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Regulatory Updates for the week ended 03 August, 2018

FinWatch – A Weekly Newsletter

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Regulatory Developments

Brokerage and Securities Markets

Criteria for authorisation as an Over the Counter (OTC) derivatives provider

The Financial Market Act (FMA) Regulations are aimed at ensuring that South Africa meets its international commitments by making regulatory and legislative reforms to the Over The Counter (OTC) derivatives market to align with international standards. The Minister, prescribed an authorised OTC derivative provider to be a regulated person as contemplated in the Financial Markets Act. The Financial Sector Conduct Authority (FSCA) made a conduct standard which prescribes criteria for the authorisation of OTC derivative providers as contemplated in the Financial Markets Act. Along with the conduct standard, the FSCA has published a consultation report and a notice of extension of the period contemplated in the Financial Markets Act Regulations which requires that a person conducting the business of an OTC derivative provider must, within 6 months from the commencement date of Regulation, lodge with the Authority an application for authorisation as an OTC derivative provider in the manner prescribed by the Authority. [FSCA](#)

Others

Draft National Credit Amendment Bill.

The Trade and Industry department announced during a briefing on responses to submissions on the specific clauses that 47 million ZAR will be required to implement

financial literacy training in terms of the Draft National Credit Amendment Bill. The proposed legislation aims to introduce financial literacy training. According to the department, the envisaged amount could be funded from PDA interest, increase in registration fee and an increase in the departmental allocation. The National Credit Regulator will appoint internal trainers and Provincial Consumer Protection Offices will be approached to determine capacity to assist with training of consumers. [Sabinet](#)

Increase the number of women on boards and increase procurement from businesses

Broad-Based Black Economic Empowerment (BBBEE) Commission has called on government and the private sector to increase the number of women on boards and increase procurement from businesses that are at least 30% black women owned. The call follows the release of a report on the status of BBBEE transformation for 2017. The report results show that 38% (male – 20%; female – 18%) of JSE listed companies' board control is held by black people, which number includes black foreign nationals who do not meet the definition of black people as per legislation. [Sabinet](#)

Other African Countries

Annual working luncheon of the Ghana Association of Bankers

In his speech the Governor of the Bank of Ghana focused on steps being taken by the Central Bank to sanitise the industry and place the bank on a higher pedestal to support economic growth. The steps include:

- A comprehensive set of reforms with the sole objective of repairing and restructuring to ensure banks are well-capitalised and strong to support the fast growing economy;
- Revising the current risk based supervision framework to take account of the current developments in the global banking environment.
- Directive on loan write-off and will require appropriate disclosure of written-off facilities in the published financial statements of banks;
- Reviewing the governing legislations on the credit reference system to require banks to submit both positive and adverse information on borrowers to the bureaus through a new portal that has just been developed; and
- Collateral registry system to address some outstanding issues with foreclosure. [BOG](#)

Zimbabwe establishing insurance fraud fighting unit

Zimbabwe will set up a unit specifically to prevent and investigate cases of insurance fraud which is on the rise in the country. In an attempt to thwart fraudulent claims as well as to investigate them in case prevention has failed, the insurance industry has firm plans to establish the Zimbabwe Insurance Crimes Bureau (ZICB). [IPEC](#)

Market Developments

International

CPMI-IOSCO assessment concludes that Canada has broadly implemented the PFMI

The report on the Implementation monitoring of PFMI: Level 2 assessment report for Canada, published by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO), reflects the status of Canada's frameworks as of 30 June 2017. The assessments focus on whether, and to what degree, the content of a jurisdiction's legislation, regulations and policies for systemically important payment systems (PSs), central securities depositories (CSDs), securities settlement systems (SSSs), central counterparties (CCPs) and trade repositories (TRs) are complete and consistent with the PFMI. [BIS](#)

Study highlights continued central clearing interdependencies

The Financial Stability Board (FSB), the Committee on Payments and Market Infrastructures (CPMI), the International Organization of Securities Commissions (IOSCO) and the Basel Committee on Banking Supervision (BCBS) published the second report that maps interdependencies between central counterparties (CCPs) and their clearing members and other financial service providers. The international standard-setters published the first report on central clearing interdependencies in July 2017. The analysis of interdependencies in central clearing is intended to provide useful inputs for designing supervisory stress tests and has informed the policy work as set out in the joint work plan to promote CCP resilience, recovery and resolvability. [BIS](#)

FSB and standard-setting bodies consult on effects of reforms on incentives to centrally clear over-the-counter derivatives

The Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS), the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) have published consultative document on Incentives to centrally clear over-the-counter (OTC) derivatives. The evaluation, the second under the FSB framework for the post-implementation evaluation of the effects of G20 financial regulatory reforms, finds that:

- The changes observed in OTC derivatives markets are consistent with the G20 Leaders' objective of promoting central clearing as part of mitigating systemic risk and making derivatives markets safer;
- The relevant post-crisis reforms, in particular the capital, margin and clearing reforms, taken together, appear to create an overall incentive, at least for dealers and larger and more active clients, to centrally clear OTC derivatives.
- Non-regulatory factors, such as market liquidity, counterparty credit risk management and netting efficiencies, are also important and can interact with regulatory factors to affect incentives to centrally clear;
- Some categories of clients have less strong incentives to use central clearing, and may have a lower degree of access to central clearing;
- The provision of client clearing services is concentrated in a relatively small number of bank-affiliated clearing firms. [BIS](#)

FCA collaborates on new consultation to explore the opportunities of a Global Financial Innovation Network

The Financial Conduct Authority (FCA) has, in collaboration with 11 financial regulators and related organisations, announced the creation of the Global Financial Innovation Network (GFIN), which is being built on the FCA's proposal earlier this year to create a global sandbox. The consultation sets out the three main functions of the GFIN:

- Act as a network of regulators to collaborate and share experience of innovation in respective markets, including emerging technologies and business models;
- Provide a forum for joint policy work and discussions; and
- Provide firms with an environment in which to trial cross-border solutions. [FCA](#)

Consultation on the proposed establishment of a Global Financial Innovation Network

The Australian Securities and Investments Commission (ASIC), in collaboration with 11 international financial regulators, and related organisations, is consulting on the proposed creation of the Global Financial Innovation Network (GFIN). The proposed network will seek to provide a more efficient way for innovative firms to interact with regulators, helping them navigate between countries as they look to scale new ideas. It would also create a new framework for co-operation between financial services regulators on innovation related topics, sharing different experiences and approaches. The consultation sets out the three main functions of the GFIN:

- Act as a network of regulators to collaborate and share experience of innovation in respective markets, including emerging technologies and business models;
- Provide a forum for joint policy work and discussions; and
- Provide firms with an environment in which to trial cross-border solutions. [ASIC](#)

Banks to improve fraud protection systems following ASIC review

Following a review by ASIC, five Australian banks will improve their compliance measures and controls for deposit accounts that can be operated by a third party, such as a financial adviser. The banks involved in the review have agreed to make improvements to their current practices based on the findings, including:

- Ensuring account application forms adequately explain to customers that they will be giving the adviser authority to operate on their account, and sending follow up communications to customers after the account is opened with details of the authority that has been given;
- Better monitoring of the advisers' use of these accounts and their transaction requests, and investigating any suspicious requests; and
- Considering the circumstances of any fraud that occurs using these accounts and, where appropriate, remediating a customer who has lost funds due to unauthorised transactions by their adviser. [ASIC](#)

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