



FSRA
FINANCIAL SERVICES
REGULATORY AUTHORITY
Supervise. Grow. Protect.



Imali Yakho Booklet

EmpowerED Consumer - Second Edition

Helping You Make Smarter, Safer Financial Choices

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ESWATINI'S FINANCIAL SYSTEM

In Eswatini, there are two primary regulatory bodies overseeing the financial system. Each has a distinct mandate focusing on different segments of the financial system. The Financial Services Regulatory Authority (FSRA) is for regulating and supervising the non-bank financial services sector; deriving its mandate from the FSRA Act, 2010, whilst the Central Bank of Eswatini focuses on the banking institutions and monetary policy of the country; deriving its mandate from the Central Bank Order of 1974 and other financial legislations.

FSRA's regulatory scope includes: The Authority was established in terms of Section 3(1) of the Financial Services Regulatory Authority Act, 2010.

Principal Objectives of the FSRA

In terms of Section 4 of the FSRA Act, 2010, the principal objectives of the FSRA are to foster, through regulation and prudential supervision of financial services providers (FSPs) the:

- stability of the Eswatini financial system.
- safety and soundness of financial services providers.
- highest standards of conduct of business by financial services providers.
- promotion of fair competition between different financial services providers for the benefit of stakeholders.
- fairness, efficiency, and orderliness of the Eswatini non-bank financial sector; and
- protection of stakeholders.



The functions of the FSRA

In terms of Section 5 of the FSRA Act 2010, the FSRA further has the following broad functions to further its objectives:

- Be responsible for the administration of financial services laws.
- License, regulate, monitor and supervise the conduct of the business of financial services providers.
- Carry out investigations and take measures to suppress illegal, dishonest and improper practices, market abuse and financial fraud in relation to any activity in the financial services sector.
- Make rules, issue guidance notes and codes of conduct governing the conduct of the business of financial services providers
- Carry out research and disseminate information in the field of financial services.
- Promote public understanding of the financial system including awareness of the benefits and risks associated with the different kinds of investment.
- Take measures for the better protection of stakeholders of financial services.
- Collect, compile, publish and disseminate statistics in respect of financial services providers.
- Share both public and non-public information with domestic and foreign counterparts
- Advise the Minister on any matter relating to the financial services sector.



- Exercise and perform such other powers, authorities and duties as may be conferred or imposed upon it by or under the Act or any other Act, and
- Do all such other acts as may be incidental or conducive to the attainment of the objects of the Authority.

The non-bank financial services sector is a key component of the economy. Its development promotes economic growth and the welfare of society. The sector consists of the following types of Financial Services Providers:

- Credit Providers
- Building Societies
- Savings and Credit Co-operatives (SACCO)
- Credit Bureaux
- Investment Advisors
- Collective Investment Schemes
- Securities Dealers
- Exempt Dealers
- Trustee Custodian
- Securities Exchange
- Central Securities Depository
- Re-Insurers
- Insurance Companies and their agents
- Insurance and Re-insurance Brokers
- Retirement Funds (including Pension, Beneficiary and Umbrella Funds)
- Medical Aid Schemes
- Fund Administrators
- Debt Counsellors, pawnbrokers and debt collectors

The FSRA is organised into three supervisory departments; that is, Prudential Supervision Department, Market Conduct Department, and Intervention and Enforcement Unit.

- 1. Prudential Supervision Department** - is responsible for monitoring the safety and financial soundness of the non-bank financial institutions. That is through looking at issues of capital adequacy, liquidity, asset quality amongst others
- 2. Market Conduct Department** - is responsible for regulating and monitoring the conduct of business of financial services providers so as to ensure that there is fair treatment of consumers, fair competition in the non-bank space, and promoting the integrity of the non-bank financial system. The Department is also responsible for coordinating financial inclusion within the non-bank space and providing financial education to consumers and the public in a bid to build-up financial capability of Ema Swati.



3. **Intervention and Enforcement Unit** – is responsible for taking enforcement actions on identified violations by FSPs and their key functionaries based on set standards, policies (regulations, guidelines, circulars etc) and leading intervention action where financial viability of an FSP is threatened or if the FSP is no longer viable.

MARKET CONDUCT INTERNATIONAL BEST PRACTICE STANDARDS

Just as it is the case for prudential and AML/CFT supervision, there are international standards on Market Conduct Supervision. For example, the OECD's High-Level Principles of Financial Consumer Protection, and the World Bank's Good Practices for Financial Consumer Protection. The FSRA's regulatory and supervisory framework is aligned with these standards which both advocate for consumer rights through the key principles outlined below.



Principles

1. Equitable and Fair treatment of consumers

- FSPs should ensure that their customers receive the same high level of service regardless of race, gender, age or socioeconomic status. This includes ensuring that unfair, misleading, aggressive or discriminatory practices are addressed timeously. Financial products and services should be designed and distributed having regard to the needs of the consumers in the target market, and that contractual terms and conditions should be fair.

2. Access and Inclusion

The FSRA seeks to support consumers' access to, and use of financial products and services, aligning it with the goal of an inclusive non-bank financial sector in Eswatini. There should be no barriers that prevent consumers from accessing and using financial products and services in the formal, regulated financial system. FSPs are encouraging to develop products and services that attract previously excluded groups e.g. forcibly displaced persons, elderly and the youth, women, MSMEs, people with disabilities etc.

3. Transparency and Disclosure

FSPs should be upfront about key terms and conditions of products and services so that consumers can make informed decisions. Information provided should be clear, timely and not misleading to consumers.



4. Protection of Consumer Assets against Fraud, Scams, and Misuse

FSPs should ensure the safety of consumer assets by implementing appropriate measures to prevent fraud, scams and misuse. This includes ensuring that there are clear and transparent liability arrangements to protect consumers in the event of financial loss.

5. Protection of Consumer Data and Privacy

FSPs should respect consumer privacy and handle consumers' personal information securely and in accordance with the Data Protection Act, 2022 and other relevant financial services laws. FSPs should implement robust data protection measures to prevent unauthorized access and data breaches. Consumers should be informed about how their data is being used and when instances of privacy breaches occur.

6. Complaints Handling and Redress

FSPs should establish accessible, clear, free, fair, timely and efficient complaint resolution processes and procedures. This includes FSPs notifying consumers on the alternative resolution mechanism (i.e. Office of the Ombudsman of Financial Services) in the event that the customer is not satisfied with the responses given by FSP on a submitted complaint.

7. Financial Literacy and Awareness/ Consumer Education

The FSRA has a dedicated Unit under the Market Conduct Department that focuses on providing financial education to the public. However, FSPs are also expected, as good corporate citizens, to also play their part and invest in financial education programs to help consumers understand the benefits and risks of the products and services that are sold, as well as their rights in order to help them make informed financial decisions and not to only focus on marketing initiatives.

8. Competition

The FSRA expects FSPs to refrain from anti-competitive practices that can infringe on consumer's rights to be able to search, compare, where appropriate, switch between products and service providers easily.



KNOWING YOUR RIGHTS AND RESPONSIBILITIES AS A FINANCIAL SERVICES CONSUMER

Your rights:

1. You have a right to be informed; in simple and clear terms how the financial product or service work and how it will meet your needs.
2. You have a right to purchase financial services products or service from a service provider of your choice.
3. You have a right to professional service by your financial service provider.
4. You have a right to be treated fairly by your financial service provider.
5. You have a right to be given written reasons if you have been denied service.
6. You have a right to receive and keep a copy of your contract document or the documentation of the product or service you have purchased from the service provider.
7. You have a right to be informed in writing if your contract is not being renewed, cancelled or altered.
8. You have a right to cancel your contract at any time subject to fulfilling what is required on your part.
9. You have a right to be advised of the consequences of cancelling your contract and any breach of the contract, including failure to pay the due amounts.
10. You have a right to prompt and fair handling of your claims.
11. You have a right to register to complain and should first file the complaint with your respective FSP and if you are not satisfied with the response then lodge a complaint with the Office of the Ombudsman of Financial Services.
12. You have a right to confidentiality and assurance that your information will be kept safe.
13. You have a right not to be discriminated against. For example, not to be treated differently because of your race, sex, disability or sexuality.





Your responsibilities:

1. You must avoid dealing with unlicensed entities. Always request for proof of license before committing yourself to purchase any product or service.
2. You must honor your obligations on time as agreed between you and the financial service provider (e.g. loan repayments, insurance premium payments etc.).
3. You must give true and accurate information to your service provider.
4. You must provide your service provider with updated information.
You must provide all documentation required by your service provider that are reasonably necessary to evaluate your application or claim. You must ask questions and share information so that you understand what your contract includes and your obligations under it. This includes reading and making sure that all your information is correct in the contract. That is, terms and conditions.



UNDERSTANDING INSURANCE

What is insurance

Insurance is a financial arrangement that provides protection against potential future losses or risks. It involves a contract between an individual or entity (policyholder) and the insurer, - in which the insurer promises to provide financial protection to the policyholder in the event that the insured risk occurs. This may be death, disability and loss or damage to property.

What is an Insurance Policy?

An insurance policy is a document that represents the contract between the policyholder and the insurer. The policy contains terms and conditions of the insurance contract and it also outlines the key elements of the contract such as:

- a. premium – the amount the policyholder pays to the insurer as a condition of the contract, usually monthly or annually;
- b. coverage – the specific risks or contingences that the insurance protects against;
- c. term – the duration for which the insurance policy is active and provides coverage to the policyholder; and
- d. sum insured - the amount of money that the insurer promises to pay the policyholder or beneficiary in the event that the covered loss occur.
- e. What to consider before buying insurance

Before buying an insurance policy, consider the following:

- Do you understand how the policy works and have you asked for explanations where you are not clear before signing?
- Is the proposed policy relevant to your needs?



Before buying an insurance policy, consider the following:

- Do you understand how the policy works and have you asked for explanations where you are not clear before signing?
- Is the proposed policy relevant to your needs?
- Did you shop around to compare the same policy from different insurers. Other insurers could be offering the same policy at a lower premium.
- Did you confirm whether the insurer is licensed by the FSRA or not. If you cannot confirm this, don't take chances; you could be exposing yourself to a scam.
- Did you consider your financial status first before committing. Make sure you can afford the premium and enquire whether the premium will escalate in the future or not. Remember that if you stop paying premiums, your policy will lapse. If your policy lapses, you will lose the insurance cover.

Upon receipt of the policy document:

- Read the policy document and make sure you understand it: If you don't understand it, contact the insurer or the intermediary for clarification.
- Verify if your details are correct. Don't keep the policy until you are satisfied that it is a true reflection of what the seller presented to you and that your details are correct.
- Confirm if your details and all benefits in the policy document are as per what you signed for at application stage.
- Keep the policy document in a safe place



CONSUMER CREDIT

Consumer Credit in Eswatini is governed by the Consumer Credit Act, 2016 (as amended). The main purpose of the Act is to:

- i. promote a fair and non-discriminatory marketplace for access to consumer credit.
- ii. prohibit certain unfair credit and credit marketing practices.
- iii. prohibit reckless credit granting.
- iv. provide for debt re-organization in case of over-indebtedness.
- v. regulate credit information; and
- vi. establish recourse for unfair credit practices

The Act requires credit providers to clearly disclose credit agreement terms such as interest and fees, and repayment schedules.

The Act also protects consumers right giving them liberty to dispute any practices which they find to be unfair, deceptive or inaccurate. It set out rules on how debt collectors should contact and interact with consumers, protecting them from harassment or abuse. It also ensures that credit reporting agencies such as credit bureaus handle consumer data responsibly and that consumers can correct inaccurate information on their reports.



What is Credit?

Credit means having the use of money or access to goods or services with the understanding that you'll pay later. Credit comes in many different forms, and it is important to understand how each works so you can obtain the right type of credit for your needs.

- **Secured Credit** - is a type of credit that is backed by collateral—which is an asset that the borrower pledges to the lender as security for the loan. Secured credit is commonly used when purchasing large items, such as land, a home, car, or high value equipment.
- **Unsecured Credit** - This refers to credit extended without collateral (security); instead, the credit provider approves the loan based on the borrower's creditworthiness, which includes factors like credit history, income, and ability to repay.

What you should look for before signing a loan agreement:

Before you sign a loan agreement, make sure you understand the key elements of the agreement. Here below are some of the important elements to consider:

- **Pre-agreement statement** – First and foremost, the credit provider should provide you a pre-agreement statement and quotation to enable you the opportunity to review the terms and conditions of the agreement and decide whether to sign or not.
- **Interest rate** – You must be clear what the interest rate of the loan is? The interest rate may be expressed as an annual or monthly rate. Although most institutions show it as an annual interest, but they normally charge it on the month-to-month balance of the loan.
- **Collection costs** – means an amount that may be charged by a credit provider in respect of enforcement of monetary obligations for a consumer under a credit agreement.
- **Default administration charge** – means a charge that may be imposed by a credit provider to cover administration costs incurred because of a consumer defaulting on an obligation under a credit agreement.
- **Initiation fee** – means a fee in respect of costs of initiating a credit agreement.

What creditors look for.

To apply for credit, you must fill out an application. While specific approval guidelines vary from lender to lender, many base them on.

- **Character** – Character refers to how responsible you are with repaying your debts. Most creditors judge this by looking at your credit report and/or score. Your credit report tracks your credit activity: what accounts you have, how much you owe, your payment history, etc.
- **Capacity** – Capacity refers to the ability to repay what you borrow. Creditors also consider what your current debt obligations are
- **Capital** – Capital refers to the assets that you have. Basically, the creditor wants to know if you have savings or other assets that you can use to make your payments if you lose your job or experience something else unexpected.
- **Collateral** – In the case of secured credit, the credit provider will require that you provide collateral for the loan.



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Consumer Rights under the Consumer Credit Act, 2016 (as amended):

The Act provides several rights which the consumer may exercise under this Act:

1. The right to be given a pre-agreement statement and a quotation to consider before entering into an agreement with a credit provider (Section 24)
2. The right to be excluded from any marketing (Section 28).
3. The right to be furnished with documents in plain, simple, and understandable language, ensuring ease of comprehension of the contents, meaning, and importance of the document (Section 29).
4. If the application is declined by the credit provider, a consumer has the right to requests to be given the reasons why the credit application has been declined, as stated in (Sections 30).
5. The right to be given copies of all documents related to the credit transaction, including when the agreement is amended (Sections 32 and 54).
6. The right to be charged only fees allowable under the Act (i.e. initiation, service, interest, credit insurance, default administration charges, and collection costs (Sections 39 and 40).
7. The right to choose provider for credit life insurance (Section 44).
8. The right to receive one free statement of the loan per month from the credit provider (Sections 45).
9. The right to lodge a dispute or debit or credit entries in the statement and receive explanations from credit provider and if not satisfied with the response the consumer has the right to escalate the matter to the office of the Ombudsman of Financial Services (Section 48 and 52)
10. The right to have a credit effected on the same date the consumer makes payment, and a debt effected on the same date as of the date the consumer incurred the debt (Section 49).
11. The right to request statement of settlement without charge and settle without paying any termination fees (Section 50 and 97).



12. Right to direct credit provider to reduce credit limit (Section 55).
13. The right to terminate a credit agreement at any time by paying the settlement amount to the credit provider (Section 59)
14. The right to be assured that personal information shared with the credit provider is kept confidential and not shared to third parties without express permission of the consumer (Section 73).
15. The right to receive one free credit report per year from the credit bureau and if necessary, dispute information held by the credit bureau (Section 79).
16. Right to make prepayments at any time, with or without notice to credit provider (section 98)
17. The right to surrender goods under obtained under a hire purchase agreement or a secured loan and ask the credit provider to sell them at a fair price to dispose of the outstanding balance of the loan.
18. If there is a credit balance after the settlement of the loan, the credit provider is obliged pay it to the consumer (Section 99).
19. The right to receive written notification from the credit provider in the event of default (section 100).
20. The right not to be harassed for credit at home or at work (Sect 105). 16

Overcoming Over-Indebtedness: An Opportunity For Financial Freedom

Regaining control of your financial future after experiencing over-indebtedness may seem daunting, but it is achievable with the right strategies.

What is Over-Indebtedness?

The issue of over-indebtedness is addressed under Section 81(2) of the Consumer Credit Act 2016. Over-indebtedness generally occurs when a consumer is unable to satisfy in a timely manner, all the obligations under all the credit agreements to which the consumer is a party, as indicated by the history of debt repayment of the consumer. In other words, it is a situation where the consumer is unable to repay all the debts, taking into account the consumer's financial situation.

Creating a personal budget every month is a great way to manage your finances



Causes of Over-Indebtedness:

Over indebtedness can happen for various reasons some of which are discussed here below:

1. Poor or lack of financial planning.

Most consumers find themselves in debt due to lack of financial planning which may include failure to budget, and over-spending. Creating a personal budget every month is a great way to manage your finances and ensuring that your expenditure is within your means.

2. Living beyond your means.

People who live a lifestyle that is beyond their means often find themselves having to borrow or rely on credit cards to keep up with the standard. This may lead to debt accumulation, high interest payments and financial stress.

3. Unexpected Life Events:

Job loss, reduced income, medical emergencies, and other unexpected events can severely impact financial stability. When income is disrupted, individuals often resort to borrowing without a clear repayment strategy, therefore perpetuating a debt cycle.

4. Excessive Borrowing:

Excessive borrowing can lead to a financial quagmire making it difficult to meet obligations and resulting in a vicious cycle of debt. It's a situation that often begins with good intentions – be it for personal expenses, business growth or investments, but it can quickly spiral out of control if not managed properly.

5. Reckless lending by Credit Providers

Credit providers may also be responsible for over-indebtedness if they fail to conduct proper affordability assessments of their customers. Section 82 of the Act enlists certain circumstances which may render a credit agreement to be reckless, and they include:

- i. failure to conduct proper affordability assessment of the consumer as required by the Act; and
- ii. entering into a credit agreement with the consumer even though all the information provided by the consumer indicated that the consumer would be over-indebted or does not understand the risks and cost of the credit being entered.

6. Lack of Financial Literacy:

A lot of consumers lack the necessary financial knowledge to make informed borrowing and saving decisions. Without understanding interest rates and loan terms, individuals may unwittingly enter agreements that lead to over-indebtedness.

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The effects of Over-Indebtedness

Over-indebtedness can have far reaching effects on individuals, families and the broader economy.

- a. psychological stress and mental health issues:
- b. The anxiety and stress from mounting debt can lead to mental health challenges, including depression and loss of self-worth. This can create a cycle of avoidance where individuals neglect their financial realities.
- c. social isolation and strained relationships:
- d. Financial strain can lead to social withdrawal and conflict with family and friends. Over-indebted consumers may avoid conversations about money, which can further damage personal relationships.
- e. Economic Consequences:
- f. Over-indebtedness can hinder economic growth. A consumer who is burdened with debt may struggle to save or invest.
- g. Legal and financial repercussions:
- h. Missing debt payments may lead to severe legal actions such as foreclosure, bankruptcy, or salary garnishment. Such repercussions can damage your credit scores and complicate future borrowing.

What roles both credit providers and consumers can play in preventing over-indebtedness:

Credit Providers can play a crucial role in preventing over-indebtedness through responsible lending practices, transparent communication of loan terms, interest rates and repayment schedules to help the consumer make an informed decision.

Section 25(2) state that “A credit provider shall not enter into a credit agreement without first taking reasonable steps to assess-

- (a) the proposed consumers-
 - (i) understanding and appreciation of the risks and costs of the proposed credit, and of the rights and obligations of a consumer under a credit agreement.
 - (ii) debt re-payment history as a consumer under credit agreements.
 - (iii) existing financial means and prospects.
 - (iv) existing and future financial obligations...”

Consumers also have a role to play by ensuring proper financial planning, using credit wisely, understanding credit agreements, seeking financial advice and financial education to help them make informed choices.

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RETIREMENT FUNDS

What is a retirement fund?

A retirement fund is a systematic plan or fund set up for a defined group of persons, to provide annuities and or lump sum benefits on their retirement or to the dependents of member on the death of the member whilst she was still part of the fund.

Importance of a Retirement Plan

A retirement plan is an essential part of your future financial security. Having a retirement plan helps you to provide for your future financial needs after you retire from gainful employment. It will help you to take care of your daily living expenses, medical expenses, and other needs that may arise.

Types of retirement funds

Defined benefit fund – the retirement package is pre-determined and guaranteed based on years of service and final salary. It offers more protection to the members as the investment risks are borne by the employer.

Defined contributions fund – the retirement package is determined by how much the member and employer contributed over the years of service plus interest earned. The value of the retirement package is not guaranteed but can only be ascertained at the time when the member retires.

Governance of Retirement Funds

All retirement funds in Eswatini are regulated under the Retirement Funds Act, 2005.

The Management of a Retirement Fund

The Act requires that every retirement fund should have a controlling body, known as the Board of Trustees, whose duties are to ensure the smooth running of the fund in terms of the Act and the Rules of the fund. Trustees are required by law to act in good faith, with care, be impartial, diligent, and avoid conflict of interest.

Your rights as a member of a retirement fund

You have the right:

1. To elect at least 50% of the Board of Trustees.
2. To have access, upon request, to information about the operation of the fund.
3. To know upon joining the Fund, the contribution rates by a member and the contribution rate by the employer.
4. To know if there are any changes in the contribution rates and the reason for the



5. To receive a benefit statement providing an update on your benefit and the performance of the fund.
6. To know the procedure to be followed in case of a complaint.
7. To know how benefits are calculated
8. To receive upon request, a copy of the Rules of the fund.
9. To know when there are any changes in the Rules of the fund.
10. To know whether there are risk benefits such as funeral cover, attached to your fund, and the procedure to be followed in case of a claim.

INVESTING

The difference between investing and saving?

Investing is the act of committing money or capital to a venture (a business, project, property, stocks etc.) with the expectation of obtaining a return. For those looking to build wealth or grow their assets, investing is the key. Regardless of the type of investment one chooses, the goal should always be to put your money to work so it earns returns. There is a tendency to use the terms investing and saving interchangeably yet there are some differences.

Saving refers to restricting your expenditure and keeping the unspent money in safe custody. Simply put, it's setting money aside for future use and not spending it immediately. Saving is equally important as it gives one peace of mind and enables one to meet their future financial obligations/ needs. In essence, investing starts after saving.

Importance of Investing

1. **Wealth Accumulation:** It provides the opportunity to grow your wealth over time. By allocating funds into various assets such as stocks, bonds, real estate, or mutual funds, you can benefit from capital appreciation and income generation.
2. **Achieving your financial goals:** It enables you to achieve your financial goals, e.g. whether you want to buy your dream home or finance your children's education, investment is the key. The earlier you start the better your chances of accelerating your progress towards your goals are.
3. **You can beat inflation:** Inflation erodes the purchasing power of money over time. If you invest in assets that will outpace the rate of inflation, your investment gets protected, and you can maintain or increase your wealth.
4. **Economic Growth:** When you invest you play a crucial role in stimulating economic growth. Example, when you inject capital into business for expansion, innovation, or job creation. Again, when you invest in stocks or participate in any or private public offerings, you are contributing to the growth of companies and the economy at large.
5. **Retirement Planning** You can still fund your retirement by investing money so as to build an egg nest to support a comfortable retirement lifestyle.



6. Passive income: Investments, such as dividend-paying stocks, rentals, or bonds, can generate passive income streams. Such passive income can help you to supplement earnings from your employment and provide you with financial security.

7. Benefiting from compound interest: Individuals that have made a wise choice of investing their excess money have a chance to benefit through what is termed compound interest as illustrated in the example below:

Suppose you invest E10, 000 into the shares of a company listed on the Eswatini Stock Exchange. The first year, the shares rise by 10%. Your investment is now worth E11, 000. Considering the good returns, you may hold the shares for another year. In Year 2, the shares rise by another 10%. Therefore, your E11,000 grows to E12,100. Clearly as time passes your investment gets bigger and your previous returns start to provide their own returns. In short, the longer your money remains invested, the greater the potential of growing your wealth is even more.



Another advantage of adopting a long-term view to investing is that staying in the market for longer gives your investments a chance to recover from the difficulties of the market (market volatility).

In conclusion, it is important to invest but what is also critical is to diversify your investments. Diversification is the spreading of investments among different assets classes as a mean to limit risk exposure to any single asset.

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THE CAPITAL MARKETS INDUSTRY IN ESWATINI

What are Capital Markets?

The word Capital Market refers to a market where individuals and institutions trade equity or debt instruments – shares or bonds.

The FSRA is responsible for licensing, regulating, and supervising the capital market institutions in a Eswatini in terms of the Securities Act, 2010. The capital markets institutions include the following:

- Investment Advisers
- Dealers
- Collective Investment Schemes
- Collective Investment Scheme Managers
- Trustee/Custodian
- Central Securities Depositories
- Securities Exchange
- Nominees
- Investment Adviser Representatives
- Dealer Representatives

What is a Collective Investment Scheme?

A collective investment scheme is a joint investment that enables you to pool your money with other investors who have similar investment objectives. This pool of money is then invested in different assets in financial markets. It includes a wide range of local and international shares or equities (companies listed on a stock exchange), bonds, property, money market instruments and their derivatives.

The total value of the pool of invested money is split into equal portions called participatory interests of units. When you invest in collective investment schemes, you buy a share of the units of the total fund. The unit price (also known as the net asset value (NAV)) is dependent on the market value of the instruments in which the pool of money is invested and therefore rises falls alongside market fluctuations.

Why invest in Collective Investment Schemes?

Collective investments schemes are an attractive investment option because they;

Spreading risk - Collective investment schemes invest in a range of underlying assets. This means that your eggs are not in one basket. Your risk is spread amongst many assets rather than amongst one or only a few. If any assets perform poorly, your investment won't necessarily perform poorly as there are other assets that may have done very well.

Easy and accessible - Collective investment schemes are a very convenient way of investing in markets which you otherwise would find difficult to access.

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Easy and accessible - Collective investment schemes are a very convenient way of investing in markets which you otherwise would find difficult to access.

Offer good returns - Collective investment schemes' returns compare more favourably with those from more other traditional investment products. The longer you leave your money invested in a collective investment scheme, the greater the opportunity for growth.

Expert decision-making - Collective investment schemes are managed by qualified investment managers, whose full-time job it is to make investment decisions.

Value for money - Collective investment schemes are designed to give you good value. The pooling of money increases buying power, enabling investment managers to buy assets which the small investor normally could not afford.

Flexible investment options - You can either invest a lump sum amount so that your entire investment immediately benefits from the growth and income potential of the chosen collective investment portfolio or make regular monthly investment, which is an easier way of building up capital.

Easy access - Collective investment schemes are liquid so you can cash in all or part of your investment at any time and have ready access to your money, often within a pre-agreed upon time.

How to choose a Collective Investment Scheme?

There are a wide and ever-increasing range of collective investment schemes available. Funds in collective investment schemes are classified as domestic, offshore, regional depending on where the funds are invested. These categories are further classified into either equity, cash, property or fixed income. Domestic and regional funds within these categories have similar risk profiles. As an investor you should note that the risk / return spectrum of a fund is dependent on the combination of underlying funds in which the fund is invested and its investment objective.

When choosing a collective investment scheme, you should identify your needs first and select a fund that best suits these:

What is your time scale?

Are you a short- or long-term investor? Although some collective investment schemes cater



What is your time scale?

Are you a short- or long-term investor? Although some collective investment schemes cater for short-term needs, most of them may need at least three to five years for your money to grow and so that market fluctuations are smoothed out.

What is your risk appetite?

The type of fund you choose will depend on the amount of risk you are prepared to take. Factors that can be taken into consideration are age, health, income, alternative liquid assets, knowledge, and whether you have dependants. An investor seeking security and income can select a money market fund, an income fund, an asset allocation fund or a mix thereof. If you are a more aggressive investor, you can select an equity fund that invests in a specific sector of the stock market such as financial and industrial companies, resources and basic industries or smaller companies.

Measures to protect your investment

To protect your investment in a collective investment scheme, you should check:

- If the scheme has the relevant elements of a collective investment scheme;
- Whether it is an FSRA -authorised collective investment scheme; you may check the list of authorised investment schemes from the FSRA website.
- Check if the intermediary that promotes the scheme is authorised by the FSRA. Companies or agents engaged in giving advice to the investing public should be licensed by the FSRA. You may check the licensing status of an intermediary on the FSRA website or visit the FSRA offices to confirm if the entity is licensed.

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UNIT TRUSTS

What are Unit Trusts

A **Unit Trust** is a type of collective investment scheme that pools money from many investors to invest in a diversified portfolio of assets such as stocks, bonds, or property. It is structured as a trust, and investors buy units in the trust, which represent a share of the underlying assets.

A unit trust fund is made up of portions called units allocated to each investor based on the amount of their investments. Each unit has a price or net asset value (NAV) based on the underlying assets of the fund. The units are priced daily due to fluctuations in value of the underlying assets in line with daily market movements. The shares or unit value increases or decreases, depending on the performance of the underlying assets of the fund.

The investor receives a certain number of units for the money he has invested in. The longer your investment, the more likely you are to enjoy a good investment return. Unit trusts are therefore medium-to-term investments avenues. You can make an initial investment of as little as E500.00 and buy additional units when you have more money or invest a fixed amount on a regular basis via available channels such as debit orders or EFTs.

Creating a personal budget every month is a great way to manage your finances

Types of unit trust investment options

There are two types of investments options that an investor can choose from, namely:

1. **Lump Sum** – there is a minimum lump sum investment in a unit trust and no limit as to how much one can invest. However, it is advisable to spread your holdings among different funds, to mitigate risks, especially if you are to make a huge investment.
2. **A regular savings plan (Monthly contribution)** – A regular or monthly contribution plan allows investors to invest a set amount into the unit trust of their choice. This is a convenient way of saving, as monthly additional investments are usually paid through debit orders. The regular saving can enhance the returns from the unit trust that perform reasonably well over a long period. The advantage of the regular saving plan is that it evens out fluctuations over unit price.



FINANCIAL TECHNOLOGY AND SCAMS

As the financial landscape evolves, with technology and digital finance shaping how investors access markets, it is important to focus on how these innovations can empower and protect investors while ensuring that markets remain fair and efficient.

In the securities/ capital markets space, emerging technologies like artificial intelligence (AI) and crypto assets, and digital platforms like social media and mobile trading apps, are increasingly influencing how people invest. As an investor in navigating the world of digital investing, it is important to understand how scammers and fraudsters might exploit these technologies to conduct investment scams.

Tips to investors so they can avoid being scammed through these new technologies?

- Investors must resist getting caught up in the fear of missing out (FOMO) on a purported investment opportunity that seems new or cutting-edge. Instead, make investment decisions in consideration of your long-term investment plan. Create your plan based on your risk tolerance and investing time horizon and consider the benefits of asset allocation and diversification.
- Social media has a plethora of information, both useful and harmful. Therefore, do not simply invest just because a certain “influencer/ celebrity” has endorsed a financial investment, as their endorsement does not mean that an investment is legitimate since they can also be lured into scams.
- Scammers use hype around new technological developments, like AI and crypto assets, to lure investors into scams. They might use catchy buzzwords or claim to be a leader in emerging technology. Even in Eswatini, we have seen scams disguised as one of the leading crypto currencies (Bitcoin) when in fact they were not, and a lot of Ema Swati lost their hard-earned funds through this scam.
- Investors should be on the look-out. We are also increasingly seeing scammers using Artificial Intelligence (AI) technology to clone voices, alter images, and create fake videos to spread false or misleading information. They might use AI-generated content to impersonate a licensed financial services provider or someone you know or create realistic looking websites promoting fake investments.
- While mobile trading apps and online investment accounts can be appealing because they may be marketed as easy-to-use and low-cost, some of these services can put your money at increased risk. Before deciding to use a mobile trading app or online investment account, carefully consider whether its features make sense for your needs. Protect your mobile device and online investment accounts from digital fraud by having a strong password, not sharing your password, turning on account notifications, avoiding using public computers/ Wi-Fi to access your investment accounts, be extra vigilant before clicking links etc.
- The risk of loss in transactions involving crypto assets remains high. As the FSRA we urge the public to exercise extra caution and should you want to invest in crypto, only invest money you can afford to lose entirely. This is due to that crypto asset investments generally lack investor protections and are currently not regulated in Eswatini.

BEWARE OF SCAMS!

As a consumer of financial services and products, please beware of scams. Scammers may use a wide range of tactics to gain the trust of their victims, such as posing as legitimate companies or licensed financial service providers offering fake investment opportunities to exploit someone's vulnerabilities. Consumers are therefore advised to always exercise caution.

Protect Yourself from Illegal Schemes

Today's world is engulfed in many fraudulent schemes designed to rob people of their hard-earned money. Be careful. Fraudulent schemes come in many forms and are disguised to look legitimate to entice victims. People lose a lot of money through pyramid/Ponzi schemes year after year.

- **Is it licensed?** - All financial service providers in Eswatini must be licensed by the Financial Services Regulatory Authority (FSRA) or the Central Bank of Eswatini (CBE) depending on the type of service or product they are licensed to sell. Anyone selling you an investment opportunity without a license issued by FSRA or CBE should pose a red flag to you, no matter how good the investment may look. Suppose the entity is said to be licensed in another country outside Eswatini, that does not mean it is also licensed to operate in Eswatini. It therefore poses a high risk to you. Ask yourself this simple question?

If it is a legitimate investment or savings scheme, why is it not properly licensed in Eswatini?

- **Question lucrative offers** - No investment is risk-free. High returns come with high risks. Be cautious of companies promising risk-free, high-return investments.
- **Be wary of unsolicited offers** - Be cautious of suspicious calls, emails, social media ads, and other communications offering investments from unlicensed sources.
- **Do your research** - Investigate thoroughly before investing. Ask questions and ensure you understand the company and its products. Look for their website, social media, and reviews, and obtain written company information, including audited financial statements.
- **Be sceptical of recruitment commissions** - Be cautious of plans offering commissions for recruiting new distributors, especially if there's no real product or service.
- **Watch for delays and faith appeals** - Be wary of schemes that delay commitments while urging members to "keep the faith."

Common signs of Pyramid/ Ponzi Schemes

Pyramid/ Ponzi Schemes share several common characteristics. Please take note of the following signs that may indicate a potential investment scam:

- Promises of high returns in a short time.
- Claims of introducing groundbreaking modern technology, products, or investment schemes.
- Overemphasis on recruiting new people over selling a product or service.
- Statements suggesting that the company or scheme does not need a license in Eswatini because it is licensed in another jurisdiction.
- Pressure on investors to make quick decisions and advice to keep the investment a secret from financial regulators.
- Use of technical jargon and difficulties in obtaining necessary documents or paperwork.
- Complexity and lack of clarity in the business model.
- Defensive responses to questions and unusual explanations regarding business or account activities.
- Rapid and unexplained improvements in the promoter's lifestyle and accumulation of assets, indicating potential misuse of investors' funds for personal enrichment.

Invest Wisely

- Don't be pushed by the greed of getting rich quickly or making easy money. You may regret your decision later.
- Most schemes are promoted through the internet, social media, or word of mouth from people you know such as relatives, friends, work colleagues, or fellow church members who have also been duped into believing that it is a legitimate investment.

Don't be pushed by the greed of getting rich quickly or making easy money

Use Your Common Sense

- Just do the right thing and stay safe. If it is not an authorized financial services provider, it's a risk to you. Don't participate in it.
- Verify the legitimacy of the financial services provider before you invest your money by calling the FSRA at 2406 8000 or the Central Bank of Eswatini at 2408 2000
- It is the right thing to do.

BUILDING SOCIETIES

What is a building society?

A building society is a mutual financial institution that primarily provides mortgage lending and savings accounts. In Eswatini, building societies are governed by the Building Societies Act, of 1962 (as amended) and regulated by the FSRA. Unlike commercial banks, building societies are owned by their members through permanent shares, fixed period shares or subscription shares as defined under Section 22 of the Act.

Key features of a building society

SAVINGS AND CREDIT COOPERATIVES (SACCOs)

What is a SACCO?

A SACCO is a financial cooperative formed for the purpose of pooling members' savings and providing credit to them. It is a non-profit financial institution, and its aim is to meet the financial needs of the members. Members pool their savings deposits to finance their own loan portfolio.

Advantages of belonging to a SACCO

1. **Savings** - SACCOs encourage a culture of saving and investing. As a member you are required to contribute a certain amount of money towards your savings.
2. **Loans** - One of the most significant benefits of joining a SACCO is access to affordable credit. It is usually easier to secure a loan from a SACCO than from other financial institutions. SACCOs typically offer their members loans at competitive interest rates, which are often lower than those provided by traditional financial institutions. As a member you are entitled to getting a loan that is usually worth a certain number of times the value of your deposits. It could be three or four times depending on the SACCO by-laws.
3. **Financial Inclusion** - SACCOs are committed to financial inclusion. They welcome members from diverse backgrounds, including those who may have limited access to mainstream financial services. Joining a SACCO provides an opportunity for individuals to
Dividend Earnings - SACCO members share in the profits through dividends and interest earnings. As the SACCO's financial performance improves, members receive a portion of the returns. This additional income can contribute to financial stability and growth.
4. **Member-Centric Approach** - SACCOs prioritize their members' needs. Unlike larger financial institutions, SACCOs maintain a member-centric focus, tailoring their services to
Ownership and Control - Unlike traditional banks, SACCOs are owned and controlled by their members. Joining a SACCO means becoming a co-owner and having a say in the decision-making processes. Members elect a board of directors to oversee the SACCO's operations, ensuring that the institution operates in the best interest of its members.

ANTI-MONEY LAUNDERING, COUNTERING THE FINANCING OF TERRORISM AND COUNTERING PROLIFERATION FINANCING (AML/CFT/CPF)

The applicable laws that govern the AML/CFT/CPF are the FSRA Act 2010, MLFTP Act, 2011 as amended, Anti- Money Laundering and Combating of Financing of Terrorism and Proliferation Financing (Miscellaneous Amendments) Act, 2024, AML/CFT/CPF Guideline of 2024 and the FATF Standards. The main objective of Anti-money laundering is to monitor and report any suspicious transactions that tries to disguise the presence and use of illegal funds. Criminals gain these funds through a number of ways including:

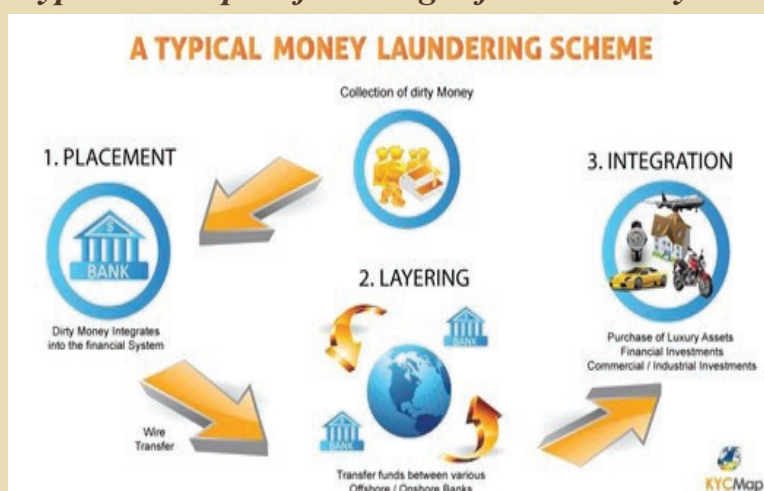
- Drug trafficking;
- Corruption;
- Fraud;
- Tax evasion;
- Ponzi Schemes etc.

What Is Money Laundering?

Money laundering (ML) is the process of making illegally obtained money ("dirty money") appear legitimate ("clean"). It typically involves disguising the origins of money gained through criminal activities such as drug trafficking, corruption, fraud, tax evasion or human trafficking, and other forms of criminal activities.

Financial services providers (FSP's) are the most prominent users of the Anti-Money and Countering The Financing Of Terrorism And Proliferation Financing legislation, as they are compelled to put in place preventative measures to combat money laundering, terrorism financing and proliferation financing and to further report any suspicious transactions to the Financial Intelligence Centre.

Here below is a typical example of the stages for the money laundering process:



What is Anti-Money Laundering

Anti-Money Laundering (AML) refers to the laws, regulations, and procedures designed to:

- Detect and prevent the conversion of illegally obtained funds into legitimate assets.
- Ensure financial institutions identify, monitor, and report suspicious transactions.
- Ensure financial institutions comply with the Anti Money Laundering and Financing of Terrorism Prevention Act, 2011 (as amended) and related international standards.

What does Financing Terrorism (TF) mean?

Terrorist Financing (TF) is the process of collecting and using money to support terrorist activities. The money used can come from both legal (such as personal income or donations) and illegal sources (like crime or fraud).

The flow of funds in terrorist financing usually happens in these stages:

1. Raising the money
2. Moving the money
3. Storing the money
4. Using the money for the intended purpose, such as planning or carrying out an attack.

Unlike other financial crimes, TF often uses informal or non-traditional channels, like cash couriers or personal networks, instead of banks. The amounts involved are usually small, often low enough to avoid detection or stay below the limits that would trigger automatic reporting by financial institutions.

What does Proliferation Financing (PF) mean?

Proliferation financing is the act of providing funds or financial services which are used, in whole or in part, for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations.

The funds used in PF can come from legitimate sources like businesses or trade and are often disguised as part of normal commercial activity. Unlike terrorist financing, where funds might be small and informal, PF tends to involve larger amounts and formal financial channels such as banks, shipping companies, or global supply chains.

PF typically follows this step-by-step process:

1. Fund Raising- During this stage, the proliferator raises funds for the program through its domestic budget, perhaps supplemented with funds raised by networks overseas or by criminal activity.
2. Disguising the funds. In this phase, the proliferator transfers these funds into the international financial system. If the country is not sanctioned, this is straightforward. In addition, in this stage, proliferators rely on extensive networks of businesses (including front companies) and middlemen to obscure any connection on paper to sanctioned countries. Countries use opaque ownership structures for evading sanctions lists.

3. Procurement of materials and technology. At this stage, the proliferator uses these funds in the international financial system to pay for goods, materials, technology, and logistics needed for its WMD program. Throughout this third stage, international financial institutions will be involved in processing the related transactions.

NB: Terrorist Financing practices tend to conceal the destination of the funds (whether the source is legal or illegal) whilst Money Laundering practices on the other hand, conceal the source of the funds.

Consequences of Money Laundering and Terrorist Financing

Money laundering and terrorist financing have serious consequences that affect individuals, businesses and the economy.

Economic consequences of money laundering - include economic instability, loss of revenues, inflated prices, entry of criminal companies into the economy, liquidity problems, increased corruption, and a negative reputation for the country which discourages foreign investment. It also undermines legitimate businesses as criminals may undercut prices using illicit funds therefore harming fair competition. This may result in legitimate businesses shutting down.

There are also legal and regulatory consequences of money laundering – which include criminal charges, heavy fines, asset seizures and long prison sentences on individuals who are convicted of money laundering. It also results in increased regulatory burdens and regulatory costs for financial services providers leading to higher prices and stricter KYC requirements for consumers.

Money Laundering can also harm communities – proceeds of crime can be used for illicit activities that harm the community such as drug abuse, social violence, human trafficking, terrorism and more. It can also lead to public health crisis such as drug addiction. A country which is known for insufficient action against money laundering may be grey listed by international organizations like the FATF (Financial Action Task Force). Being grey listed by FATF carries severe consequences for a country's financial system, the economy and the country's reputation.

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What Role should consumers play in combating Money Laundering and Financing of Terrorism

Consumers can play a vital role in combating money laundering by being vigilant, informed, cautious. This includes understanding how money laundering works, being cautious about financial transactions that seem unusual or risky, and supporting Anti-Money Laundering efforts by:

Being aware of CDD requirements:

Understand that your financial services providers need to verify your identity and gather information about your financial activity to comply with AML/CFT regulations. You should therefore cooperate with your FSP during the CDD exercise by providing accurate information and documentation when requested.

Note: it is a crime to give wrong information deliberately.

Seeking information and educating yourself:

Learn about the importance of AML/CFT and how it helps prevent financial crimes and how it can be of benefit to you.

Support financial inclusion initiatives:

Participate in programs that promote access to formal financial services for all, by dealing only with licensed FSPs and avoiding unlicensed FSPs.

The public is warned **NOT TO GET INVOLVED** in Money Laundering and the Financing of Terrorism.

As a customer of a licensed financial services provider that must comply with the Money Laundering Act, you may be asked to provide your identification information and by providing you are helping the Eswatini financial sector not to be used for money laundering and terrorism financing.

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OMBUDSMAN

OF FINANCIAL SERVICES

Umlamuli wetindzaba tetimali

THE OMBUDSMAN OF FINANCIAL SERVICES (OFS)

The Office of the Ombudsman of Financial Services (OFS) was established following the appointment of the Ombudsman in terms of Section 74 of the Financial Services Regulatory Authority Act, 2010 (the “Act”). The OFS is an independent body with the legislative mandate to receive, investigate, resolve and/or make determinations on complaints against authorized financial services providers (FSPs) in terms of the Act.

Functions of the Ombudsman of Financial Services

- To assess, facilitate, conciliate and mediate the conclusion of binding settlement agreements in respect to financial services complaints;
- To investigate and make binding rulings and/or determinations with respect to financial services complaints and disputes;
- To educate all stakeholders, including consumers, financial services providers, consumer bodies and associations, about the role, procedures, and jurisdiction of the Office;
- To educate the public on correct procedures for filing complaints and promote the principles of good business practice in handling complaints by the industry;
- To educate the public on the Ombudsman’s jurisdiction and explain what types of complaints the Ombudsman will not entertain;
- To encourage industry to abide by the provisions of their relevant industry code of conduct;
- To report material, persistent non-compliance with the Kingdom of Eswatini’s financial services laws to the relevant regulators;
- To protect consumers by identifying fraudulent operators and publicizing the information;
- To work with other Ombudsmen in the SADC Region.

What is a Complaint and a Complainant?

A complaint is a grievance relating to authorized (FSRA licensed) financial services providers. A Complainant means a stakeholder bringing a complaint against an authorised financial services provider; and includes a person who is or stands to be adversely affected by the decision or the administration of an authorised financial services provider.

Who can complain?

The OFS may only consider a complaint between an FSP and a complainant who may be:
An individual(s), including those acting as a trustee, legal or personal individual;

- Any business;
- Corporate trustee of a self-managed retirement fund;
- A club or incorporated association;
- Policyholder of a group life or general insurance, and/or
- A Stakeholder as contemplated in Section 2 of the Financial Services Regulatory Authority Act, 2010.

Types of Complaints

- The types of Complaints that can be lodged at the Office of the Ombudsman include, but not limited to:
- Retirement fund Complaints
- Insurance Complaints
- Savings and Credit Co-operatives (SACCOs) Complaints
- Credit Complaints
- Medical Aid Scheme Complaint
- Securities Investments (Capital Markets) Complaints
- And many more from the non-bank financial sector (Licensed by the FSRA)



Insurance



Investments



Medical Aid



Retirement Funds



Savings and/or Credit

Process of Lodging a Complaint

- 1. Initial Complaint to the Financial Services Provider** - The complainant must first submit a written complaint directly to the authorized Financial Services Provider (FSP).
- 2. Escalation to the Office of the Ombudsman** - If the complainant is not satisfied with the FSP's response, or if no response is received within 30 days, the complaint may then be escalated to the Office of the Ombudsman of Financial Services (OFS).
- 3. Submission to the OFS** - A Complaint Form can be downloaded from the Ombudsman's official website. The completed form, along with all supporting documents and relevant information, can be submitted through one of the following methods:
 - In person at the Ombudsman's Office
 - By email
 - By post
 - Via the "Raise Your Issue" tab on the website: www.ombudsfs.org.sz



OFS Contact Details

The Office of the Ombudsman of Financial Services (OFS)

3rd Floor, West Wing
Ingcamu (PSPF) Building
Mhlambanyatsi Road, Mbabane
P.O. Box 8490, Mbabane, Eswatini
Telephone: +268 2404 7653 / +268 2404 4464
WhatsApp: +268 7698 7570
Email: info@ombudsfs.org.sz
Website: www.ombudsfs.org.sz
Follow us on social media:
Facebook | X (Twitter) | LinkedIn
[@Ombudsman of Financial Services](#)



FSRA CONTACT DETAILS

The Financial Services Regulatory Authority (FSRA)

2nd Floor, Ingcamu (PSPF) Building

Mhlambanyatsi Road, Mbabane

P.O. Box 3365, Mbabane, H100, Eswatini

Telephone: +268 2406 8000

Email: info@fsra.co.sz

Website: www.fsra.co.sz

Whistleblowing Hotline: 800-9-011

WhatsApp Line: +268 7658 0214

Follow us on social media:

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www.fsra.co.sz



2406 8000



+268 7658 0214



800 9011

