



DRAFT FSCA CONDUCT STANDARD: MINIMUM SKILLS AND TRAINING REQUIREMENTS FOR BOARD MEMBERS OF PENSION FUNDS

The Financial Services Conduct Authority (“**FSCA**”) has issued a **DRAFT** conduct standard about skills and training for board members of funds.

This conduct standard is still a **draft** and is open for comments until 4 July 2019. Comments may be sent to the FSCA at MinimumSkillsandTraining@fsc.co.za using the prescribed comments template.

DO WE HAVE TO COMPLY WITH A CONDUCT STANDARD?

A conduct standard is issued by the FSCA under the Financial Services Regulation Act (“**FSRA**”). It is subordinate legislation and must be complied with.

WHO DOES THE DRAFT CONDUCT STANDARD APPLY TO?

The draft conduct standard (once finalised) will apply to:

- the board members of all registered funds that fall under the Pension Funds Act (“**PFA**”). If a fund is not subject to the PFA, it does not have to comply with the draft conduct standard;
- all types of board members, for example, professional, independent, member-elected, employer-appointed and sponsor-appointed.

WHAT DOES THE PENSION FUNDS ACT SAY ABOUT SKILLS AND TRAINING OF BOARD MEMBERS?

The PFA provides that board members must:

- attain levels of skills and training as prescribed by the FSCA (so the FSCA is now looking to prescribe these);
- attain these levels within six months of the board member being appointed;
- these levels must be retained by a board member throughout their appointment.

WHAT IS THE TRUSTEE TOOLKIT?

The FSCA has an online training, assessment and certification tool called the 'Trustee Toolkit'. It is available on www.trusteetoolkit.co.za.

WHAT IS REQUIRED OF BOARD MEMBERS AND THE BOARD UNDER THE DRAFT CONDUCT STANDARD?

Board members must, within *six months* of being appointed:

- attain the Trustee Toolkit certification; and
- further skills and training from credible providers as deemed necessary by the board.

Thus, all board members must obtain the Trustee Toolkit certification within six months of appointment. However, *the board* also has to ensure that:

- the skills and training necessary for each board member are identified and provided;
- that the board ensures that the service providers providing the skills and training are credible.

In our view, the above requirements necessitate that the board must also:

- keep records of what has been identified for training and that it has been completed; and
- that skills and training needs are identified and provided on an ongoing basis given the requirement of the PFA that appropriate levels of skills and training must be maintained throughout the board member's appointment.

THE TRUSTEE TOOLKIT HAS THREE PARTS THAT MUST BE COMPLETED

The three parts of the Trustee Toolkit that must be completed by board members are:

1. The tutorials, case studies and formative (initial) assessments – completed online;
2. The summative (final) assessment that is completed by board members under the supervision of the fund's principal officer or chairperson (who ensures that it is completed without assistance); and
3. When the Trustee Toolkit is amended by the FSCA from time-to-time, board members must then complete the additional prescribed modules under the supervision of the fund's principal officer or chairperson.

THE FSCA WILL CERTIFY AND KEEP RECORDS

The FSCA will certify each of the three parts specified above for a board member and will keep records of them.

WHEN IS IT ENVISAGED THAT THESE REQUIREMENTS WILL BEGIN FOR BOARD MEMBERS?

The *draft* conduct standard says it will become effective on 1 January 2020.

If a board member is *appointed on or after 1 January 2020*, he or she will have to get Trustee Toolkit certification within six months of being appointed.

If a board member is *appointed before 1 January 2020*, then he or she must complete the Trustee Toolkit by 30 June 2020. If they have already got the Trustee Toolkit certification before 1 January 2020, they won't have to do it again.

If a board member gets the Trustee Toolkit certification, then is appointed as a board member of another fund, he or she doesn't have to do the Trustee Toolkit certification again.

Remember, this conduct standard is still a draft and is not final yet. It may change before being made final.