Financial Sector Transformation

14 March 2017
Parliament of the Republic of South Africa
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1. Introduction and Background to ABSIP

Founding of ABSIP

The Association of Black Securities and Investment Professionals (ABSIP) was established in 1995 to address the apparent lack of representation of black professionals in the securities and investment industry. It was also conceived as a platform to address the aspirations of those in the industry and to create a forum for black professionals and eventually black businesses to exchange information and ideas.

Mandate of ABSIP

The mandate of ABSIP has evolved to encompass the empowerment of black professionals and black business across the financial industry. Its membership has grown to include sub-sectors such as Asset Management, Corporate Banking, Corporate Finance, Corporate Managerial and Financial Consulting, Employee Benefits, Insurance, Investment Banking, Retail Banking, Private Banking, Private Equity, Stock broking, Treasury and Development Finance Institutions (DFIs).

ABSIP has become widely recognised as an influential force in the transformation of the Financial Sector as evidenced by its participation in drafting the landmark Financial Sector Charter (“FSC Charter”). ABSIP is an affiliate member of the Black Business Council (BBC), where its responsibility is to lead on matters pertaining to the financial services sector.

Vision of ABSIP

The vision of ABSIP has evolved over time. Currently ABSIP envisions a transformed, fully inclusive, ethically run financial sector that equitably represents black professionals and black business to enable sustainable growth for the sector and the country at large. To realize this vision ABSIP will orchestrate positive change and growth in financial services to drive the development of, and opportunities for our members. This will be achieved through leveraging key stakeholder relationships and partnerships; advocating for policies and practices that create equitable representation and inclusion; developing leaders and organisations that shape the future of the industry; recognising individuals and organisations that contribute to the ABSIP Vision; building a reputation for relevant and insightful thought leadership; and providing a platform for connecting our members.

Constituency of ABSIP

As a professional volunteer member body that has been in existence for 22 years, ABSIP represents a wide constituency of black financial sector professionals and business. ABSIP membership consists of corporates, small and medium financial services firms, professionals and students in tertiary institutions – a database of over 9100 individuals and corporates.

ABSIP’s qualification in making submission to Parliament

It is in the context of this vision and mission that ABSIP has decided to make the ensuing submission to the Parliament’s Standing Committee on Finance. ABSIP makes this submission from a position of being a lead advocate for black professionals and black businesses in the financial services sector; possessing deep skills in various sub-sectors; and ‘living and breathing’ the sector every day of our lives.

ABSIP exists to ensure a transformed, inclusive, healthy financial sector is achieved.

ABSIP is interested, affected and actively involved in influencing change, transformation and inclusion in the sector. This is evidenced by, among others, our role in establishing the Financial Sector Charter Council; spearheading negotiations of the Charter; Codes of Good Practice and a Scorecard that is used to measure the magnitude of transformation in the sector. Our role in conceptualising the Mzansi account, the then game changer, is another notable stride in improving access to services and promoting inclusion of the unbanked. In addition more directly for the benefit of our members and the industry at large ABSIP has conducted the following initiatives:
• 3 Transformation Summits regarding the slow pace of transformation in the asset management and stockbroking sectors.
• Annual awards recognising individual black achievers in the financial sector; as well as corporates and businesses who are meaningfully contributing to transforming the financial sector.
• Leading engagements with industry bodies such as ASISA, BASA, BATSETA to discuss reasons for the slow pace of transformation and establish potential mechanisms to expedite transformation, whether in terms of skills development of black professionals or black firms sharing in the industry.

**ABSIP’s stance**

South Africa has a world-class financial sector that can be further enhanced to benefit a wide range of stakeholders in the economy. The sector has shown growth over the years, however this growth has not been shared equitably by all. It has also undergone difficulties from time to time, but has remained resilient and responsive to challenges faced by the economy. The banking sector, in particular, has evolved with each crisis it has faced since 1982, each of which was followed by consolidation. It is important that the successes produced by the sector be preserved and promoted, and failures pointed out and corrected.

ABSIP believes that while transformation of the sector has been slow, some progress has been recorded and much more can and must still be done, and at a faster pace. Legislative and regulatory support are key to advancing transformation, as is a collaborative, supportive and inclusive effort by both large established and small emerging players.

Transformation, which must be both quantitative and qualitative, must be mass-based and ought to be characterised by mass access to financial services and opportunities, instead of narrow capital interests.

Now is the time to up the stakes on transformation and ABSIP believes that its submission will contribute to a turning point in the landscape of the sector. The sections that follow deal with market structure, deracialisation and progress in implementing the financial sector charter.
2. Market Structure in the financial services

2.1 Definition of a “monopoly”

The request for public submissions requested for comment on the “high level of monopoly” in the financial sector. Strictly speaking in the economic sense the term “monopoly” embodies the concept where there is only one producer/seller for a product or service.

However, within the context of the current discussion in relation to the transformation of the South African Financial Sector, ABSIP believes the central issue at play is that of “market structure”. The structure of a market (with monopoly being one type of such a structure) is determined by the nature and degree of competition and market concentration.

Market structure does not exist in a vacuum but is intrinsically linked with assessing factors such:
- barriers to entry (both endogenous and exogenous)
- the degree of countervailing (buyer) power
- vertical integration and the extent to which firms are able to differentiate themselves from one another.

A consideration of the characteristics that make certain types of market structures (such as monopoly and oligopoly) more likely to prevail and which provide current incumbents with an enduring competitive advantage over newer entrants is an important precursor to assessing why the financial services sector together with its various sub-sectors is characterised by a highly concentrated market structure.

2.2 Current state of concentrated market structure

Within this context of determining the extent to which a concentrated market structure exists within the South African financial sector, it is important to highlight the particular type of market structure that prevails in various segments of the investment management industry being

(i) Asset management/Investment management;
(ii) Stockbroking;
(iii) Asset Consulting;
(iv) Private Equity
(v) Banking
(vi) Insurance – long-term and short-term

ABSIP wishes to point out for the purposes of this analysis the focus was entirely on market structure at a firm participation level. ABSIP acknowledges that transformation in sectors also must be measured in terms of real and wide scale transformation of decision-makers within the large established, dominant, majority white-owned players. There simply isn’t enough change in terms of black professionals playing a leading role in these firms. This is especially true of leadership and relevant key decision-making roles.
(i) Asset management/Investment Management

The measure of the size of the asset/investment management industry is the total value of the assets under management in the industry – otherwise known as the South African non-discretionary (compulsory savings) and discretionary savings pool. This stands at **R8,9 trillion**\(^1\) in 2016. (This is sizeable equating to almost twice South Africa’s Gross Domestic Product.)

The investment management industry typically has two different types of investors or asset owners being:

- (i) institutional which includes retirement or pension funds, endowments, life insurance companies, corporates and banks; and
- (ii) retail investors or individuals who have discretionary funds/savings to invest.

The institutional sector accounts for approximately **R 5,014 trillion** in 2016\(^2\)

In the **institutional sector**, the top 10 asset managers hold approximately 70% of the assets under management, with the top 5 asset managers (being Old Mutual, Coronation Fund Managers, Investec, Allan Gray and Sanlam Investment Management) holding 50% of the assets under management.\(^3\)

Therefore, while it would initially appear to be a sub-sector characterised by a degree of robust competition given the presence of 44 fund managers (in terms of those who participate in the Alexander Forbes Annual Retirement Fund Survey “AFARFS”), this belies the true levels of competition and market concentration, which indicate a market which continues to be very tightly held by the top 10 asset managers.

Note due to the survey participation requirements which stipulate minimum fund size for inclusion, not all currently registered and active investment management firms are included in the AFARFS survey. Alexander Forbes states that the number of asset managers in South Africa numbers 120 investment managers.

In the **retail sector**, the total value of the assets managed is estimated at **R2,004 trillion** \(^4\)

The top 10 asset managers (being Allan Gray, Coronation, Investec, Nedgroup Collective Investments, Stanlib, Prudential, Old Mutual, Sanlam and Foord) hold approximately 77% of the market and mirrors the high levels of concentration which are characteristics of the institutional funds sector. The top 5 asset managers in retail funds manage approximately 51% (over R1 trillion) of the retail/unit trust assets in total.

**Black investment management firm share of market:**

Black investment management firms in the sector are listed as 42 players. However, the lack of transformation as a resulted of highly concentrated market structure in this sector is evident in that while majority black-owned investment management firms account for 35% of the players by number, the assets they manage account for less than 5%\(^5\) of the total assets under management in the industry.

Black firms also derive the majority of their assets from institutional funds with their share of retail assets being under 2% of total retail assets.

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\(^1\) 2016 27four BEE.conomics Survey
\(^4\) ASISA Statistics quoted in Corion Capital 2016 Unit Trust Review
\(^5\) 2016 27four BEE.conomics survey
(ii) Stockbroking

The measure of the size of the South African stockbroking industry is the total value in ZAR of all the trading service provider’s trades; both buying and selling.

For the year ended 2016, this amount equaled **R11 785 trillion**.

In this sector the levels of concentration are high with **10 firms** (UBS, Deutsche, Citigroup, RMB Morgan Stanley, Bank of America Merrill Lynch, JP Morgan, ABSA Capital, Credit Suisse, Investec Securities, SBG Securities) commanding a combined market share of approximately **80%**.

In total there are 55 discrete registered stockbroking firms in South Africa.

**Black stockbroking firm share of market:**

In stark contrast the number of black-owned stock brokerages remains disproportionately low and the number of practicing majority black owned and majority black managed stockbroking firms remains very limited and is confined to a few firms (being Legae Securities, Afrifocus Securities, Vunani Securities, Sinayo Securities, Thebe Stockbroking, Atisa Securities, Lefika Securities)

These firms collectively have a low market share of approximately **1.62%** (based on total value traded on JSE in 2016).

(iii) Asset Consulting

The measure of the size of the asset consulting industry is the total value of the assets under advisory in the market. There is no publicly available data for the total value of this but reliable sources indicate this is estimated in the region of approximately **R2,6-R3,0 trillion**.

In this sector the levels of concentration are high with 4 players (Alexander Forbes, Willis Towers Watson, RisCura, Novare) accounting for an estimated **90%** of the assets under advice.

(iv) Private Equity

The measure of the size of the private equity or venture capital industry is the total value of the funds under management in the market. At December 2015 the total value of funds under management (excluding the PIC) was listed as **R165,3 billion**.

In this sector there are 55 listed independent private equity fund managers. The levels of concentration are difficult to ascertain and this is not disclosed.

**Black private equity firms participation:**

The number of majority black owned private equity firms registered in the country is not specifically disclosed. The annual SAVCA KPMG survey lists funds based on their level BEE score. The collective market share of Level 1 firms is 2.1% and Level 2 private equity fund managers is 13.7% of total funds under management. It is not clear if the Level 2 firms are majority black owned. 50% of the funds under management are managed by firms who have undisclosed BEE ratings or are non-compliant.

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6 JSE Statistics 2016
7 There is no publicly disclosed information relating to the market shares. This number was deduced from an understanding of what the smaller firms collected advised on.
8 SAVCA 2016 Private Equity Survey p 5
(v) Banking

There are various measures to determine the size of the banking market in South Africa. For the purposes of this analysis we have considered total assets (all advances) which amount to R4,874 trillion (2016) and total liabilities (all deposits) equalling R3,488 trillion (2016) – according to SARB BA900 data.

The banking sector has for some years been characterised by an enduring oligopoly market structure comprising Standard Bank, Nedbank, First Rand, ABSA and Investec Bank. These five banks collectively hold a market share of approximately 91% based on total assets and approximately 92% based on total deposits, indicating the highest levels of market concentration of all the financial services sub-sectors which have been highlighted above.

It is noteworthy that in 2006 this particular sub-sector was the subject of a specific enquiry by the competition authorities relating to various aspects of competition in retail banking such as

(i) ATM charging and related issues;
(ii) payment cards and interchange fees;
(iii) access to the National Payment System; and
(iv) market power and the level and structure of bank charges.

The aspects above have been the subject of a Competition Commision Banking report – and an excerpt below indicates the barriers to entry to banking.

“The market for PTAs and related payment services is highly concentrated. The four largest banks – Absa, Standard Bank, FNB, and Nedbank (“the big four”) – together supply more than 90 per cent of this market. Barriers to entry by additional firms, and barriers to their competitive expansion, are high. The market for PTAs in South Africa (as well as the market for most other retail banking services) can be characterised as an oligopoly, with a fringe of smaller players. Even important fringe players, such as Capitec, have not to date posed a serious competitive threat to the big four banks in their established market. Although there is potential for greater competition from innovative firms like Capitec, as well as other banks and non-bank players in the payment system, the extent to which they can impose an effective competitive constraint on the big four banks across the retail market will depend on whether existing restrictions on competition, both on the supply side and the demand side, can be effectively addressed.

The reality remains, however, that the cost structure of retail banking – high fixed and common costs – drives concentration in banking and places certain limits on the extent of competition. Economies of scale and scope are of vital importance. To an ever-increasing extent, therefore, retail banking has become a volume business in which even medium-sized enterprises find it difficult to succeed. The concentration of banks produces an oligopoly structure which facilitates strategic interaction among the participants and obstructs competitive outcomes. The individual customer becomes – and feels like – a statistic.”

Black bank participation:

While there are in total 33 registered banks with the SARB, there appears to be only 1 bank with a black shareholding of >50.1%

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(vi) Insurance

Long-term
There are various measures to determine the potential size of the long-term insurance market. For the purposes of this submission, total assets per insurers was used to measure the market size. The total assets of the long-term insurers is estimated at R2,567 trillion.\(^{10}\) There are 73 long-term insurers registered with the FSB.

The long-term insurance market is highly concentrated. The top 4 players (Old Mutual, Sanlam, MMI Group and Liberty) account for 67% of the total assets of the industry. Accordingly 69 players share in the remaining 33% of the industry which is highly fragmented.

Short-term
There are various measures to determine the potential size of the long-term insurance market. For the purposes of this submission, total gross premiums written was used to measure the market size. The total gross premiums written of the short-term insurers is estimated at R111,424 billion\(^ {11}\) There are 90 short-term insurers registered with the FSB.

The short-term insurance market is concentrated. The top 5 players (Santam, Hollard Insurance, Guardrisk, Mutual & Federal and Outurance) account for 50% of the total gross premiums written of the industry. Accordingly 85 players share in the remaining 50% of the industry which is highly fragmented.

\(^{10}\) Financial Services Board 2015 18\(^{th}\) annual report on Long-Term Insurance, p 2
\(^{11}\) Financial Services Board 2015 18\(^{th}\) annual report on Short-term Insurance p 2
2.3 Summary of the state of concentrated market structure in the financial sector

Key points:
- A summarized table of the following estimated concentration ratios exist in these sub-sectors under consideration.
- In economics, a **concentration ratio** is a measure of the total output produced in an industry by a given number of firms in the industry.
- ABSIP notes the difficulty in sourcing market share data for certain of the markets such as Asset Consulting. ABSIP acknowledges the use of estimated information.
- ABSIP also notes the lack of exhaustive information on the share of black firms in the various market segments and sub-sectors. This makes it difficult for any regulator; policy-maker; market participant to easily assess the state of transformation in the financial sector

**SUMMARY OF FINANCIAL SUB-SECTOR MARKET STRUCTURE**

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>Measure of market</th>
<th>Size of market*</th>
<th>No of participants</th>
<th>Concentration Ratio (CR)</th>
<th>Black firm share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset management</td>
<td>Asset under management</td>
<td>R8,9 trillion</td>
<td>120⁹</td>
<td>Institutional: CR₁₀ = 70%</td>
<td>&lt;5%</td>
</tr>
<tr>
<td></td>
<td>- Institutional</td>
<td>R5,0 trillion</td>
<td></td>
<td>Retail: CR₁₀ = 77%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Retail</td>
<td>R2,0 trillion</td>
<td></td>
<td></td>
<td>&lt;1%</td>
</tr>
<tr>
<td>Stockbroking</td>
<td>Total value traded on JSE</td>
<td>R11 785 trillion</td>
<td>55</td>
<td>CR₁₀ = 80%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Asset Consulting</td>
<td>Assets under Advice</td>
<td>R2,6-R3,0 trillion⁸</td>
<td>CR₄ = 90%</td>
<td></td>
<td>6%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>Funds under management</td>
<td>R165,3 billion</td>
<td>55</td>
<td>CR₅ = 91%</td>
<td>Not disclosed</td>
</tr>
<tr>
<td>Banking</td>
<td>Total Assets</td>
<td>R4,874 trillion</td>
<td>33</td>
<td>CR₅ = 92%</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>Total Liabilities</td>
<td>R3,488 trillion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>Total assets</td>
<td>R2,567 trillion</td>
<td>73</td>
<td>CR₄ = 67%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Gross premiums written</td>
<td>R111,424 billion</td>
<td>90</td>
<td>CR₅ = 50%</td>
<td></td>
</tr>
</tbody>
</table>

*Measure is as per applicable to that sub-sector

⁹Estimate

Recommendation to Standing Committee on Finance regarding monopoly and market structure:
- ABSIP recommends that a form of compulsory disclosure is required for all participants in financial sub-sectors in order to determine the state of the market structure and whether transformation is meaningfully occurring. This should be effected at a sub-sector level with an annual disclosure made publicly.
- Annualised statistics should be maintained by every regulating authority of every registered firm within a relevant sub-sector and the market share of the firm.
- Target “Concentration Ratios” to be set by policy-makers to reflect more competitive market structures with targeted black firm participation at a sub-sector level with specific targeted dates.
3. De-Racialising The Financial Services Sector

3.1 Introduction

- The Financial Services Sector (FSS) is critical to the growth and development of South Africa’s economy (Treasury, 2011\(^{12}\)). The sector plays an instrumental role in household consumption smoothing and asset accumulation and is fundamental to investment allocation.

- Consequently, this submission to the Standing Committee on Finance sees the sector as a public good that requires both endogenous and exogenous interventions to be able to fully realise its role in building an inclusive and prosperous South Africa.

- Since the Financial Sector Summit in 2002, the sector agreed to a Financial Sector Charter (FSC) and related codes to enhance Broad-Based Black Economic Empowerment (B-BBEEE); concomitantly government has strengthened the regulatory framework to increase stability, prudential oversight and financial inclusion. While these co-regulatory interventions must be applauded because they signal that the FSS structure is flawed; the assumptions underlying these policy objects is the perceived threat that any substantial change may result in the ‘collapse’ of a ‘competitive, stable and efficient’ financial system and thus requires incremental change. **Subsequently, the incentives for change remain tentative resulting in ‘business as usual’ with marginal adjustments (Financial Sector Charter Council, 2015\(^{13}\)).**

- Since 1994, the FSS has been growing at significantly higher rates than the average for the economy. Unfortunately its structure remains rigid and the sector continues to support a narrow market with few products to serve the poor or investments to redress apartheid spatial planning (Financial Sector Charter Council, 2013\(^{14}\)). Furthermore, **the barriers for new Black entrants or start-ups remain too high for genuine inclusive growth;** thus reducing its optimum competitiveness.

- In summary the FSS is plagued with a ‘zero-sum game’. For the FSS to forge ahead in ways that will further strengthen it and make it more competitive; it has to allow new Black entrants, especially women across its value chain; as Mkandawire (2012\(^{15}\)) succinctly puts it:

  “To avoid zero sum solutions, it is important that the economic “cake” is expanding.”

- This submission is based on two assumptions;
  a. First that inclusive growth is intrinsically about de-racialisation of the entire value chain of the FSS. The legacy of South Africa’s calamitous apartheid policy obdurately persists; our society remains burdened with high levels of inequality, poverty and unemployment that is racially characterised.
  b. Second, that fair distribution inherently fosters competitiveness, stability and integrity of the FSS. Thus de-racialisation of the economy is inalienable to growth and equitable distribution in South Africa; i.e. the exigency to destroy the vicious cycle of the vast majority of South African (Black people) trapped in low-productivity activities into a virtuous cycle of inclusion and high productivity. Equally important is recognising that the FSS is an apex sector in the economy; **de-racialising the sector will help to eliminate the current ‘gate keeping’ that has limited the sectors efficacy to support national priority sectors; incentivise new entrants, increase credit and support to Black start-ups and to provide effective financial services to poor households.**

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\(^{14}\) Ibid.
This section of the submission is presented in four parts:

1. Defining inclusive growth
2. Case study of the asset management subsector
3. Case study of the stockbroking sector
4. Case study of the value chain in asset management
5. Recommendation for de-racialisation of the Financial sector

### 3.2 Defining Inclusive Growth

- ‘Inclusive growth’ is now an ubiquitous part of our political discourse and policy lexicon to describe economic growth that ensures that the fruits are shared by all and that the growth process provides opportunities for all to participate productively in the economy. In other words inclusive growth is intrinsically about ‘benefit-sharing and participation’ (Ranieri and Ramos, 2013\(^{16}\)).

- The United Nations Development Programme (UNDP) eloquently makes the case for inclusive growth (UNDP, 2013\(^{17}\)):

  “participation without benefit sharing will make growth unjust and sharing benefits without participation will make it a welfare outcome”

- The African Development Bank Group (the Bank) (2012\(^{18}\), p3) defines inclusive growth as:

  “economic growth that results in a wider access to sustainable socio-economic opportunities for a broader number of people, regions or countries, while protecting the vulnerable, all being done in an environment of fairness, equal justice, and political plurality.

- The Bank includes productive employment and protection of disadvantaged and marginalised groups from shocks and also covers the rate and pattern of growth. Thus, debunking the long standing policy assumption of ‘trickle-down’ trade-offs underpinning the relationship between economic growth and socio-economic development. In the South African context, this assumption to focus on growing the economy unquestionably and hoping that the rewards will trickle-down to the Black majority has been disastrous over the past two decades, leading to entrenching inequality and apartheid legacy.

- The Bank’s condition of examining the rate and pattern of growth is especially useful for conducting sector analysis and formulating evidence-based policy to shape the nature of economic growth. Assessing rate and pattern of growth in the FSS will expand the FSC and its related scorecard to serve as a framework that is encompassing process and outcomes. The benefits of a more comprehensive framework are twofold: 1) it allows inclusion of microeconomics variables and 2) requires subsector analyses. In doing so, a deeper understanding of the FSS growth path will be obtained; and more informed decisions can be made about ‘perceived threats’ or risks assigned to substantial change or de-racialising, the sector’s contribution to social dilemmas facing the country and the trajectory of new Black entrants to becoming industrialists. Moreover, the improved data will assist with revising current co-regulations to escape the current zero-sum trap.

Since the Financial Sector Summit in 2002, the variables and scope of policy instruments directed at transformation have progressively expanded in relation to outcomes and subsector analysis as illustrated in Figure 1 and Table 1. Unfortunately, the outcome targets remain low with no real sanctions for noncompliance and very little data at firm level or process factors.

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Figure 1: Financial Services Sector’s Broad-Based Black Economic Empowerment Policy Interventions

Table 1: Evolving Scope of the Financial Services Sector

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>Banking</td>
<td>Banking</td>
</tr>
<tr>
<td>Long-term insurers</td>
<td>Long-term insurance</td>
<td>Long-term insurance</td>
</tr>
<tr>
<td>Short-term insurers</td>
<td>Short-term insurance</td>
<td>Short-term insurance</td>
</tr>
<tr>
<td>Re-insurers</td>
<td>Re-insurance</td>
<td>Re-insurance</td>
</tr>
<tr>
<td>Investment managers and other entities that manage funds on behalf of the public, including retirement funds</td>
<td>The management of retirement, pension and collective investment scheme assets</td>
<td>Retirement fund administration</td>
</tr>
<tr>
<td>Managers of formal collective investment schemes in securities</td>
<td>Management of formal collective investment schemes</td>
<td>The management of collective investment scheme assets</td>
</tr>
<tr>
<td>Members of any exchange licensed to trade equities or financial instruments</td>
<td>Financial Services Intermediation and Brokerage</td>
<td>Financial Services Intermediation and Brokerage</td>
</tr>
<tr>
<td>Management of investments on behalf of the public, including, but not limited to, private equity, members of any exchange licensed to trade equities or financial instruments in South Africa and entities listed as part of the financial index of a licensed exchange</td>
<td>Underwriting Management Agents.</td>
<td>Underwriting Management Agents.</td>
</tr>
<tr>
<td>Public entities involved in the financial sector e.g. DBSA, Land Bank</td>
<td>Asset management, consulting and administration</td>
<td>Private equity, venture capitalist and impact investors</td>
</tr>
</tbody>
</table>
Applying the Bank’s definitions to evaluating the rate and pattern of growth in the FSS requires at minimum data on the universe of the sector, disaggregate data on each of the subsectors and data on the variables identified in the Financial Services Sector Code.

Unfortunately the collection and analysis of data related to transformation is parsimonious to make a quality evaluation on whether FSS’s growth is inclusive.

The BEE.conomics survey conducted annually since 2009 by 27four Investment Managers is the only instrument that has tracked transformation and growth of one of the subsectors - asset management.

Section 3 (2.3) presents the Asset Management subsector as a case study of de-racialisation in the FSS.

3.3 Case Study of De-racialisation in the Asset Management Subsector

1. The most comprehensive study conducted on transformation in the asset management industry is by 27four Investment Managers. The survey provides tangible data and statistics to ably evaluate transformation within the sector.

Table 2: Summary of key findings of the 2016 Transformation in Asset Management Survey

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Status as at June 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Black Asset Management Firms</td>
<td>41**</td>
</tr>
<tr>
<td>Number of Firms More than 10 Years Old</td>
<td>14</td>
</tr>
<tr>
<td>Number of Firms Less than 5 Years</td>
<td>20</td>
</tr>
<tr>
<td>Total Industry Assets Managed by Black Asset Managers</td>
<td>R408.3billion (of R8.9 trillion)</td>
</tr>
<tr>
<td>Number of People Employed in the Industry</td>
<td>466</td>
</tr>
<tr>
<td>B-BBEE Level Rating 1 and 2</td>
<td>68%</td>
</tr>
<tr>
<td>Profitable and Paying Income Tax</td>
<td>58.54%</td>
</tr>
<tr>
<td>Black Male Portfolio Managers</td>
<td>39</td>
</tr>
<tr>
<td>Black Female Portfolio Managers</td>
<td>9</td>
</tr>
<tr>
<td>Firms that have Black ownership of between 90% and 100%</td>
<td>58%</td>
</tr>
<tr>
<td>% of companies that allocate more than 60% of their procurement on B-BBEE companies</td>
<td>50%</td>
</tr>
<tr>
<td>Black women ownership in excess of 50%</td>
<td>17%</td>
</tr>
</tbody>
</table>

*Source: 27four Investment Managers (2016)

**The number of Black Asset Managers who participated in the 2016 survey

2. These figures are proof that de-racialisation of the FSS contributes to diversifying the sector, increasing the tax base, creating employment, broadening ownership, reducing gender inequality and improving procurement from other Black businesses. The latter has a significant multiplier effect on the subsector’s value chain.

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3. Notwithstanding the progress seen in the sector in the last eight years; Black asset management firms manage only 4.6% of the South African savings and investment industry. While the average assets under management by Black managed and controlled firms is R408.3Billion; 10 firms are responsible for the management of roughly 88% of these assets. Over one third (34.15%) are unprofitable. In terms of investment strategy, the majority of firms offer one product, only one company has seven offerings. Very few firms are considering managing global assets or alternatives such as hedge funds and private equity or entering the retail market (estimated at over R2Trillion). These figures demonstrate the struggle that Black business face in the asset management sector.

4. The data reveals that the major obstacles for real growth amongst Black asset managers are threefold:

1. **Asset owners are not supporting** Black asset management firms. Prescription is required.

2. **A few large firms through vertical integration own the entire value chain.** Large firms own the full distribution channel from asset consulting to asset management to administration to risk to employee benefits to wealth management to linked investment service providers to life companies to collective investment scheme management companies to stockbrokers. This level of scale allows big business to cross subsidise and makes it impossible for small business to compete on price.

3. **Government setting high compliance requirements without the necessary support to new entrants contradicts all policy directives to enable de-racialisation of the FSS.** For example:
   - There are less than 5 Black hedge fund managers in South Africa.
   - The recent migration from the unlisted environment to CISCA for hedge funds means that hedge funds could only be approved under an FSB approved hedge fund scheme.
   - A Black player that submitted their applications to the FSB for approval were rejected with no guidance provided. This was done twice. The result of this was that the pipeline of deal flow was then passed on to a white business with Black people once again being at the losing end.
   - Given that Black players do not have the vast capital and legal resources as big white players, the lack of support by the regulator to enable black business to gain the necessary tools to compete against white business does not exist.
   - It is the view by many black participants that the regulator is disabling to black participants within the industry and is regarded as being anti-transformational.

It is fair to generalise that like the asset management subsector, the FSS is a sector driven by **skill, compliance, product differentiation and distribution**. Each of these dimensions is critical for understanding the process of creating new wealth and inclusive growth in the FSS. These are the areas that require policy interventions to secure an inclusive growth pathway in the FSS. Policies focussed on ‘stability, efficiency and integrity’ are blunt without providing substantial support to strengthening Black talent and offering technical and financial assistance to Black entrants with compliance, product differentiation and distribution. An example of good practice is the establishment of the Africa Collective Investment, which aims to assist Black asset managers to design and market unit trusts.

### 3.4 Case Study of state of Transformation of the Stockbroking Sector

#### 2.4.1 State of Transformation

| Total Number of JSE Members (Equity Market) | 55 |
| Total Number of Majority Black-owned Firms | 7 |
| Black Firms’ market share | 1.69% |
• Black brokers’ market activity is surprisingly low as percentage of domestic capital markets activity
• Over the last 5 years market trading activity and performance has increased while black broker allocations have decreased
• Black individual’s presence in the research sector remains disproportionately low
• Number of practising black stockbrokers remains very limited
• The number of black brokerage firms have declined in the last 10 years

2.4.2 Challenges faced by Black Stockbroking Firms

• No legislative Support: Due to the fact that BB-BEE legislation remains voluntary and only applicable to those who wish to comply, black brokers lack the support of enabling legislation/ regulations to drive transformation in the industry
• Uneven playing fields: black brokers are compared to SA banks and global players and are required to compete on equal footing despite not having had opportunity to build matching resources and support systems
• Sporadic Support: Institutions’ support for black brokers over the years has been intermittent, short term and inconsistent making it difficult for these firms to plan with any predictability
• Proliferation of “bucket shops” – short term firms set up as black brokerages to take advantage of current support initiatives but without any own investment in developing the industry; firms with no tenure in the market receive the benefits of transformation initiatives
• Talent Retention: black brokers who develop talent face significant risks of losing that talent to larger institutions with no recognition of their role; black analysts have not featured in any meaningful ratings published in industry publications for well over 10 years
• Low Quality Business: black brokers are generally given low quality, illiquid trades to execute, in addition to trades being small
• Margin Squeeze: as price takers, black brokerages are pressured by larger institutions to transact at unviable fees and rates
• Old Boy Connections: black brokerages face unyielding “school tie connections” by the gatekeepers at institutional asset houses who allocate on a preferential basis to firms where they have past connections often beyond the industry
• Transformation in Upstream Partners: Lack of transformation amongst decision-makers / gate-keepers in institutional asset houses prevents any meaningful allocation to black brokerages.

2.4.3 Immediate, impactful initiative to adopt within current policy frameworks

1. FSC Codes:
The Codes have been submitted to the Minister but not yet gazetted. FSC Codes make provision for 5% allocation of brokerage to black firms but only as bonus points. This has the unintended consequence of reducing the number of black firms that buy-side asset managers have chosen to support to only 5 firms. A raising of this 5% (which has not been scientifically derived) to 30% would create meaningful and lasting opportunities for black firms.

2. Retirement Funds:
Trustees do not have sufficient line of sight in the value chain to understand whether their members’ funds act as catalysts for transformation or not. Trustees should be empowered to understand the full value chain and insist that managers of their members’ funds commit to these minimum levels of support for black stockbroking firms. Robust monitoring and evaluation should take place.

3. **BEE Verification:**
Many existing, white-owned firms are divisionalising their businesses and doing empowerment transactions at the divisional level so as to remain within the R50million threshold as a Qualifying Small Enterprise (QSE), thereby guaranteeing them at least a BEE Level 2 rating. This form of empowerment through fractionalization should not be recognized for the purposes of allocation by asset managers.

**2.4.4 Future Policy Interventions to assist in transforming the Stockbroking sector**

1. **Legislation:**
   Certain sectors of the economy are considered to be engine drivers of the economy where, in the absence of transformation, the national democratic aspirations will not be met in the next several generations to come. Financial services sector is one such sector. All such critical sectors should have compulsory compliance with BEE legislation, whether the incumbent players do business with the State or not. This will lead to the entire capital markets industry and asset management industry having to comply with BEE legislation and this will lead to rapid and radical transformation of the economic landscape.

2. **Priority Elements and Minimum Thresholds:**
The Draft Amended Financial Sector Code (FSC) were prepared in terms of the Broad-Based Black Economic Empowerment Act of 2003 as amended by Act 46 of 2013. It is based on a harmonization of the Department of Trade and Industry Amended Codes of Good Practice (CoGP) and the Financial Sector Code published in the Government Gazette in terms of Section 9 (1) of the Act on 26 November 2012. The Codes of Good Practice, as amended, provide for the following Priority Elements:
   - Ownership
   - Skills Development; and
   - Enterprise and Supplier Development.

   Each of these Priority Elements is required to be complied with a minimum threshold of 40%. Stockbroking spend is included in Total Measured Procurement Spend (TMPS) but is of a discretionary nature. Given that asset managers’ stockbroking spend is actually debited to the clients’ accounts, they are inadvertently able to use client funds to improve their own procurement points whilst not necessarily having a sub-minimum threshold to comply with in respect of discretionary expenditure incurred on behalf of client funds.

   We would propose that appropriate sub-minimum thresholds be introduced in respect of discretionary spending on client accounts. If such a sub-minimum mirrors or approximates the ordinary sub-minimum of 40%, this would broaden the allocation beyond 5% as set in the ASISA Stockbroking Development Program and allow for meaningful allocation to black stockbrokers.

### 3.5 De-Racialisation of the Asset Management Value Chain
The legacy of apartheid is most acute in the FSS; it remains an oligopoly. The historical capital accumulation of a few large firms has enabled them to own the entire asset management value chain as illustrated in Figure 2. The outcomes of existing policy interventions are equivalent to ‘trickle-down’ economics and entrenching oligopoly - a handful of black asset managers are allowed to manage a few cents without disrupting the value chain. De-racialisation of the asset management sector necessitates ‘pressure and support’ at each of the links in the value chain.
The nature of policy and support must address at least the following three structural variables:

1. Capital
2. Skills
3. Regulations

The interventions are summarised in Figure 3.

Consequently, it is insufficient to measure de-racialisation of the FSS by assessing the scorecards of a few ‘majors’ as these instruments do not examine diversification within the value chain. It provides a rosy picture of individual large firms meeting racial quotas while maintaining their oligopoly status. With their immense resources these ‘major’s can easily play the B-BBEE scorecard.

However, in the absence of real data on sectors and links in the respective value chains it will be difficult to debunk the hypothesis of de-racialisation equals collapse of stability in the FSS. Longitudinal data on asset management firms by 27four Investment Managers have provided an alternative growth function where de-racialising the sector has led to diversification, employment growth, increased tax base and broadened ownership, especially by Black women. 27four Investment Manager’s data over eight years proves that de-racialising albeit contributes to a more inclusive and competitive FSS.
3.6 Transformation within existing dominant firms

To achieve more rapid and wide scale transformation in the financial sector, this must include real transformation of the large established players. There simply isn’t enough change in terms of black professionals playing a leading role in these firms. This is especially true of leadership and relevant key decision-making roles.

For example, the percentage of black investment professionals for example in money management positions across the top 10 firms is <15%. While ABSIP acknowledges critically that skills development of black people is a cornerstone to deracialising the financial sector, the reality is there are sufficient number of skilled black financial sector professionals but there appears to be insufficient business imperative for large dominant players to appoint and promote a greater number of blacks into the most senior positons.

3.7 Recommendations

The case study of the asset management sector has shown the degree and the slow pace of de-racialisation. More importantly, the case study has highlighted the kind of growth trajectory that is required for de-racialising the FSS to effectively create a stable, efficient and competitive market. The assumption of this submission is that the FSS is a public good as it is foundational to social development and economic growth and that exclusion from participating in the sector is unjust.

Consequently, the following recommendations are constructed to enable the FSS to effectively play its role as a public good:

1. **EXPAND THE FSC TO INCLUDE PROCESS AND OUTCOME INDICATORS:** Inclusive growth relates to both process and outcomes. Expand the FSC to include variables that track process. This would include blacks in key decision making positions in large players.

2. **DEVELOP INCLUSIVE GROWTH PATHS FOR EACH SUBSECTOR:** The FSS is heterogeneous; each subsector has unique features and value chains. Therefore a single growth path for the entire sector will not fit individual subsectors.

3. **SANCTIONS FOR NONCOMPLIANCE OF B-BBEE SCORECARD:** Co-regulation is invaluable in reaching consensus, however without any penalties; it is toothless. A penalty regime should be included.

4. **ENSURE EFFECTIVE MONITORING:** Measuring progress within the FSS and it subsectors in critical to making informed decisions, consequently resources should be allocated to gather quality data on rate and pattern of growth.

5. **REGULATORY COMPLIANCE SHOULD BE MATCHED WITH SUPPORT TO NEW ENTRANTS:** Regulatory compliance can inadvertently serve to entrench existing market behaviour.

6. **ALLOCATION OF RESOURCES TO DE-RACIALISE THE SECTOR:** Current government funding schemes for Black start-ups are skewed towards other sectors; namely construction, wholesale, mining and manufacturing. A dedicated fund for new entrants into the FSS should be established.
4. Progress on Implementation of The Financial Services Charter


Overall Comment:
The implementation of the Financial Sector Charter, the picture is bleak, considering that the targets were collectively negotiated and very low. Significantly more progress could have been achieved in inclusive transformative sustainable economic growth.

The past two or three years has been focused the alignment of the FSC BBBEE Codes of Good Practice with the Generic BBBEE Codes. The Black Business Growth Funding is probably the most important innovative concept that was driven by ABSIP. It has the potential ability to nudge about R25bn to R100bn of capital for Black People in helping create the next new Black Industrialists. This initiative was to help in making up the shortfall of the Ownership element in the Financial Sector. The FSC B-BBEE Voluntary Dispensation for Retirement and Umbrella Funds scorecard is another significant achievement, although this scorecard should be part of the main part of the FSC Codes of Good Practice and not as an appendix.

Disappointing observations:

- It is disappointing that the response rate for the 2014/2015 Draft FSC Annual Report was low and declined by 6% between 2014 and 2015. The “denominator” has shrunk and is an indication of the lack of willingness of the financial sector to move to a normal and equal society. By implication the “numerator” was also inflated as companies that most likely have poor BBBEE ratings have not participated. This results in a misleading trend and absolute compliance levels in the data. The Financial Sector has done worse on a trend basis and on an absolute level as the bias to better BBBEE rated companies are largely included in the data.

- It is also discouraging that the Financial Sector Charter Council and the Trade Associations has not yet mapped out the sector. The total number (universe) of enterprises in the respective subsectors remains unknown; this information can be easily obtained from the respective Trade Associations and the Companies and Intellectual Property Commission (CIPC). Without this data, it is difficult to adequately characterise the sector and to reflect on performance. ABSIP requested that all data and charts in the report reflect the number of participants and the participant rate for each chart including for each sub-sector. This will help tremendously in assessing the quality of output data and data size.

- It is again disappointing that credible industry reports such as the 27four BEEconomics findings have not been included in the FSC 2015/2014/2013 Annual Report on why the gatekeepers such as asset consultants, retirement funds and multi-managers in this important sub-sector have only allocated 4.7% of assets to Black Investment Management Firms. ABSIP has raised this consideration a couple of times at the FSC Council. ABSIP cannot understand why these requests are being ignored.

- The Draft FSC Annual Report has not contrasted and commented on the findings of the Labour Department Employment Equity Report for the Financial Sector and other similar reports such as the NEF and JSE Black ownership reports.

- ABSIP’s major conclusions that can be drawn from the Draft FSC 2014/2015 Annual Reports are. ABSIP has gone on record that the published FSC 2013 Annual Report is a whitewash and does not reflect the poor state of transformation in the sector.
• The progress across the nine elements in the sector is uneven; with employment equity and management control lagging. While ownership and skills development aggregately have surpassed the 50% mark; distribution data is absent to make a real judgement on the structure of the sector.

• The inclusion of Black women does not appear to be a priority for the financial services sector; there appears to be a decline from 2014 to 2015 on most indicators related to Black women. This is a parody considering that the set targets in were already compromised (low).

• Asset managers, banks, and long-term assurers appear to be committed to meeting the targets on most of the indicators. However parsimonious data and non-participation by major companies makes it difficult to determine the subsectors that require urgent attention and the minimal reliance of the data.

• It is very important to note also in the Draft FSC 2014/2015 Annual Report the lack of major participants from the asset management industry and the stock broking industry. Depending on BBBEE Levels non-participation may give a more favourable picture than reality.

4.2 Observations in relation to key components of the scorecard

Ownership:
The sector has made little progress to meeting the ownership targets considering that 21 of the 48 responses have 0 points for this BBBEE element. Sadly, there is an overall decline in performance between 2014 and 2015. While banks have improved significantly between 2014 and 2015; they are still far from getting the 17 points. Stockbrokers/JSE and international banks appear to be delinquents and need to be taken to task.

Management Control:
The performance hovers at 4 points (average); this is only half of the total points or less if considering the 1 bonus point. When looking at the distribution, the sector looks worse than the average numbers.

Employment Equity:
Performance is at 50% of the target across all the subsectors. The low achievements regarding Black senior and middle managers are dragging the overall performance down.

Preferential Procurement:
The sector has exceeded in meeting the “B-BBEE Procurement Spend from all Suppliers based on their B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend”; which represents 50% of the weighting for this variable. It will be interesting to explore the distribution across the B-BEEE ratings. It is again unfortunate that the sector is not meeting the procurement spend with 30% Black Women owned suppliers.

Enterprise Development:
It is unfortunate that international banks have regressed in their enterprise development spend in 2015.

Socio-economic Development:
The focus is mainly on education, roughly 50%. The sector should consider broadening its interventions to other social sub-sectors including rural development, food security, livelihood strategies and arts and culture which are critical to social cohesion.
Access to Financial Services:
The respective subsectors can do more on consumer education considering the high levels of indebtedness in the country.

4.3 Recommendations

1. Black women’s participation in the financial services sector should be placed high on FSC Council’s transformation agenda.
2. It is imperative that the response rate of the FSC Council’s survey participation rate is sharply improved. As a self-regulatory body, the FSC Council must be able to flex its muscle and the Trade Associations must strongly encourage its members to comply.
3. The FSC Council should embark on an intensive dissemination campaign of the current report with the intention to speedup implementation of transformation plans considering that at the end of 2017, dti will formally review the sector.
4. In depth studies on the characteristics of subsectors will be instructive on the conversion factors that limit or block transformation. In doing so, it will enable the FSC Council to make evidence-based decisions.
5. Future reports should provide overall ranking:
   - of subsectors
   - of indicators within an element
6. The FSC Council and the Trade Associations (BASA, Asisa, SAIA, SAVCA, FIA) as the self-regulating authority should not shy away from its role in taking the respective subsectors to task on their transformation progress; concomitantly FSC Council should be able to offer the necessary technical support to accelerate the process. This could and should include the facilitation of the creation of a verified and accredited database of suppliers for each sub-sector.
7. To encourage more BBBEE as opposed to narrow BEE, The FSC Council should make it mandatory for inclusion of mandated investments. A lower graduated weighting for ownership should be given if the fund or asset manager has a low BBBEE score.
8. Engage the IOD and Employment Equity Commissioner on the findings of the FSC, DoL and IOD and discuss findings. This will enable an in-depth views of how blockages can be removed to further the transformation objectives in the sector.

It is of concern that the FSC Council and Trade Associations has again allowed the late publication of the FSC Annual Report. A clear and achievable target of no later than June of each should be set for the publication of the report. ABSIP will continue to participate constructive in the FSC Council and all its sub-committees. ABSIP will add more individuals to FSC Council and all its sub-committees, who all do this on a voluntary basis as a calling, to make South Africa a better place for all.

4.4 Conclusions

ABSIP calls on the Policy Makers, the dti and National Treasury to ask the FSC Council and Trade Associations:

Has the Financial Sector Charter helped South African Financial Sector on the journey for inclusive transformative sustainable economic growth Journey to a Normal & Equal and Equal Society?

Why have the blockages not been removed in achieving inclusive transformative sustainable economic growth and recommendations?
5. Summary of recommendations

The following summary of key recommendations to the Standing Committee on Finance are disclosed below.

ABSIP calls on the Policy Makers, the dti and National Treasury to ask the FSC Council and Trade Associations:

- **COMPULSORY DISCLOSURE** to be made by key market participants (>5% share) in each financial sub-sector to ascertain market share at a sub-sector level. ABSIP recommends that a form of compulsory disclosure is required for all participants in financial sub-sectors in order to determine the state of the market structure and whether transformation is meaningfully occurring. This should be effected at a sub-sector level with an annual disclosure made publicly. Without the data, measuring the pace of transformation is exceedingly difficult and masked.

- **ANNUALISED STATISTICS SHOULD BE MAINTAINED BY EVERY REGULATING AUTHORITY** of every registered firm within a relevant sub-sector and the market share of the firm.

- **TARGET “CONCENTRATION RATIOS” TO BE SET BY POLICY-MAKERS** to reflect more competitive market structures with targeted black firm participation at a sub-sector level with specific targeted dates.

- **EXPAND THE FSC TO INCLUDE PROCESS AND OUTCOME INDICATORS:** Inclusive growth relates to both process and outcomes. Expand the FSC to include variables that track process.

- **DEVELOP INCLUSIVE GROWTH PATHS FOR EACH SUBSECTOR:** The FSS is heterogeneous; each subsector has unique features and value chains. Therefore a single growth path for the entire sector will not fit individual subsectors.

- **SANCTIONS FOR NONCOMPLIANCE OF B-BBEE SCORECARD:** Co-regulation is invaluable in reaching consensus, however without any penalties; it is toothless. A penalty regime should be included.

- **ENSURE EFFECTIVE MONITORING:** Measuring progress within the FSS and it subsectors in critical to making informed decisions, consequently resources should be allocated to gather quality data on rate and pattern of growth.

- **REGULATORY COMPLIANCE SHOULD BE MATCHED WITH SUPPORT TO NEW ENTRANTS:** Regulatory compliance can inadvertently serve to entrench existing market behaviour.

- **ALLOCATION OF RESOURCES TO DE-RACIALISE THE SECTOR:** Current government funding schemes for Black start-ups are skewed towards other sectors; namely construction, wholesale, mining and manufacturing. A dedicated fund for new entrants into the FSS should be established.

- **BLACK WOMEN’S PARTICIPATION** in the financial services sector should be placed high on FSC Council’s transformation agenda.

- **FSC COUNCIL’S SURVEY PARTICIPATION RATE MUST BE SHARPLY IMPROVED.** As a self-regulatory body, the FSC Council must be able to flex its muscle and the Trade Associations must strongly encourage its members to comply.

- **FSC COUNCIL SHOULD EMBARK ON AN INTENSIVE DISSEMINATION CAMPAIGN** of the current report with the intention to speedup implementation of transformation plans considering that at the end of 2017, dti will formally review the sector.

- **IN DEPTH STUDIES** on the characteristics of subsectors will be instructive on the conversion factors that limit or block transformation. In doing so, it will enable the FSC Council to make evidence-based decisions.

- **FUTURE REPORTS** should provide overall ranking:
  - of subsectors
  - of indicators within an element

The FSC Council and the Trade Associations (BASA, Asisa, SAIA, SAVCA, FIA) as the self-regulating authority should not shy away from its role in taking the respective subsectors to task on their transformation progress; concomitantly FSC Council should be able to offer the necessary technical support to accelerate the process. This could and should include the facilitation of the creation of a verified and accredited database of suppliers for each sub-sector.
• To encourage more BBBEE as opposed to narrow BEE, The FSC Council should make it **MANDATORY FOR INCLUSION OF MANDATED INVESTMENTS**. A lower graduated weighting for ownership should be given if the fund or asset manager has a low BBBEE score.

• Engage the IOD and Employment Equity Commissioner on the findings of the FSC, DoL and IOD and discuss findings. This will enable an in-depth view of how blockages can be removed to further the transformation objectives in the sector.

6. Conclusion

ABSIP’s vision is to see a transformed deracialised financial sector that is inclusive. As it is evident from the submission that the Financial Services Sector needs intervention in a form of accurate legislation that will promote and enforce transformation, implementation of existing policies and the birth of new ones that will assist in fast-tracking transformation and promote economic growth.

As ABSIP we implore that the recommendations made in this submission be accepted so that transformation and inclusiveness can be realised speedily.
The following financial sector professionals have contributed to ABSIP’s submission.

<table>
<thead>
<tr>
<th>Name &amp; Surname</th>
<th>ABSIP Position</th>
<th>Professional Position</th>
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<tbody>
<tr>
<td>Sibongiseni Mbatha</td>
<td>President</td>
<td>Senior Manager: Industrial Development Corporation</td>
</tr>
<tr>
<td>Delphine Govender</td>
<td>Deputy President</td>
<td>Chief Investment Officer: Perpetua Investment Managers</td>
</tr>
<tr>
<td>Stephen Seaka</td>
<td>Deputy President</td>
<td>Head of Public Sector: Barclays</td>
</tr>
<tr>
<td>Lerato Molefe</td>
<td>Treasurer General</td>
<td>Manager: Mergers and Acquisitions - AECI</td>
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<tr>
<td>Ntlai Mosiah</td>
<td>Secretary General</td>
<td>Head of Power and Infrastructure Africa: Standard Bank</td>
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<tr>
<td>Ephraim Moletsane</td>
<td>Deputy Secretary General</td>
<td>Auditor: Auditor General</td>
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<tr>
<td>Max Malinga</td>
<td>Executive: Student</td>
<td>Chief Executive Officer: M&amp;R Digital</td>
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<tr>
<td>Azola Zuma</td>
<td>Executive: AWIF</td>
<td>Chief Executive Officer: Sanlam Investments</td>
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<tr>
<td>Lindelwa Farisani</td>
<td>Executive: Events &amp;</td>
<td>Director Equity Sales: UBS</td>
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<td>Marketing</td>
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<tr>
<td>Katleho Lebata</td>
<td>Executive: Young</td>
<td>Credit Risk Analyst: Public Investment Corporation</td>
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<td>Professionals</td>
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<tr>
<td>Mutle Mogase</td>
<td>Chairperson of the Advisory Council</td>
<td>Director of companies</td>
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<tr>
<td>Nomkhita Nqweni</td>
<td>Advisory Council Member</td>
<td>Chief Executive: Barclays Africa</td>
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<tr>
<td>Modise Motloba</td>
<td>Advisory Council Member</td>
<td>Chief Executive officer: Quartile Capital</td>
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<tr>
<td>Swazi Tshabalala</td>
<td>Advisory Council Member</td>
<td>Director: Barbican Advisory</td>
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<tr>
<td>Lumkile Mondi</td>
<td>Advisory Council Member</td>
<td>Senior Lecture: Witwatersrand University</td>
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<tr>
<td>Kennedy Bungane</td>
<td>Advisory Council Member</td>
<td>Chief Executive officer: Phembani</td>
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<td>Nthime Khoele</td>
<td>Advisory Council Member</td>
<td>Principal and Director: Bopa Moruo</td>
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<tr>
<td>Thabo Leeuw</td>
<td>Advisory Council Member</td>
<td>Managing Director: Thesele Group</td>
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<tr>
<td>Polo Leteka</td>
<td>Advisory Council Member</td>
<td>Managing Partner at Alithea Identity, Executive Director</td>
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<td>co-Founder at IDF Capital, co-Founder Identity Partners</td>
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<tr>
<td>Andile Nyhonyha</td>
<td>Advisory Council Member</td>
<td>Director: Barbican Advisory</td>
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<tr>
<td>Tryphosa Ramano</td>
<td>Advisory Council Member</td>
<td>Chief Financial Officer: PPC</td>
</tr>
<tr>
<td>Rojie Kisten</td>
<td>Advisory Council Member</td>
<td>Former head of corporate affairs: Old Mutual</td>
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<tr>
<td>Fatima Vawda</td>
<td>ABSIP Representative &amp;</td>
<td>Managing Director: 27four Investment Managers</td>
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<td>Member</td>
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<tr>
<td>Asief Mohamed</td>
<td>ABSIP Representative &amp;</td>
<td>Chief Investment Officer: AEOIN Investment Management</td>
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<td>Malungelo Zilimbola</td>
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<td>Managing Director, CIO: Mazi Capital</td>
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