FINCONET / BANK OF MAURITIUS INTERNATIONAL SEMINAR

Market Conduct Supervision in Challenging Times

PANEL DISCUSSION:
Implications of recent economic trends for market conduct supervisors

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FSCA

TALKING POINTS

1. KEY ECONOMIC TRENDS IMPACTING CONSUMERS IN SOUTH AFRICA

2. CURRENT CONSUMER SENTIMENTS ABOUT THE FINANCIAL SECTOR

3. IMPACT ON THE FSCA'S APPROACH TO CONDUCT SUPERVISION

SUBDUED MEDIUM TERM MACRO-ECONOMIC OUTLOOK

- Subdued global economic growth means depressed outlook for mineral commodity prices and dampened demand for South African exports
- Treasury revised real GDP growth downwards from 0.9% to 0.8% due to national power crisis, lower household expenditure, higher inflation and cost of living crisis
- Central bank repo rate at 14-year high of 8.25% and bank prime lending rate at 11.25%
- Q2 jobs report: One-third general unemployment rate and 61% youth unemployment rate
- Consumer outlook largely negative: 77.4% expect personal finances to remain at vulnerable levels or worsen and 82% expect economy to remain the same or worsen

EMERGING FINANCIAL SECTOR TRENDS

Banking

Increasing level of credit impairments with highest ever level of credit application rejections (70%) in Q1

Insurance

Increasing frequency and scale of natural disasters (flooding) and infrastructure damage means increasing unaffordability and accessibility of insurance

Investments

Increasing expectations for sustainable investment options – South African Investor Report shows 45% of retail investors and 52% of institutional investors consider ESG outcomes when investing

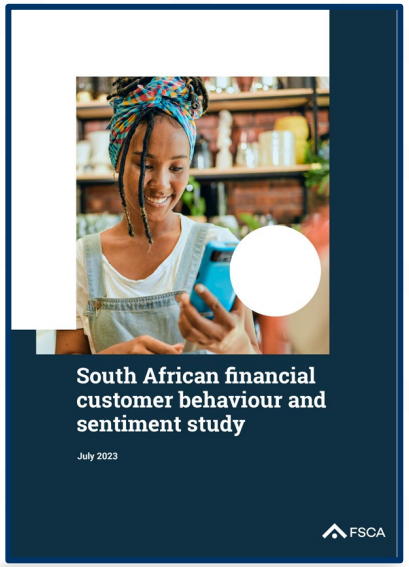
Intermediation

Accelerated consumer demand for frictionless digital transacting and direct end-to-end financial services

General

Rise in smaller financial institutions under distress and exponential increase in digital fraud, scams and cyber incidents

FSCA'S FINANCIAL CUSTOMER BEHAVIOUR AND SENTIMENT STUDY



OBJECTIVE

To establish how retail financial customers engage with and view the financial sector and whether their use of financial products and services indicate that the sector is delivering fair outcomes in line with needs and expectations.

INSIGHTS SOUGHT

Two considerations aimed at enhancing FSCA's execution of its supervisory mandate for market conduct and financial inclusion:

(1) How are consumers actually engaging with financial institutions beyond merely being included or "uptake"?

(2) Are consumers finding value in financial product offering and services in line with their needs and expectations?

METHODOLOGY

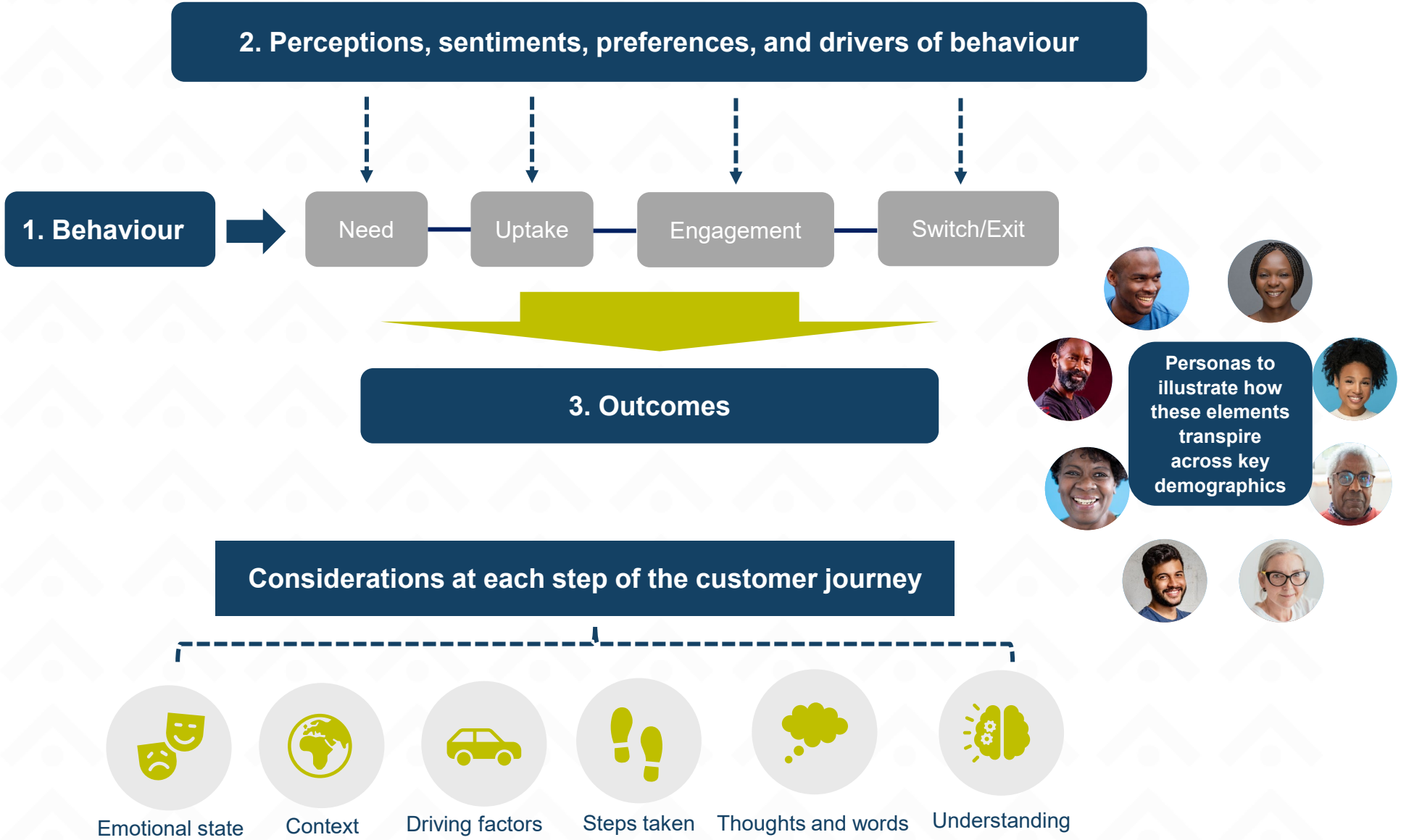
1200 individuals sampled across demographics

WhatsApp, Chatbot, Social Media and In-person

Initial high-level survey

40 individual in-depth interviews

CONCEPTUAL FRAMEWORK OF THE STUDY



OVERALL SENTIMENTS ON WHETHER DESIRED CONSUMER OUTCOMES ARE BEING ACHIEVED

OUTCOME 1: Culture

- Largely positive to neutral but good chunk negative
- Credit providers solicit most negative responses
- Females, youth and rural most likely to experience culture barriers

OUTCOME 2: Product Design

- Lukewarm sentiments with product and service design
- Some negative re: pension funds and investments
- Neutral for life insurance and savings products

OUTCOME 3: Disclosure

- Generally positive for banks and insurers, lower for pension funds
- Social media indicates negative sentiment on fee disclosures and knowledge of refunds and reversals

OUTCOME 4: Advice

- Not on the radar for most consumers
- Those who do receive advice appear satisfied

OUTCOME 5: Performance in line with expectations

- Some positive, some negative with large band of neutral for banks
- Social media indicates negative sentiments for platform speed, responsiveness and billing irregularities

OUTCOME 6: Ongoing obligations and post-uptake experience

- Mixed sentiment on reachability of financial institutions
- Barriers to lodging complaints for married females, youth and rural consumers

WHAT DOES THIS MEAN FOR CONDUCT SUPERVISION?

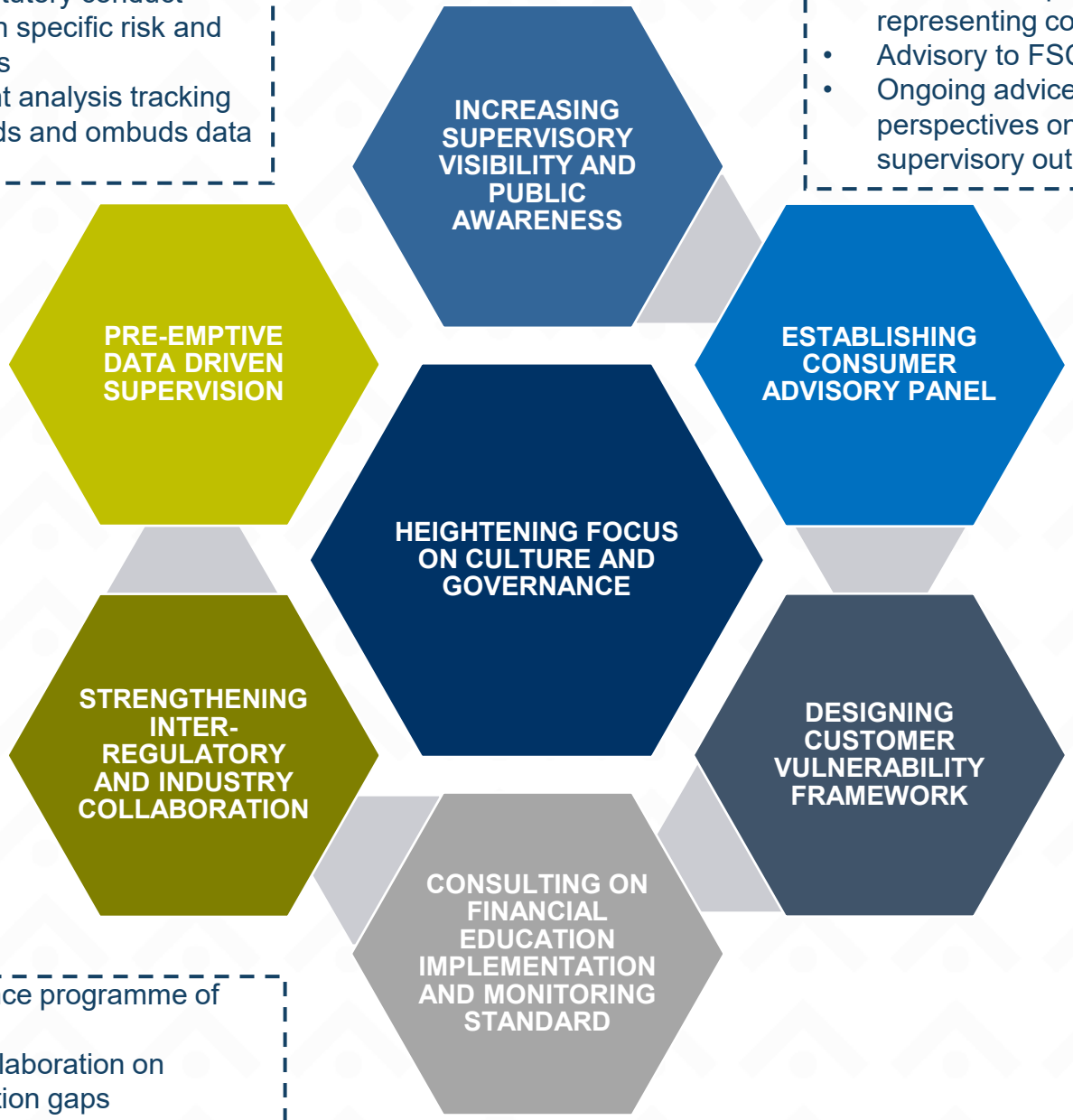
Effective supervision of market conduct and financial inclusion should lead to the **consistent delivery of fair outcomes** to consumers.
This requires a **clear shift from compliance and rules based to outcome-focused** regulation.

- Primary challenge is not access to financial products and services but the **extent to which consumers are empowered** to make financial decisions that meet their needs in the current economic climate with **increasing levels of consumer vulnerability**.
- Supervisors **must prioritise ensuring that consumers understand** their financial products and services well **and are confident** in their ability to engage with financial institutions about their needs, challenges and expectations.
- Recognise that achieving the desired outcomes is an **ongoing, iterative and consultative** process requiring layered data collection and analysis made up of **macro-economic insights**, **conduct reporting by financial institutions** and **direct monitoring of customer sentiments and drivers of behaviour**.

HOW IS THE FSCA RESPONDING?

- Cross-sectoral statutory conduct reporting based on specific risk and outcome indicators
- Ongoing sentiment analysis tracking
- Social media trends and ombuds data monitoring

- External independent members representing consumer interests
- Advisory to FSCA Executive Committee
- Ongoing advice, inputs and consumer perspectives on FSCA's regulatory and supervisory outputs



- Sustainable finance programme of work
- Public private collaboration on insurance protection gaps
- Co-branded consumer education campaigns

THANK YOU.