



**“A dynamic and secure
retirement benefits
sector”**

MARKET CONDUCT REGULATION IN KENYA

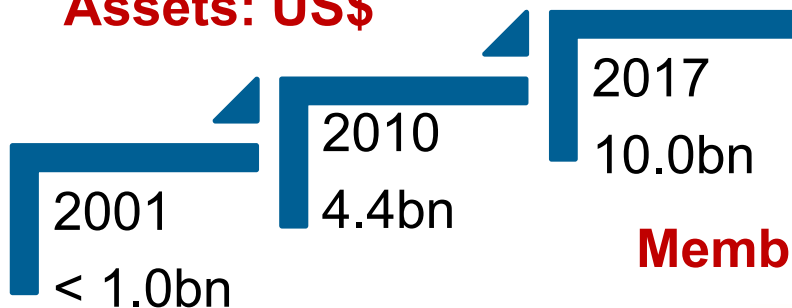
JUNE, 2018

TOPICS

- **KENYA RB INDUSTRY PERFORMANCE**
- **WHAT IS MC REGULATION?**
- **RBA MC REGULATION**
- **CHALLENGES IN INTRODUCING MC REGULATION**
- **PROPOSED FINANCIAL CONDUCT AUTHORITY**

INDUSTRY PERFORMANCE

Assets: US\$



Members: 3.0 Million



Schemes: 1,300



Trustees:

DC – Min 4; Max 9

DB – 3 to 9

Over 6000 Trustees

Registered Service Providers

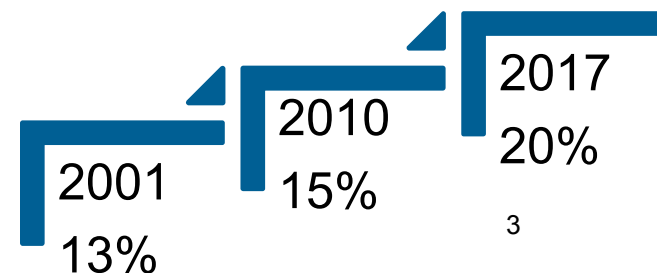
2001

Managers: 11
Custodians: 10:
Administrators: -

2017

Managers: 21
Custodians: 11:
Administrators: 31

Coverage: % of Labour Force



WHAT IS MC REGULATION

- **Market conduct regulation is concerned with: -**
 - promoting consumer confidence,
 - the way firms treat consumers rather than their ability to manage financial risk (Prudential Regulation)
 - Availability of information to consumers
 - Dispute resolution
 - Fair competition

WHAT IS MC REGULATION - II

■ Conduct Regulation is necessary because of: -

1. Complexity of financial products
 - Hence the need for continuous consumer education
2. Different ways consumers & Financial Service providers interact
 - Pre-sale advisory process
 - Point of sale advice/delivery
 - Engagement during the duration of the contract
 - Amendments to the terms of the contract
 - Redemption/Pay-out phase
 - Consumer dispute resolution (long tail)

PRUDENTIAL VS MC REGULATION

PRUDENTIAL SUPERVISION **(Financially Sound Instn)**

Registration of Schemes

Registration and Licensing of Trustees
& Service Providers (SP)

Continuous supervision of the safety
and soundness of schemes & SP

Mitigation of Systemic Risk in
Retirement Benefits Sector

MARKET CONDUCT **(Behaviour of Instn)**

Early Identification of MC Risk

Ensure responsible services providers
conduct – Governance, TCF

Ensuring adequate info availed to
consumers for informed decisions

Effective assistance & redress -
(Complaints & Dispute management)

RBA MC REGULATION - I

IMPLEMENTATION FRAMEWORK

**CONSUMER
EDUCATION**

**SECTOR
GOVERNANCE**

**CONSUMER
PROTECTION**

RBA MC REGULATION REVIEW/DEV - I

Guidelines in place/about to be issued: Accountant may take advantage of the following new areas of conduct regulation: -

1. Trustee Development Programme Kenya (TDPK) –
Review; *Accountants may*
 - ✓ Train to become Trustees
 - ✓ Be trained as trainers
 - ✓ Assist in Curriculum Development

RBA MC REGULATION REVIEW/DEV - II

2. Guideline on Good Governance for RBS – includes Conflicts of interest – under development for issuance w.e.f. 1 July 2018. The Guideline is available on the Authority's website. Accountants may review the following Principles where they can play a role: -
- ✓ Principles 4-8 Board of Trustees – play a role as a Trustee or consider setting up as a Corporate Trustee
 - ✓ Principle 19: Audit and Assurance
 - ✓ Principle 20: Scheme Governance Audit
 - ✓ Principle 21: Risk Management

RBA MC REGULATION - IV

Upcoming next two Years: Accountants will be best able to give assurance during the annual audit process, as well as ongoing system audits that the principles set out in the Guidelines are being followed: -

1. Guideline on Treating Customers Fairly (TCF)
2. Guideline on Remuneration and Incentives for Trustees & Service Providers
3. Guideline on Fit & Proper vetting of Trustees & Key Persons of Service Provider
4. Risk Management/Fraud Protection mechanisms