

AC REGULATORY REVIEW

MAY 2025



ASSOCIATED COMPLIANCE

FOR A COMMON PURPOSE



MAY, 2025



ASSOCIATED COMPLIANCE

FOR A COMMON PURPOSE

AC Regulatory Review



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DON'T READ THIS AT YOUR OWN PERIL !!

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>> FROM AC

AC Manual

Anyone seeking information from the AC Manual on our website will now be greeted by this message,

The AC Manual is closed for now.

*We are practicing what we preach: **Reviewing and updating content** to provide you with accurate, current and well-structured information.*

In the short term, if you have any specific needs, please feel free to [**get in touch via our 'Contact Us' page.**](#)

The last major overhaul of the AC Manual was back in 2019, so it's time to review and rethink. Any input on what you would like to see as reference material and the style of the manual, would be most welcome.

We are being intentionally vague on the timelines as this is a big project – and there are only so many weekends in the year. 😊

Broker Fees.... again:

Regular readers of our Regulatory Review will know that 'Broker Fee' standards have long been a subject of debate on these pages and this month another classic arrived on our desk.

The following are just a few extracts of the services provided by a national broker, as a means to justify charging a 'Broker Fee', which were taken from their consent letter.

A well set out letter however, the problem is the content, in many respects it is simply wrong... in our opinion. Here are some extracts,

Policy Sales New Client Details/Risk Profiling/CAN (Not sure what CAN represents)

- *Collect client risk information.*
- *Analyse clients risk profile.*
- *Prepare client risk management and insurance Needs Analysis.*



Client risk management advice

- *Identify, formulate, and maintain risk responses and insurance needs.*

Client risk transfer advice

- *Inform and advise client on uninsured and uninsurable risks.*

Provide product recommendation.

- *Analyse insurer quotations coverage, terms and conditions and pricing.*
- *Prepare and provide client with comparative analysis.*
- *Explain comparative strengths and weaknesses.*
- *Finalise advice process including ensuring all residual administrative tasks have been completed.*

Provide product recommendation.

- *Explain and recommend renewal terms and changes to policyholder.*

We do not agree that the Advice and related ancillary services are valid for justifying Broker Fees. Advice, given to prospective or current clients is very much still part of earned commission as provided by the insurer/UMA.

There are references in the document to the definition of Intermediary Services within FAIS, but these are out of context with Intermediary Services when it comes to commissions and the Short-Term Insurance Act (an on-going issue of alignment between different legislation).

There is also reference to the FIA's definition of Intermediary Services – but the FIA is an industry body not the Regulator and taken from a survey undertaken by the Regulator therefore should not be used in the context of this kind of document, as it seeks to legitimise the detail.

Our view is that the FSP has taken the segmentation work done by the Regulator and market, some years ago, (which included the FIA) in planning for 'Advice Fees' as part of the broader Retail Distribution Review (RDR) thinking and they have implemented this idea, ahead of the Regulatory implementation.

If and when 'Advice Fees' become a reality, then this Consent Document may be a good one – but right now it is anything but.

We can accept that there are different views on this subject, but have seen many times the insurers climbing all over a broker's narrative on their 'Broker Fee' justifications and forcing changes (although the fee itself stays the same!!) and yet here we have a large national brokerage using clearly flawed references and it would seem that no insurer has picked this up or maybe chosen to stay silent – but that is an assumption and as this document is in use, a fair one we would say.

We have not seen examples of the 'Broker Fees' themselves, as the form was supplied to the sub-broker (our client) for signing by their client, with no fee amount stated!

Another issue is justifying the fee the (now placing) broker wants when the client relationship and service delivery rests with the retail broker.



Will we ever get clarity and consistency on this issue?

Will COFI wave a regulatory wand?

Don't hold your breath.

Agentic Artificial Intelligence:

We talked of Generative AI in our February Review and raised the question of whether organisations needed to consider having a policy to govern the use of such tools.

We have since attended a Compliance Institute National Forum where the topic was Agentic AI (AGI).

So, the first question is what is AGI? We will use one of the slides to answer this one,

What is AI?

- **What is Agentic AI?**
 - Agents can autonomously plan, make decisions, and take actions to achieve goals.
 - Most agent systems are built as software, so human-in-the-loop is possible.
 - Applications: Deep research, process automation
 - Concerns: Unintended behaviour, reliability
 - E.g. OpenAI's Operator, Anthropic's Computer Use agent, Microsoft Copilot



And there are 5 levels of AGI, being,

1. Conversational
2. Reasoning
3. Autonomous
4. Innovating
5. Organisational

So why is the Compliance Officer talking so much about AI?

Well, it's the use of and risks presented by these tools, both the legal and the ethical, although there is currently no dedicated legislation to worry about... it's how the tools are used that create risks within current legislation, for example in data protection.

Some examples are,

Risks

- Hallucinations by LLM
- Accuracy and trustworthiness
- Bias
 - data bias
 - cognitive bias
- Intellectual property issues
 - use of copyrighted material by LLM
 - exposure of protected data in prompt



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AI Agent Risks

ADVERSARIAL RISKS

- **Memory poisoning**
 - introduction of malicious or false data to impact AI agent's memory
- **Tool misuse**
 - manipulation of AI agents through deceptive prompts or commands
- **Cascading hallucinations**
 - attacks that exploit ability to generate plausible but false information

We don't see the greater AI discussion being one for the corporates alone, although they are better equipped as they have the resources and budgets to drive the use and required protections. We all need to better understand at the very least and manage the negative issues which may arise.

If any client would like to see all the slides from this presentation, let us know.

And if AI and its legal development interest you, this short article from LexisNexis might appeal,

[Here's how legal practitioners should be weighing up the pros and cons of this exciting new technology.](#)

And some ideas of using AI within financial services:

Whilst we have issued several warnings on the management of AI, there are obviously many aspects of the business of an FSP that can benefit from its use.

The most recent Insure Talk on the 22nd of May included a presentation by several staff of OMI on their approach to its use. One segment by Soul Abraham illustrated the power of Generative AI within financial services and specifically aspects such as the *Needs Analysis* and *Records of Advice* – and in the example shown, *Replacement Product Advice*.



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One question asked of Gemini (the free version) by Soul was,

"Give me detailed understanding of how to underwrite a restaurant risk – we are a commercial insurer in South Africa...you are also welcome to use international data".

Well, the answers provided were impressive.

Here are a couple of the slides which detail the response – and there were 6 overall.



Does it know anything about insurance?

So, I asked Gemini **"Give me detailed understanding of how to underwrite a Restaurant risk - we are a commercial insurer in South Africa...you are also welcome to use international data"**

Gemini took this simple question and translated it into the following:

"

The user is asking for a detailed understanding of how to underwrite restaurant risk from the perspective of a commercial insurer in South Africa. I need to provide a comprehensive guide covering various aspects of risk assessment for restaurants.

I will break this down into several key areas of underwriting for restaurants:

1. **Understanding the Restaurant's Operations:** This includes the type of restaurant, size, operating hours, and experience of the management.
2. **Property Risks:** Fire (cooking, electrical), water damage, natural catastrophes (relevant to SA), building construction, and security.
3. **Liability Risks:** Public liability (slips, trips, food poisoning), products liability (foodborne illnesses), liquor liability (if applicable), and employer's liability.
4. **Business Interruption Risks:** How a covered peril could impact the restaurant's ability to operate and generate income.
5. **Specific South African Considerations:** Crime rates, load shedding impact, specific regulations (e.g., liquor licensing, food safety standards), and typical claims patterns in SA.
6. **Risk Management and Mitigation:** What measures can the restaurant take to reduce risks (e.g., fire suppression systems, staff training, hygiene protocols).
7. **Underwriting Process:** Information gathering, risk assessment, pricing, and policy terms/conditions.

Liquor Liability: (Essential for establishments serving alcohol, covers claims arising from incidents involving intoxicated patrons). (Sources 11.1, 11.2)

Areas that could be elaborated further or might need more specific South African context:

Detailed underwriting questions/checklist: While general risk assessment is covered, a more specific checklist for restaurant underwriting could be beneficial.

Specific crime-related risks in SA: Beyond general theft, are there nuances for restaurants (e.g., armed robbery, cash on premises)?

Impact of economic factors in SA: Inflation, consumer spending habits affecting restaurant viability. (Although this might be more for business viability than direct underwriting, it's background context).

Specific underwriting guidelines for different types of restaurants: (e.g., fine dining vs. fast food, standalone vs. chain, extensive cooking vs. primarily cold prep). The searches touched on size and type but more detail could be useful.

Claims handling considerations specific to restaurants.

I believe I have enough information to structure a comprehensive answer. I will synthesize the information, focusing on creating a detailed understanding for a commercial insurer in South Africa. I will ensure to highlight SA-specific points like load shedding and SANS compliance throughout the different risk categories.



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Does it know anything about insurance?

I will structure the answer as follows:

5. **Risk Management and Mitigation (Crucial for Underwriting Assessment):**
 1. Fire Prevention
 2. Health and Safety Protocols (SANS compliance)
 3. Security Measures
 4. Staff Training
 5. Maintenance Schedules
 6. Waste Management
 7. Liquor Service Protocols
 6. **South Africa Specific Considerations (Summary/Emphasis):**
 1. Load Shedding
 2. Crime Levels
 3. SANS and other Regulatory Compliance (Food Safety, Liquor Licenses)
 4. Economic Climate
 7. **Information Gathering for Underwriting:** Proposal forms, site surveys, financial statements, loss history.
 8. **Conclusion:** Importance of thorough underwriting for sustainable restaurant insurance.
- This structure should allow me to incorporate all the gathered information logically and provide a detailed guide.

Soul told us that the data provided was given to their senior technical underwriters for comment on the content, without stating who/what had created it and they said they could not really add anything of substance to the technical content.

So, such a powerful tool can surely assist the broker, when looking to develop an understanding of a specific risk type and ensure their analysis process is detailed which will further illustrate to the client that you understand their business and provide quality underwriting information to the insurer.

Another example presented was a Replacement Product Advice Record, an area where brokers don't like to go and/or are not particularly good at, where the data of two quotes/policies was given to Chat GPT and it was asked to do a comparison – which it duly did.

It's not a large leap to the point where data, in a structured manner can be provided to a Gen AI platform and is taught to provide a summarised Needs Analysis and personalised Record of Advice can be produced – and quickly.

Once this webinar has been loaded on their website, we would encourage you to go have a look, at:

<https://insuretalk.co.za>



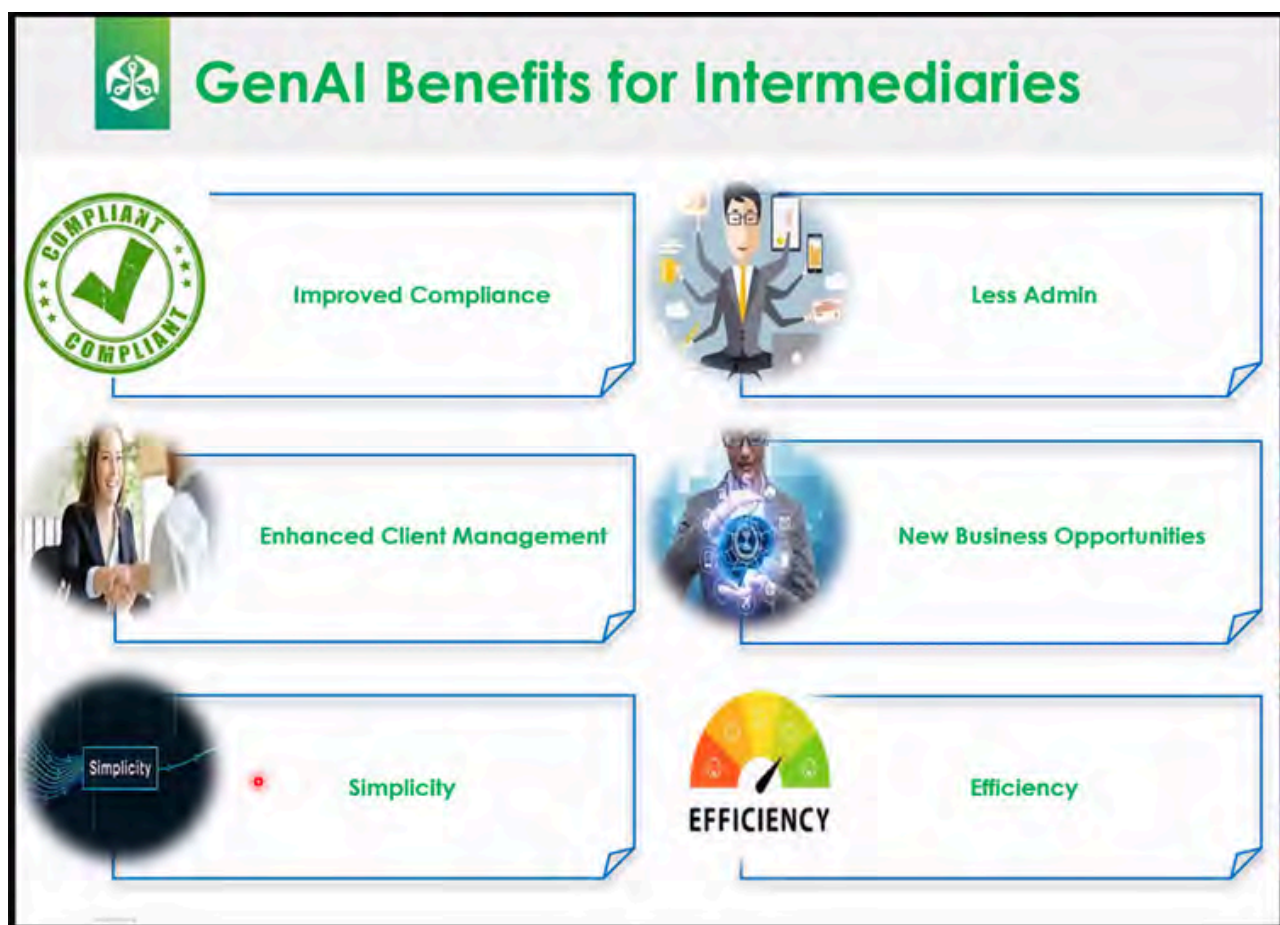
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OMI's view on the advantages for a broker were summarised on this slide,



But it will still need a skilled broker in the mix to drive the process – and importantly check the results. We don't think Optimus (The Tesla robot) is ready to be registered as a representative just yet – nor a Compliance Officer. 😊



The darker side of technology:

We attended the FAnews sponsored webinar at the end of April on cybercrimes titled,

"Cybercrime - A practical self-defence webinar on protecting yourself and your clients in the digital age."

Presented by Craig Rosewarne of Wolfpack Information Risk
(Contact details: craig@wolfpackrisk.com)

Both interesting and a little scary as to just what is going on out there.

Wolfpack provided some useful documents, not least of which is the presentation via a range of links, which you can access below.

- a. The recording of the webinar can be viewed on our YouTube channel [here](#).
- b. To get the presentation slides, please click [here](#).
The above would be ideal awareness training for all staff based on the risks to be aware of and watch out for. It also contains some useful advice on how to protect children in their use of phones and tablets by enabling "safe search" on the devices and various sites which can be used to see if you have been "pwned". In hacker circles, "pwned" refers to gaining control or dominance over a target, typically in the context of compromising a computer system or a network. It is often used to signify a successful hack or breach.
- c. The [link](#) to the e-book CYBERCRIME SELF-DEFENCE.

This would be useful for your IT people to review.
- d. The links to the 2 x Devi interviews
 - *Devi | Sangoma Love Scam* - <https://wolfpackrisk.com/devi-sangoma-love-scam-9-february-2025/>
 - *The Devi Show – What is real and what is fake?* - <https://wolfpackrisk.com/the-devi-show-what-is-real-and-what-is-fake/>

Two TV articles from the Devi Show where real-life cyber problems are the subject matter.

- e. [Toolkit](#)

This is a tool to assist you with assessing how well aligned your organization is to the Cyber Security and Cyber Resilience standards, as set out in the FSCA/PA Joint Standard – which insurers are meant to be aligned with by the end of June 2025. We have shared this tool previously via the AC Regulatory Review.

And more, input on the use of AI from Khadeeja Bassier, Chief Operating Officer at *Ninety-One* from an article in *FAnews* under the heading "Advisors must experiment with AI or risk being left behind"

[Click here to read more](#)



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Not so caring incentive:

The following advertisement was recently referred to us for our opinion as to its legality given the “incentive” being offered,

There For You When It Matters Most

Losing a loved one is never easy. At **Securitas™ Financial Group**, we want to offer our support during the most difficult of times. That's why, when tragedy strikes and a main member or their spouse/life partner passes away, the family will receive a **R2000 grocery voucher** to assist with their immediate needs.

TERMS AND CONDITIONS

1. **Securitas™ Financial Group** must be the appointed brokerage for the main member's medical aid.
2. The spouse/life partner must be registered on the relevant medical aid to qualify.
3. You have to register online to access this benefit.
4. A death certificate will be required when making a claim.

CARING FOR YOUR FAMILY IN TIMES OF LOSS

We agreed with the client that this indeed was an incentive to enter into a financial product and therefore should not be allowed, although the Medical Schemes Act does not have the same direct prohibition as does the Life and Non-Life Acts, but surely falls foul of the ethical standards within FAIS and TCF principles generally, but again PPR (TCF is Rule 1) does not apply to Medical Schemes directly, however such products are a licence subcategory within FAIS and this entity is an FSP.

Whilst clearly being an incentive the other aspect to consider is that the “benefit” is unrelated to the product you would need to appoint the broker for.

Vouchers like this are usually seen in the funeral space where in this case the product you need to appoint the broker for, is medical aid.

Considering that when the broker is appointed for the medical aid product, the prospect of death may be many years away, so what actual value is R2,000 in say 10 or even 20 years' time?

Will the FSP even be around in 10 or 20 years?



Will medical aid, as we know it today, be around?

Will the policyholder's spouse remember they have this benefit via the medical aid policy, should their spouse pass away?

If only the main member of the medical aid knows there is a benefit and they pass away, how would the spouse know to go on-line to claim the additional benefit?

And where do you access this benefit on-line one wonders – maybe you get those details when signing up for the medical aid.

Not such a caring offer in our view.

And whilst talking advertising, we saw that the FSCA imposed a R700,000 penalty – of which R200,000 was suspended - on African Bank. The penalty was related to running a misleading social media Advertisement Campaign. [Click here](#) to download the full details.

We noted that the advert ran in December 2023, yet the penalty was only issued in April 2025. As the Regulator issued a warning,

"The FSCA will continue to take firm regulatory action against financial institutions that do not prioritise the fair treatment of customers across their governance arrangements, business processes and procedures. The administrative penalty imposed in this case serves as a reminder that misleading advertising will not be tolerated, particularly as financial customers increasingly find themselves under pressure to make important decisions regarding their future financial resilience and wellbeing. Fair customer treatment is integral to maintaining public trust and confidence in the integrity of the financial system".

You would think a speedy "to press" approach would get the message out there quickly as a preventative measure for others to learn from such mistakes.

Recording of meetings – how should this be handled?

A client recently shared details of what standards they had implemented with a staff member who had taken to recording meetings they were involved in.

Here are the details initially issued,

"While we acknowledge that you are legally permitted to record meetings in which you are a participant, we wish to take this opportunity to remind you of certain important considerations and obligations:



A client recently shared details of what standards they had implemented with a staff member who had taken to recording meetings they were involved in.

Here are the details initially issued,

"While we acknowledge that you are legally permitted to record meetings in which you are a participant, we wish to take this opportunity to remind you of certain important considerations and obligations:

1.Notification of Recording:

As a matter of professional courtesy and to promote transparency and trust, all participants in a meeting should be informed in advance that the meeting is being recorded.

2.Data Security and Compliance with the Protection of Personal Information Act (POPIA):

Recordings may contain sensitive and/or confidential information protected under POPIA. As such, it is imperative that these recordings are stored securely. The Company is responsible for ensuring that all personal information obtained during business is safeguarded and used strictly for the purposes agreed to by the discloser.

*Transfer all meeting recordings to the Company's secure server immediately.
Permanently delete all such recordings from your personal mobile device once the transfer is complete.*

You are reminded that, while performing your duties, you are entrusted with access to personal information, and it is your responsibility to ensure that this information is handled in full compliance with POPIA.

Of particular concern to the Company is that these recordings are currently being stored on your personal mobile device, over which the Company has no control or oversight. To mitigate any potential risk, you are hereby instructed to:

Any unauthorized access to or misuse of personal or confidential information will be regarded as a serious breach of Company policy and may result in disciplinary action being taken.

3.Purpose Limitation:

You are to use these recordings strictly for the purpose for which the information was obtained and as consented to by the relevant parties. No other use is permitted.

4.Confidentiality

You are reminded not to disclose any confidential information to unauthorized parties, in line with the requirements of the POPIA and your contractual obligations to the Company.

Please treat this matter with the utmost seriousness".



Our response,

"Recording of meetings on Teams/Zoom has become the norm along with the software that creates a text version of the narrative – some of which are better than others.

I would perhaps have gone a little further in that most "meetings" start with all the pleasantries which can get quite extensive depending on the level of familiarity that exists and where the "unofficial" info often gets discussed so excluding that from any recording would perhaps be wise.

We had a broker client in CT many moons ago (before Teams was popular/heard of) who routinely recorded clients' meetings as an integral part of his analysis/RoA process. He saved all files on his server and provided the clients with the reference number created for each recording. The meetings were essentially scripted, although more at heading level than a traditional call centre script.

Maybe something to think about here?

Maybe a standard for naming the recordings (date/broker name/subject) and a dedicated place to save them so accessible to all.

And retention periods need to be addressed.

And why do they feel the need to record all meetings anyway?"

The need to record should be a company standard in our view and not an ad-hoc approach by individual staff members. With the prevalence, and ease, of recording Teams and Zoom meetings, this is a topic that maybe needs higher profile attention by many of us.

Legally Required Notices and Documents:

We were recently asked a range of questions about what should be displayed within an office. With the assistance of AC HAS we confirmed the following for them,

Q. Occupational Health and Safety Act (OHSA) – Section 37(2)

- o Must a summary of the OHSA must be displayed in both English and another official language spoken by employees?

A. It is not mandatory to display, but for an employer with 5 or more employees, this Act must be available for all employees to access. Most companies, however, display this.

Q. Basic Conditions of Employment Act (BCEA) Summary

- o Must a summary of the BCEA must be displayed at the workplace in the prescribed format (Form BCEA 1) and must in be in English and one other official language?

A. Yes, it is mandatory to display. Must be in official work language but if environment has several languages spoken in general, it is advisable to choose another language in which to display.



Q. Employment Equity Act (if applicable)

- o If your business falls under the Employment Equity Act (usually if you employ 50+ people or meet certain thresholds), must a summary of the Act (EEA 1) must be displayed?
- A. Yes, is mandatory to display. Ideally this should even be displayed even if you don't have 50+ employees just to give employees the necessary comfort that you are not a designated employer. The 50+ is in anyway just applicable to the reporting, but other areas of the EE Act apply to all employers (like affirmative action). The new EEA amendments do not have the thresholds anymore - the only criteria are 50 or more employees.**

Q. Compensation for Occupational Injuries and Diseases Act (COIDA)

- o If registered with the Compensation Fund, must you display the Letter of Good Standing or proof of registration?
- A. Recommended but not mandatory to display. Must have it somewhere for employees to access. Return of Earnings needs to be up to date to get that Letter of Good Standing!**

Q. Unemployment Insurance Fund (UIF) Registration

- o Must proof of UIF registration be available on request or displayed in HR or admin area?
- A. This can be displayed as it forms part of employee rights (which fall under the BCEA) but not mandatory.**

Q. Workplace Smoking Policy

- o Must a notice be displayed in designated non-smoking areas as per the Tobacco Products Control Act?
- A. The Tobacco Products Control Act (TPCA) is one long detailed policy and governs smoking in the workplace. There are a multitude of requirements that must be met, not just a notice. If you have smokers, then this needs attention.**

Q. Fire and Emergency Evacuation Plan

- o Must this be visibly posted in common areas and must include evacuation routes and emergency contact numbers?
- A. For workplace with more than 10 employees, the evacuation plan and procedures must be displayed and visible to all employees. If you have another prominent language in the workplace, be sure to have it in 2nd language as well.**



Q. First Aid and Safety Personnel Information

- o Must the names and contact details of first aiders and safety officers be on display and must first aid kits be accessible and marked?
- A. This all falls under OHSA and must be complied with. Not necessary to be on display. First Aid box must be compliant to the rules in OHSA as to what can and can't be given to employees and kept on site. We would add the names and contact details of the First aid reps /Health and Safety reps on the First Aid box.**

Q. Registration Certificates:

- o Must the following be displayed?
 - CIPC Certificate (Company Registration)
 - SARS Tax Clearance or VAT registration (if registered)
- A. No but generally seen as good practice**

What constitutes “display”: If you have an intranet or employee portal all of this must be available to employees to access via these points. Generally seen as acceptable “display” provided staff are made aware of their existence.

We had no sooner provided this feedback to the client than we entered a client’s offices for a meeting where a staff member had just fallen down the stairs and was on her way to hospital as a precaution as part of the Occupational Health and Safety standards. The paperwork needed to get the hospital to conduct checks knowing it was a workplace matter was something to behold as it unfolded during the meeting as the different boxes had to be ticked. Compliance in action.

Then the client asked the very same question, what are our obligations for displaying the regulations and were warnings needed for the use of stairs.

Lexis Nexis, amongst others, still provided the “minimum” at R165 each.



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» From AC HAS



AC HUMAN ASSET SERVICES

Reworked AC HAS manual:

In line with the main AC manual, we will also be doing a review of its HR equivalent. For any help or documents needed on the HR side please send a request via your compliance officer along with any ideas and suggestions on what day-to-day aspects of matters HR you would like to see dealt with in the manual.

2025 EEA Regulations Guideline:

Our article last month caused discussion amongst affected clients, so we are providing some more data on this subject.

The following is a full extract of an article by John Botha of Global Business Solutions,

"The Employment Equity Amendment Act introduces significant changes to how organisations must approach workforce representation. With ministerial sectoral targets becoming mandatory and compliance certificates at stake, employers need a strategic approach to target setting that balances legal requirements with business realities."

Understanding the Framework

The target-setting ecosystem under the EE Amendment Act consists of three key components working together:

1. **The Employment Equity Act:** Empowers the Minister to set numerical targets for national economic sectors to ensure equitable representation of designated groups across all occupational levels.
2. **The Employment Equity Regulations:** Clarify that sectoral targets exclude white males and foreign nationals and specify how designated employers must apply these targets.
3. **The Codes of Good Practice:** Require workforce profiles to be compared against appropriate EAP benchmarks, with employers demonstrating reasonable progress toward achieving equitable representation.



Five Key Steps to Target Setting Compliance

1. **Determine your baseline:** Use your current workforce profile as a starting point for conducting a gap analysis, drafting a plan, and then ultimately, the statistics as of August 31, 2025, will be reported in the EEA2.
2. **Select the appropriate EAP:** If operating in multiple provinces, choose either the national EAP or the EAP of the province where your largest operations are conducted.
3. **Identify your sector:** For companies operating across multiple sectors, use the numerical targets for the sector where most employees are engaged.
4. **Calculate 2030 targets:** Using the formula $(\text{Sub-sect Group's EAP \%}) \div (\text{Total Designated Group EAP \%}) \times \text{Sectoral Target \%}$ to align with EAP proportionality.
5. **Forecast workforce changes:** Project your 2030 headcount considering economic factors, automation trends, work transformation, retention patterns, and skills availability.

Important Considerations

- Targets for 2026-2029 must show "reasonable progress" toward the 2030 ministerial targets.
- Semi-skilled and unskilled target percentages should align with your chosen EAP.
- Deviation from targets requires documented "justifiable reasons" from the "Big 7" list, including:
 - No recruitment opportunities
 - No promotion opportunities
 - No suitably qualified persons
 - Business circumstances
 - Mergers and acquisitions
 - Transfers
 - Court orders

The Compliance Timeline

Starting September 1, 2025, your five-year Employment Equity Plan must demonstrate progress toward 2030 targets. From 2026 onward, compliance certificates will be withheld for:

- Unfair discrimination findings (from January 1, 2025)
- Non-achievement of targets without justifiable reasons

Practical Advice

- Develop a data-driven target-setting methodology.
- Document all assumptions in your workforce forecasting.
- Consider conducting a PESTEL and SWOT analysis to identify factors affecting your ability to meet targets.
- Create a systematic transformation plan with annual milestones.
- Address both tangible (numerical targets) and intangible (workplace culture) aspects of employment equity.

Understanding these requirements and implementing a strategic approach to target setting will help ensure your organisation maintains compliance while achieving meaningful transformation".



So, what are the targets?

5-YEAR SECTORAL NUMERICAL TARGETS					
		5. CONSTRUCTION	6. EDUCATION	7. ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	8. FINANCIAL AND INSURANCE ACTIVITIES
DESCRIPTION	GENDER	DESIGNATED GROUPS	DESIGNATED GROUPS	DESIGNATED GROUPS	DESIGNATED GROUPS
Top management	Male	30.0%	27.6%	31.7%	27.8%
	Female	24.8%	46.1%	27.9%	35.3%
	Total	54.8%	73.7%	59.6%	63.1%
Senior Management	Male	38.3%	30.5%	42.7%	31.7%
	Female	27.8%	46.1%	39.5%	45.3%
	Total	66.1%	76.6%	82.2%	77.0%
Professionally Qualified & Middle Management	Male	46.7%	43.0%	49.8%	40.7%
	Female	34.4%	46.1%	46.1%	46.1%
	Total	81.1%	89.1%	95.9%	86.8%
Skilled Technical	Male	49.8%	49.8%	49.8%	49.5%
	Female	46.1%	46.1%	46.1%	46.1%
	Total	95.9%	95.9%	95.9%	95.6%
Disability only	All	3%	3%	3%	3%

Our take on “skilled technical” from a FAIS appointee perspective includes all staff appointed as Key Individuals and /or Representatives.

There are obviously other skilled technical staff that will need to be considered as well, i.e., HR and IT as a minimum. Want to hear more and hopefully have an opportunity to ask questions? Then [Click here](#) to download the dates and venues of the Department’s remaining roadshows in June (some areas will have been completed late in May) but the principal areas, from our client’s perspective, are still to come.

Click [here](#) for an article from Business Day by Piet Le Roux, the CEO of Sakeliga and Gerhard Papenfus CEO of National Employers Associate SA for another article that takes a less compliance “advice” based approach to the subject.

And,

Deadline changes that have been announced on Return of Earnings submissions,

On 19 May 2025 the Department of Employment and Labour (DoEL) issued a notice in which it extended the validity period for the Letters of Good Standing (LOGS) from 30 April 2025 - 31 May 2025.

The notice further extended the submission period of annual ROEs from 1 May 2025 to 31 July 2025.

This is because of the temporary shutdown of the ROE online system.



» From FSCA

FSCA publishes Its Regulatory Strategy for 2025 – 2028:

This document has just been released. Lots of detail it seems yet very few actual dates for implementation within the 5 key focus areas, being,

- Improve industry practices to achieve fair outcomes for financial customers.
- Act against misconduct and support confidence and integrity in the financial sector.
- Promote the development of an innovative, inclusive, and sustainable financial sector.
- Empower households and small businesses to be financially resilient.
- Accelerate the transformation of the FSCA into a socially responsible, efficient, and responsive conduct regulator.

Several references to improved IT (we have seen references to an improved IT platform being ready for launch) and regulation by the analysis of data, which we must assume is the implementation of the previously released draft OMNI report.

The press release also had, what seems to be a customary reference these days in all FSCA communications, COFI,

"A major focus over the next three years will be on preparing for the implementation of the Conduct of Financial Institutions (COFI) Bill," said FSCA Commissioner, Unathi Kamlana. "This involves developing a regulatory framework that is robust yet streamlined, refining our licensing and supervisory approaches to remain adaptive to industry changes, and aligning them with the principles of the COFI Bill. We are also preparing to regulate new activities that will fall within our jurisdiction under the COFI Bill."

Note the reference to the 3-year timeline. We must assume this is a 3-year period to fully implement given the other statements recently made that the Bill is going to Parliament this year.

[Click here](#) to download the full document.

And here for an article from FAnews on the document. [Click here to read more](#)

Dormant licences:

When submitting annual financial statements online via the FSCA ePortal system, a question is now being asked,

"Have you been dormant in the current year."

No details provided by the FSCA as to the reasons, but we anticipate some degree of follow up, especially as there may well have been dormancy from an FSP activity perspective but there has been other activity which generates income, taxes, and the like, which with most of our so called "dormant" FSPs is usually the case.



And then we have the FAIS Act standard, which requires that a licensee not trading should lapse their licence.

Interesting that one of the FSCA webinars recently released (see article below) deals with dormant licences. We watched this one, but it did not lay out any imminent actions to be taken however did make specific mention of FSPs which have been dormant for 5 consecutive years and stated that in these cases the FSCA would “remove” the experience of the people linked to the licence.

We are not sure how this is done in practice and would have no effect if that person was licenced elsewhere for the same categories. They went on to say that the products would be removed – again not sure how this is done practically.

They did stress one aspect – if FSPs or individuals were dishonest with the FSCA on this subject, they can expect regulatory action (fines and penalties) to be imposed.

Let us await that query.

This webinar also addressed the lapsing of experience if an individual had not practiced in one or more licence categories over a 5-year period.

This 5-year gap usually manifests itself when people re-join the industry or move back into a licence category after that period, and this is easy enough to track using the person’s DOFA History/Report but less so, when there are various categories within a licence and an individual’s profile that has not been used. The KI is expected to manage this scenario.

FSCA Complaints Management Industry Review Report:

We gave a brief overview of the banking sectors’ complaints management report in a recent Regulatory Review; we now have the full financial sector report. [Click here](#) to download a copy.

Lots of data and findings, although the numbers seem small for an industry wide survey.

The report states that 75% of FSPs reported no complaints at all in the reporting period (Jan – Dec 2021) but if the areas bulleted below were improved the recorded complaint numbers would better reflect reality.

The overall survey only received feedback from 673 FSPs, representing 40% of those invited to participate. The ‘deep dive’ as the FSCA refer to the calling for examples, was only conducted on 9 Cat 1 FSPs with these being chosen due to the number of complaints disclosed being over 100 in the reporting period.

The simplistic view, from the experience with our clients, can be aligned to two of the report findings,

- Lack of a process to collect and categorise complaints. Referenced in the report as a “process gap.” Whilst there is often a process, understanding how and when to access that process is more the problem.

This process problem (in our opinion) has its roots in the lack of understanding of what a complaint is! If you don’t know you’re dealing with a complaint, you don’t process it as such.



This leads us to another key finding,

- Lack of training. If staff better understood what a complaint is and also understood what to do once they recognise that it belongs on a formal register, the process would flow, and overtime better stats would become available.

As with all things, generalised comments as noted here don't apply to all. Some FSPs work hard to manage the complaints process at the one end and at the other there are those that seemingly actively avoid recording complaints.

We will continue to work with all and seek to achieve improvements as this better serves the Financial Services Industry as a whole.

Here is an article on Money Web which feeds off this report,

<https://www.moneyweb.co.za/news/industry/fsca-survey-highlights-gaps-in-fsps-complaint-handling/>

And one from FAnews that talks of possible more regulatory standards to improve the standards on complaints management. [Click here to read more](#)

DOFA Reports and CVs:

DOFA reports are far from perfect. The data is largely driven by an FSP's efficiency, or otherwise, in adding and deleting people and/or licence categories as required, i.e., within 15 days of the change. The FSCA do not manage this process at the front end.

We find many examples of DOFA records being incorrect where it is so obvious the then FSP made one or more errors. These errors can have serious consequences as incorrectly adding/removing people and not accurately recording supervision periods can lead to apparent non-compliance on aspects such as qualification/RE/class of business deadlines.

One way to assess possible problems is to compare the DOFA detail with the applicant's CV details which is why we like to see the CV as part of the application paperwork, or at least the full completion of the *Rep Supplementary* application form that seeks, amongst other things, to obtain the employment history.

The joining and leaving dates would typically be more accurate on the CV. Slightly differing dates on the DOFA are because of the timelines taken for the FSPs involved to process changes so small differences are generally not of concern.

Where there are material differences these must be queried by you. Gaps between the two documents need to be filled.

In some cases, the gaps are so serious for the Rep's profile that FSCA intervention is needed to get a DOFA record corrected.



But some gaps don't get fixed. This is an issue with the current FSCA IT platform.

One of the main ones is a Rep leaving an FSP and then rejoining that same FSP at some point in the future and then leaving once more later, and this happens more times than you might imagine.

The DOFA record will reflect the date the Rep first joined the FSP and the first time they were removed. It will not reflect subsequent changes within that FSP, i.e., the dates they re-joined and left again. So, an apparent gap is created in the Rep's DOFA history – which can become an issue when the Rep is joining a new employer/FSP as their disclosed CV work history is not seen in the DOFA report – so questions get asked and the poor Rep is left to scurry around to prove they are not the one creating the error.

One such case was flagged recently by a client directly with the FSCA, unaware of how it (does not) work whilst trying to assist a former employee who had this profile scenario.

The FSCA responded as follows,

*“Note that the DOFA report is not designed to track the historical history of all the rep transactions from when one is added and removed on an FSP. It only records the date of first appointment being when one is added and when one is removed including the current information should one still be in the employ of an FSP. **(Only first entry records start and end dates.)***

Everything else in between will not be recorded on the DOFA report, in other words it cannot be referenced as a CV, representatives would need to rely on a reference letter containing their historical history from their previous employer (FSP).

There have been multiple updates that were done on the individuals product profile 2012- 2013 and 2018- 2025 periods, so if we are to correct the DOFA in a specific way where there have been uninterrupted services during her employ you will need to provide us with a request for a DOFA amendment outlining the correct start and end dates and subcategories for the Business Centre DOFA team to correct. (FAIS.DOFA@fscs.co.za)

I hope the above gives clarity”.

Not sure about the clarity aspects as most would see this as an error on the data base, which it is.

As you can see, they do offer the option to have records corrected, which for the benefit of the Rep this is likely worth the effort.



Retail Pension Funds – Proposed changes to transfer rules:

If you deal in this space this proposed change which we would see as a positive one in the lives of the policyholders and their brokers, deals with exempting such funds from the restrictive rules in Section 14 (1) of the Pension Funds Act. [Click here](#) to download the FSCA notice.

And more on the retirement sector courtesy of the Allan Gray newsletter. [Click here](#) to access.

And to finish off matters pension funds, here is an article from FAnews on the subject:

Missed this FSCA Report? read on. An article on the 2023 Retirement Fund Statistics Report, published by the Financial Sector Conduct Authority. [Click here to read more](#)

» From the Ombud Council

Strategic plan:

The FSCA have not been the only body to be issuing plans. The Council has just issued their strategic plan for the period 2025 – 2030. [Click here](#) to download a copy.

The 3 main priorities will be,

1. Maintaining a well-governed and effective Ombud Council – ensuring that the Council operates efficiently and aligns with its legislative mandate while adapting to financial ombud system reforms.
2. Promoting consumer awareness of the Ombud system and enabling financial customers to understand and assert their rights to fair treatment and redress.
3. Streamlining and reforming the Ombud system. The third priority will involve using legislation to enhance the financial ombud system's coherence and future direction. This includes recognising industry Ombud schemes, resolving jurisdictional overlaps, and monitoring scheme performance to ensure compliance with financial sector laws.



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» From the FIC and matters money laundering

An actual Suspicious and Unusual Transaction from the non-life sector:

We don't come across examples of these types of transactions very often, so we were intrigued to see the details of a case when approached by a client during the month, querying a transaction that came to light whilst insuring a new vehicle for a client.

They asked,

"We would like to raise a concern regarding the statement below about the VAT he is claiming from SARS when purchasing a vehicle (Volvo XC 60) in the company's name for both his and his wife's personal use.

While I am not an expert on VAT or SARS-related matters, this practice does not appear to be entirely compliant. Do we have a duty to report this and if so to whom?

Your guidance would be greatly appreciated. I have suppressed personal information."

"I buy all my vehicles through xxxxxxxxxx CC (The insured has a company) and if they are not for private use, I dealer stock them and place them on a Dealer's floor and they are covered by their insurance.

Our private vehicles are fully registered and licenced in xxxxxxxxxx (Company) name. This is because of the fact that I can claim the input VAT and I only pay VAT when and if the vehicle is sold.

I am sure you understand how VAT works. After a period of time if there are no queries from SARS I register the vehicles in our name, whether in my wife's name or mine.

The vehicles are all paid for in cash."

A clear need to report on the FIC goAML system in terms of Section 29 (1) (b) (iv) which deals with tax evasion.

However, the broker was less enthusiastic about doing the actual report, but with the recent expanded rule (Directive 3A and PCC 50A) on reporting and the penalties for not doing so we urged the broker to do the right thing and assured them there was more of a risk in not reporting than in reporting.

FSCA imposes R3 million administrative sanction on Ninety-One Fund Managers:

Whilst the size of the penalty is larger, notwithstanding R500,000 was suspended for 3 years, the root cause was all too familiar, being,



- Sections 42(1) and (2): Accountable institutions are required to develop, document, maintain and implement a Risk Management and Compliance Programme (RMCP) to identify, assess and mitigate money laundering and terrorist financing risks. While 91FM had developed an RMCP, it failed to implement it effectively, particularly in respect of the risk rating of its clients.
Additionally, the RMCP was technically deficient and did not adequately address the following issues:
 - o Performing customer due diligence under sections 21, 21A, 21B, and 21C when suspicious or unusual activity is identified (section 42(2)(j)); and
 - o Determining whether a transaction is reportable as related to terrorist financing (section 42(2)(o)).
- Sections 21, 21B and 21C: These provisions require accountable institutions to identify and verify the identity of clients and beneficial owners, and to conduct ongoing customer due diligence. At the time of inspection, 91FM had not adequately identified or verified some clients and their beneficial owners, nor had it conducted the required ongoing due diligence.

And a case against a much smaller FSP/AI, Donaldson Global Investments (Pty) Ltd (FSP 50485), a one KI/Rep entity based in the UK and with no appointed compliance officer.
Their transgressions, which led to a R200,000 penalty, R100,000 of which was suspended,

- Sections 42(1) and (2): Accountable institutions must develop, document, maintain, and implement a risk management and compliance programme (RMCP) for anti-money laundering (ML), counter-terrorist financing (TF) and proliferation financing (PF). The RMCP must outline how an accountable institution will mitigate its ML/TF/PF risks and ensure compliance with the FIC Act. While DGI had developed an RMCP, it was found to be deficient in that it did not set out the processes and policies to:
 - > Scrutinise clients against the United Nations Security Council's Targeted Financial Sanctions (TFS) Lists.
 - > Report property associated with suspected terrorists and TFS to the Financial Intelligence Centre (FIC).
 - > Report suspicious and unusual activity and transactions to FIC; and
 - > Ensure adherence with the 'freezing' requirements should it identify a client on a TFS List.
- Section 28A read with sections 26A – 26C: Accountable institutions are required to scrutinise their client information to determine if any of their clients are listed on TFS Lists published under the Protection of Constitutional Democracy Against Terrorist and Related Activities Act, No. 33 of 2004 (POCDATARA Act) and by the Security Council of the United Nations.
DGI failed to scrutinise client information against these TFS Lists, as required.

Note the references in these and other recent cases on the RMCP being in place but not having the required detail on the actual processes to be followed. It clearly needs to be more of what we like to call a 'PoliCedure' – a policy with the rules and procedure with the actual process to be followed.

Once again learn from the errors of others.



» From the Information Regulator and Related Data Matters

Amendments to the POPIA Regulations:

We previously touched on this topic and provided a link to the amended Regulations. These amendments are aimed at strengthening data subject rights and refining the compliance obligations for responsible parties, and they include:

1. Refined Definitions

- Clarified terms like *complainant*, *day*, *office hours*, and *writing*.
- Introduced the term *relevant body* to support industry-specific codes of conduct.

2. Expanded Access for Data Subjects

- Data subjects can now submit objections or requests for correction/deletion via email, **SMS, WhatsApp, telephone**, and more.
- Telephonic objections are allowed if recorded and made available upon request.
- Responsible parties must respond within **30 days**.

3. Stricter Consent for Direct Marketing

- **Explicit consent** is now mandatory (no more pre-ticked boxes or opt-out models).
- Consent must be obtained through accessible channels and recorded if given telephonically.

4. Inclusive Complaints Process

- Broader standing: anyone with a personal or public interest can lodge a complaint.
- Complaints can be submitted via multiple channels, and the Regulator must acknowledge receipt within **14 days**.

5. Instalment Payments for Fines

- Responsible parties may apply to pay administrative fines in **instalments**, subject to approval based on financial circumstances.

We have also since come across a useful breakdown of the significant changes via Cliffe Dekker Hofmeyr's Technology & Communications ALERT dated 21 May 2025. [Click here](#) to download the document.

You will need to review your current compliance framework to ensure that you comply with these amendments.



» From the Council for Medical Schemes

2023 Financial Performance Industry Report:

This report was released during May. It provides a detailed overview of the financial health and emerging trends within South Africa's medical schemes.

Registered schemes looked after the wellbeing of over 9 million members on this period.

Some key data includes,

- For every **R100** received in insurance revenue, an **additional R2.96** from reserves or investment income was used to fund,
 - > **R95.88** in relevant healthcare expenditure.
 - > **R7.08** in directly attributable insurance service expenditure (DAE).
- The report confirms that the medical schemes industry remains **financially sound**, with a **solvency level of 43.45%**, which is well above the minimum requirement of 25%.
 - > Open schemes reported solvency of 33.75%, while restricted schemes ended the year at 56.64%.

Use the following links to access all the data,

[THE REPORT](#)[THE ANNEXURES](#)[THE DASHBOARD](#)

And if you want to know what levies Medical Schemes will be paying for the 2025/26 budget period, [click here](#)

» From INSETA

Survey underway:

To quote from an industry circular released during April,

"The Insurance Sector Education and Training Authority (INSETA) has appointed Redflank Solutions (Pty) Ltd (Redflank) to update the 2026/27 Sector Skills Plan (SSP), which is being updated this year (2025). This study will look at the skills requirements in the insurance sector and provide INSETA with relevant information to bridge skills gaps, foster employment opportunities, and contribute to the overall growth and sustainability of the insurance sector."

Exactly how the appointed survey company, *Redflank*, will be choosing participants, is not clear, nor is the time frames within which it will be undertaken, but forewarned is forearmed.



» Matters Transformation

Ownership options in B-BBEE:

Cliffe Dekker Hofmeyr have just issued a simple yet effective overview of the options available when it comes to ownership transactions in the B-BBEE environment. [Click here](#) to download a copy.

» From the Companies and Intellectual Property Commission (CIPC)

Beneficial owner registers:

We have received confirmation that the registers need to be updated – even if there have been no changes – on the CIPC website annually prior to the lodging of your annual return data.

As a result, we will have this process as a line item in our “Key dates” section of your report.

We would suggest that you ensure that whoever looks after such matters for you is aware of this requirement as failure to update and/or lodge your annual returns will result in your company being flagged as non-compliant. And we can't have that, can we.

Here is an overview of the overall regs on these registers (Using Copilot to follow the theme in this review on AI and its uses),

Beneficial ownership declarations with CIPC are required at least annually, and when there are changes to the beneficial ownership structure.

Companies must file their declarations annually, prior to submitting their annual returns, even if there are no changes.

Elaboration:

- **Annual Filing:** All companies, external companies, and close corporations must submit their beneficial ownership declarations annually. ·Changes: Filing is also required whenever there are changes to the beneficial ownership structure.
- **Changes:** Filing is also required whenever there are changes to the beneficial ownership structure.
- **Deadline:** Companies must file their beneficial ownership information within 30 days of their anniversary date, which is like the deadline for annual returns. Companies registered after May 24, 2023, have 10 business days from incorporation to file.
- **Enforcement:** The CIPC is implementing a hard-stop functionality that prevents entities from completing their annual returns if they haven't complied with beneficial ownership filing requirements.



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» Interesting things we have read

From FAnews:

Beware of appointment setting scams targeting brokers: To quote from the opening paragraph of this article,

"Brokers and financial advisers beware. There are individuals out there who will do anything to fleece you out of your hard-earned cash, including making false representations about appointment setting, leads, and lists that will help you to write more business."

[Click here to read more](#)

From the Department of Trade and Industry:

Draft Code of Conduct for the South African automotive industry: This draft has been released under the auspices of the Consumer Protection Act to be overseen by the Motor Industry Ombudsman of SA (MOISA).

This will likely be of interest to the motor insurance sector. [Click here](#) to download a copy.



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