FSCA DRAFT OMNI CONDUCT OF BUSINESS RETURN (OMNI CBR)

Recently the Financial Sector Conduct Authority (FSCA) published for public consultation:

- Communication 16 of 2022 to announce:
  - A roadmap for the roll-out and implementation of the Omni-CBR; and
  - the draft Omni-CBR template (an excel spreadsheet).

The FSCA has issued its draft Omni Conduct of Business Return. This is the first phase in a process that is designed to end in June 2026 with many financial institutions, including retirement funds, administrators and FSP's, submitting online quarterly answers (returns) to the FSCA on an extensive list of questions (risk indicators). This will be the cornerstone of the FSCA's supervisory approach.

FSCA Communication 16 of 2022

- Various industry engagements were planned by the FSCA to provide explanatory guidance and solicit initial feedback on the draft Omni-CBR template. These webinars took place in July.
- YouTube videos (recorded by the FSCA) are available as an introduction to the Omni CBR. Links to the YouTube videos are contained in the Communication, which is available on the FSCA's website at: https://www.fsca.co.za/Regulatory%20Frameworks/Pages/General-FSCA-Legislation.aspx
- Written comments on the contents of the draft Omni-CBR template can be provided online by 10 August 2022.

What is the Omni CBR?

The idea is that as from a future date most financial institutions (see below) will be required by law to submit online quarterly information to the FSCA. Thus, the term "omni". This provision of information will entail answering questions prescribed by the FSCA. The FSCA will then use the information financial institutions give to them (and other information) to supervise the financial institution in relation to whether it treats its customers fairly and how it conducts itself.

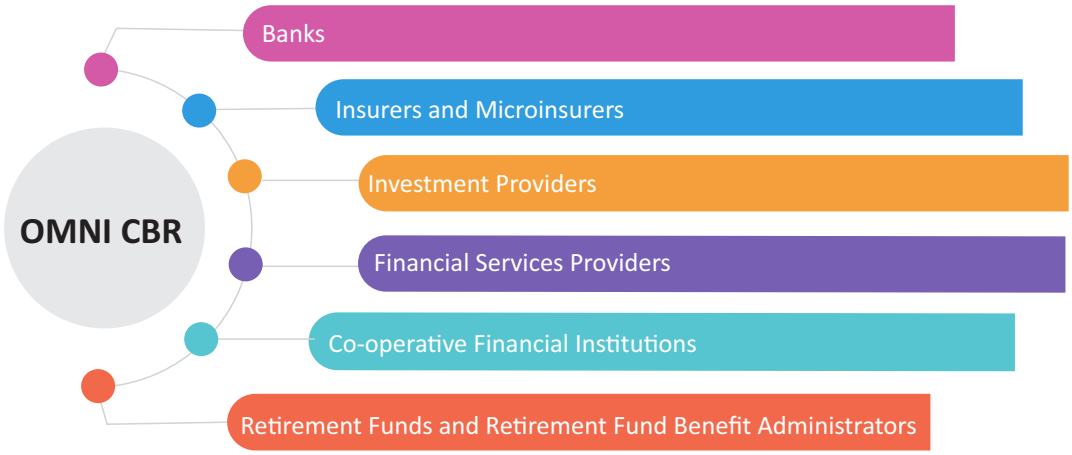
The main supervisory tool

The Omni CBR will be the main (not the only) supervisory tool for the FSCA to obtain information from financial institutions. It will be compulsory, statutory reporting. The FSCA states that:

"It will form the cornerstone of the FSCA's off-site supervisory toolkit and reflects the FSCA's increasing focus on embedding an evidence-based and data-driven approach to regulation and supervision" and
"...strong off-site monitoring tool that will allow it [FSCA]to access meaningful, reliable, measurable, and comparable information on key conduct indicators to assess the delivery of fair customer outcomes across the financial sector".

Which financial institutions does the Omni CBR apply to?

The following financial institutions will have to submit quarterly conduct of business returns:



How long will the roll out of the Omni CBR take?

The FSCA recognises that the consultation and implementation of the Omni CBR will take several years. By June 2026, all the above-mentioned financial institutions must be accurately and fully reporting on a quarterly basis in compliance with the Omni CBR.

There are a number of steps laid out in the roadmap, including testing and compliance on a best effort basis. The four phases of roll-out are summarised in the roadmap as follows :

PHASE 1 (2022)

CONSULTATION ON TERMINOLOGY AND DATA REQUIREMENTS

- Webinars to explain the Omni-CBR and roll out plan
- Industry engagement workshops per sector
- Written comments

PHASE 2 (2023)

ASSESSMENT OF SYSTEMS AND OPERATIONAL IMPACT

- Industry pilot reporting to assess systems and operational impact
- Alignment with internal FSCA systems and digital transformation developments
- Consideration of potential further regulatory harmonisation and COFI impacts

PHASE 3 (2024)

TWO YEAR TRANSITIONAL REPORTING

- Incremental reporting on a best effort basis
- Proportional phasing-in based on readiness of different sectors and entity types (large, emerging, small)
- Two-year transitional period

PHASE 4 (2026)

STEADY STATE POST COFI FINAL IMPLEMENTATION

- Full and final statutory conduct reporting across all sectors on a quarterly basis

What information will the Omni CBR ask for?

The excel spreadsheet that includes the draft questions, risk indicators and information that the FSCA will require is available for viewing and can be obtained on the FSCA website. This spreadsheet is part of the consultation and will change. The spreadsheet consists of instructions, a declaration, definitions, a general section (which all the types of financial institutions will answer), customisible sections, and then several tabs that include questions that are specific to the particular type of financial institution.

The Omni CBR includes providing information to the FSCA about current regulatory requirements as well as new requirements that are still in the pipeline. The FSCA states that the Omni CBR takes into account key financial sector regulatory reforms currently underway, such as the FSCA's sector-based regulatory harmonisation project, the Conduct of Financial Institutions Bill and outstanding proposals from the Retail Distribution Review.

The following are the themes around which information will be requested:

More information on the Omni CBR categories of information can be found in the videos referred to on page 2.

As we move further into the roadmap and the information required is refined, we will provide further information in relation to the Omni CBR questions.

Participating in the process

While it is early days in the process of implementing the Omni CBR, it will become a vital tool for the FSCA. It is therefore key for financial institutions to understand and engage on the Omni CBR. Management information, systems and reporting will become more essential for financial institutions. This is particularly true for retirement funds, as this is mostly new reporting for retirement funds (unlike some of the other financial institutions who are already reporting on some, or most, of the information).