily operations.

COFI assumes that culture can be governed

and evidenced. That assumption will be tested in implementation.

Another important change lies in how the value chain is treated. Historically, responsibility could be fragmented across product providers, distributors, and intermediaries. COFI challenges that fragmentation by making transparency across the value chain a regulatory expectation. Institutions will need to demonstrate that products are designed, distributed, and serviced in ways that are aligned with customer needs, not just commercial targets. This introduces a level of scrutiny that may expose tensions between profitability and fairness, particularly in complex distribution models.

The move from reactive compliance to proactive conduct maturity is also easier to describe than to achieve. It requires better data, stronger management information systems, and a more sophisticated understanding of conduct risk. Many firms still rely on backward-looking indicators or siloed reporting. Under COFI, data becomes evidence. Institutions will need to show, not just assert, that outcomes are fair. This raises questions about capability, cost, and consistency across the sector. Smaller firms, in particular, may struggle to keep pace if expectations are not calibrated carefully.

In this context, 'outcomes' are not abstract regulatory ideals, but practical expressions

of how institutions make decisions. They reflect the principles of Treating Customers Fairly (TCF), shaping how firms design products, communicate with customers, provide advice and handle claims and complaints. Outcomes-based thinking requires institutions to consider whether customers truly understand products, whether those products meet their needs, whether they deliver value over time and whether consumers are more financially secure as a result. Central to this is an increased focus on financial wellbeing and consumer vulnerability, ensuring that product design and distribution take into account the specific needs and risks faced by different target market groups, and the real-world impact financial products may have on them.

Navigating this transition will depend on how institutions approach the change. It emphasises the importance of first identifying and understanding impacts, then assessing and prioritising them. This is a sensible starting point, but it assumes that organisations have the internal clarity to map these impacts across product design, governance structures, licensing frameworks, and distribution arrangements. In reality, many will find that these areas are more interconnected than anticipated. A change in product governance, for example, may cascade into distribution models, incentive structures, and reporting requirements.

There is also a broader industry question that sits beneath COFI: is the sector ready to treat conduct as a system rather than a project? The distinction matters. Projects have timelines, deliverables, and endpoints. Systems are ongoing, embedded, and continuously evolving. If COFI is approached as a once-off compliance exercise, it will likely fall short of its intent. If it is treated as a systemic shift, it has the potential to reshape how financial institutions operate and how they are perceived.

A reassuring message that the transition will be phased and supported, with sufficient lead time for implementation. That is important, but it should not lead to complacency. The idea that “there is time” can easily become a reason to delay meaningful change. Preparation, in this context, is less about ticking regulatory boxes and more about rethinking how decisions are made, how success is measured, and how customers are placed at the centre of the value chain.

Ultimately, COFI positions itself not as the end of reform, but as the beginning of a new era. It aims to create a financial sector that is trusted, inclusive, and competitive. Whether it achieves this will depend less on the legislation itself and more on how it is interpreted and implemented by both regulators and industry. The opportunity is clear, but so is the challenge. Moving from compliance to outcomes requires a level of honesty about existing practices that the sector has not always demonstrated.

If there is a single takeaway, it is this: COFI is not asking institutions to do more of the same. It is asking them to do something different. And that difference will only be meaningful if it shows up in the experience of the people the financial sector is ultimately meant to serve.





Private Markets, Alternative Investment Framework and COFI - A conduct regulator's perspective

By Chwayita Mtebele, Departmental Head: Investment Providers (FSCA)

South Africa's investment landscape is evolving rapidly as new forms of capital, technology and financial products reshape the way markets function. The growth of private markets, the emergence of alternative investment structures, the increasing use of artificial intelligence in investment processes and the expansion of crypto assets are all transforming the financial sector. For conduct regulators, these developments bring both opportunities for innovation and new risks that require careful oversight. From a supervisory perspective, these trends raise important questions about how regulation can continue to protect investors while allowing markets to develop and innovate.

Private markets are becoming an increasingly important part of South Africa's financial ecosystem. Public markets alone are no longer able to meet the country's funding needs, particularly in areas such as infrastructure development. Amendments to Regulation 28 of the Pension Funds Act have signalled a policy shift aimed at unlocking greater institutional investment in these areas. The changes raised the allowable allocation to private equity to 15% and introduced a dedicated 45% infrastructure carve-out. This provides a framework that enables long-term investors such as pension funds to support infrastructure development and other projects that contribute to economic growth.

These developments are taking place against the backdrop of an estimated R1.5 trillion infrastructure funding gap in South Africa, while the number of companies listed on the Johannesburg Stock Exchange has declined over time. As public markets shrink, private capital is increasingly viewed as an important mechanism for financing real economic activity. While this trend presents significant opportunities, it also introduces new supervisory considerations for regulators.

Private markets are typically less transparent than public markets and often involve longer investment horizons and less frequent price discovery. Valuations may rely on model-based estimates or manager assessments rather than observable market prices. When valuations are updated infrequently or fail to reflect changing market conditions, investors may receive an inaccurate picture of the true value of underlying assets. From a regulatory perspective, this creates potential risks relating to mispriced portfolios and misleading performance reporting, which can undermine investor protection and market integrity.

Another area receiving increased attention is the growth of private credit funds. These funds are increasingly providing financing that was historically supplied by banks.

While this shift can expand access to capital and support economic activity, it also raises concerns that financial risks may be migrating from the regulated banking system into less transparent segments of the market. Liquidity mismatches are an additional concern. Funds that invest in illiquid assets may face difficulties meeting redemption requests during periods of market stress, potentially leading to redemption restrictions or losses for investors.

Historically, private equity funds in South Africa have operated within a relatively limited regulatory framework. While managers were required to hold licences under the Financial Advisory and Intermediary Services Act, the funds themselves were largely outside direct

conduct regulation. This gap is expected to narrow with the introduction of the Conduct of Financial Institutions (COFI) Bill. COFI will classify Alternative Investment Funds as financial products, bringing them within the scope of conduct oversight and enabling supervision of areas such as valuation practices, liquidity management, leverage and transparency of underlying investments.

In parallel, work is underway to develop an Alternative Investment Framework that will harmonise the regulation of private equity, private credit and hedge funds. The framework is designed to adopt an activity-based licensing approach that allows regulatory requirements to be applied in a proportional and scalable manner.



The importance of effective governance and a sound compliance culture from an Anti-Money Laundering, Counter-Terrorist Financing and Counter-Proliferation Financing perspective

*By Sandile Buthelezi, Analyst: AML/CFT Supervision and Nonhlanhla Motlounq,
Senior Analyst: AML/CFT Supervision (FSCA)*

South Africa's anti-money laundering (AML), counter-terrorist financing (CFT) and counter-proliferation financing (CPF) framework is anchored in the Financial Intelligence Centre Act No. 38 of 2001 (FIC Act), supported by guidance issued by the Financial Intelligence Centre (FIC).

In terms of sections 42(1) and 42(2) of the Act, accountable institutions (AIs) must develop and implement a Risk Management and Compliance Programme (RMCP) to prevent, detect and mitigate money laundering, terrorist financing and proliferation financing risks.

Governance, in this context, refers to the duties, responsibilities and oversight exercised by the board of directors, senior management, or the person with the highest level of authority to ensure compliance with the FIC Act and the RMCP.

The board or senior management is responsible for ensuring that the AI and its employees comply with the FIC Act, relevant guidance and the RMCP. This includes establishing a dedicated AML, CFT and CPF compliance function and appointing an appropriately competent and senior individual to oversee its effectiveness.

Where an AI is not a legal person, the individual with the highest authority assumes this responsibility and must appoint a suitably capable person to support the compliance function. Sole proprietors are the only exception, as they are not required to appoint an additional person for this role.

Governance in practice

Effective governance requires active oversight and clearly defined accountability structures. The board, senior management or the highest authority must ensure that:

- appropriate policies, procedures and controls are implemented to mitigate ML, TF and PF risks;
- the RMCP is developed, approved, implemented and embedded throughout the business;
- the RMCP is tailored to the size, nature and complexity of the AI;
- employees adhere to the FIC Act and the RMCP;
- business risk assessments are conducted to inform risk mitigation measures and RMCP design.

Implementing the RMCP

The RMCP must function as a practical, operational framework enabling the AI to identify, assess, monitor and manage ML, TF and PF risks effectively.

This includes implementing controls across branches and subsidiaries, including foreign operations. If foreign laws restrict implementation, the AI must notify the FSCA and introduce additional risk mitigation measures. The RMCP must also provide for safeguards that ensure the confidentiality of information exchanged.

Keeping the RMCP Relevant

The RMCP must be reviewed regularly to ensure its continued effectiveness. AIs are required to:

- update their RMCPs in line with changes to the FIC Act and related subordinate legislation;
- consider guidance issued by the FIC;
- ensure the RMCP remains aligned to the AI's evolving operations and risk profile.

Training and Awareness

An effective compliance framework relies on well-informed employees. Regular training on the FIC Act and the RMCP is essential, and the RMCP must be easily accessible to ensure it is integrated into daily operations.

Common deficiencies identified

The FSCA has observed recurring weaknesses in governance and compliance frameworks, including the following:

- inadequate governance processes for approving and implementing RMCPs
- under-resourced or ineffective compliance functions
- failure to appoint suitably senior and competent Compliance Officers capable of ensuring adherence to the FIC Act and the RMCP.

The consequences of non-compliance

Non-compliance with the FIC Act or an AI's own RMCP carries serious consequences. These may include financial penalties, reputational harm and, in severe cases, the withdrawal of a licence. In certain instances, board members, senior management or the highest authority may be held personally liable.

Recent sanctions highlight the risks associated with weak governance, including poor oversight, ineffective controls and a weak compliance culture.

Governance and compliance must not be treated as tick-box obligations. A strong compliance culture, supported by robust oversight, continuous training and a risk-based approach, is essential to protect financial institutions from abuse and to uphold the integrity and stability of the financial system.

Ultimately, a commitment to sound governance enables institutions to operate responsibly, build trust and meet regulatory obligations with confidence.



Powerhouse



A conversation with Marrelie Victor, Head of the Financial Advisors and Intermediaries Department

In a sector where trust underpins every financial decision, we spoke to Marrelie Victor, who heads the Financial Advisors and Intermediaries Department at the FSCA, about the role intermediaries play, the risks when that trust is broken, and how regulation is evolving to protect financial customers.

Why is the regulation of financial advisers and intermediaries so critical to protecting financial customers?

There is a significant reliance on financial advisers by both individuals and businesses. Many people do not fully understand the financial environment, so they depend on advisers to guide them on decisions such as investments, insurance and retirement planning.

It is also a relationship-driven space. People want to deal with someone they trust when making these decisions. That reliance makes it essential that advisers act responsibly and that appropriate standards are consistently upheld.

What does responsible and ethical financial advice look like in practice?

It starts with putting the client's interests first. This includes transparency around fees,

managing conflicts of interest and ensuring that advice is appropriate to the client's needs.

Advice should not be driven by commission. The focus must always be on achieving fair outcomes for the customer.

How does the FSCA balance proactive supervision with enforcement when misconduct occurs?

Our approach is to be proactive, not only reactive. This begins with licensing, where we assess honesty, integrity, competence and financial soundness, and continues through ongoing supervision.

We also aim to create an environment where intermediaries engage with us early if something does not seem right.

Where misconduct does occur, we take action, including suspending or withdrawing licences and debarring individuals. We also analyse trends across cases to identify broader risks and provide guidance to the industry.

What are the most common misconceptions about financial advisers and the FSCA?

A common misconception is that advisers have expertise across all financial products, when in reality they are licensed in specific areas.

There is also a belief that financial advice is only needed later in life, whereas early financial planning can be just as important.

In terms of the FSCA, we are often seen as an ombud. We are not. We do not resolve individual disputes or provide compensation but rather supervise conduct and ensure the industry meets required standards.

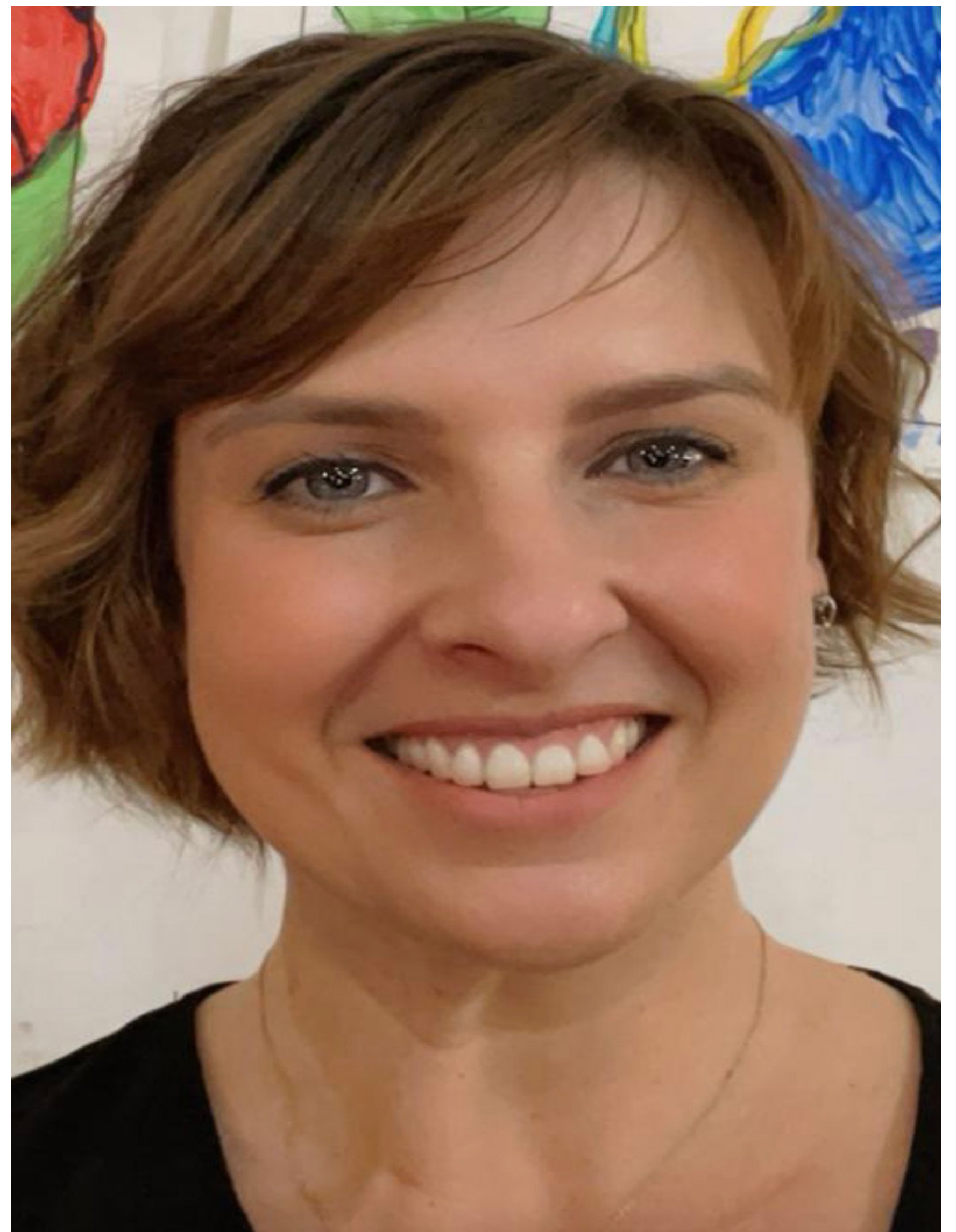
What advice would you give to young professionals interested in financial regulation and consumer protection?

Build a strong foundation in areas such as law, finance or economics, and develop your technical skills, particularly in areas like data analysis.

It is also important to understand the regulatory environment and the broader impact that financial decisions have on people and society.

Above all, maintain a strong ethical perspective, stay curious and continue learning from others. Always remember who the work is for. It is the customer.

Marrelie Victor is the Departmental Head: Financial Advisors and Intermediaries at the FSCA. Her work focuses on strengthening market conduct, supporting responsible financial advice and ensuring that customers are treated fairly within an evolving financial landscape.





Events



FSCA Industry Conference

18 - 19 March



FSCA Industry Conference –
18 - 19 March 2026







Website
www.fsca.co.za