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KPMG in South Africa

Regulatory Updates for the week ended 12 October, 2018

FinWatch – A Weekly Newsletter

Find the latest edition of **FinWatch** which provides a gist of all regulatory developments impacting the financial services industry in South Africa.

- Regulatory Developments
- Market Developments
- Accounting / Auditing Update
- The Inside Edge

Regulatory Developments

Banking

Cybercrime now 55% of gross losses in SA banking industry
According to SABRIC's Digital Banking Crime Statistics report, more than half (55%) of the gross losses due to crime reported to the SA Banking Risk Information Centre (SABRIC) occur online. Gross losses is to refer to the total loss to the consumer as well as the bank. It, therefore, includes instances where the bank had refunded the client. Last year 13,438 incidents of cyber-crime were reported to SABRIC. These crimes were committed across banking apps, online banking and mobile banking. The value of these cyber-crimes totalled more than 250 million ZAR. *Link*

South Africa urges its banks to innovate as new entrants mobilise
The Chief Executive of the Prudential Authority said that South Africa will strive to allow competition into its banking system in a way that won't threaten the stability of the industry as more and more entrants seek to rival the nation's biggest lenders. At a Banking Association of South Africa summit in Johannesburg, he said that the Reserve Bank is likely to make changes to regulations involving the payments system that balances a stable financial industry against the evolving needs of consumers. *Fin24*

Others

Request for written comments-reckless lending fee category
The National Credit Regulator (NCR) through Circular no.5 of 2018, issued a notice of its intention to withdraw the reckless lending fee category from the Debt Counselling Fee Guideline. This notice has been published in the Government Gazette for public comments and the credit industry is invited to submit written comments to the NCR by 31 October 2018. In the circular, the NCR has provided a table of the proposed amended restructuring fee category from the Debt Counselling Fee Guideline. *NCR*

Amendments of STRATE Rules Approved
Amendments of the STRATE Rules are in place. The Financial Sector Conduct Authority announced the amendments in Government Gazette 41955. They were approved in terms of the Financial Markets Act. The amendments came into effect on the date of publication. *Sabinet*

Joint standard on fit and proper person requirements for significant owners of financial institutions
The Prudential Authority (PA) and the Financial Sector Conduct Authority (FSCA) published a Consultation paper on a proposed joint standard on fit and proper person requirements for significant owners of financial institutions in terms of the Financial Sector Regulation Act. The Consultation Paper includes:

- Notice inviting submissions in relation to the Joint Standard, stating where, how and by when submissions are to be made;
- Statements explaining the need for, the expected impact of, and the intended operation of the Joint Standard;
- Draft Joint Standard; and
- Comments submission template. *SARB*

Release of the Financial Sector Conduct Authority's Regulatory Strategy and Memoranda of Understanding
The Financial Sector Conduct Authority (FSCA) announced the adoption of its Regulatory Strategy for the period 2018–2021, in accordance with the Financial Sector Regulation Act. The regulatory strategy sets out the FSCA's

- Regulatory and supervisory priorities for the next three years and the intended key outcomes of the strategy;
- Guiding principles and matters the FSCA should have regard to when performing its functions;
- Approach to administrative actions as well as how it will give effect to requirements of openness to consultation, accountability; and
- Consistency with relevant international standards.

The FSCA has identified six strategic priority focus areas:

- Building a new organisation;
- Inclusive and transformed financial sector;
- Robust regulatory framework that promotes fair customer treatment;
- Informed financial customers;
- Strengthening the efficiency and integrity of financial markets;
- Understanding new ways of doing business and disruptive technologies. *FSCA*

Market Developments

International

Financial adviser professional standards reforms
The Australian Securities and Investments Commission (ASIC) released a new legislative instrument relating to the professional standards reforms for financial advisers. The instrument makes changes to the reporting dates for a number of disclosure obligations in the transition to the new financial adviser professional standards reforms. It also makes minor technical amendments to address unintended consequences to ensure that the new education and training standards apply in a consistent way to individuals at the intended time. The reporting changes will simplify licensees' notification obligations and enable ASIC to implement the required systems changes more effectively. *ASIC*

ASIC provides relief and updates guidance on short selling

The Australian Securities and Investments Commission (ASIC) issued a new legislative instrument that provides relief and modifications to the laws in relation to short selling. The new relief and modifications cover:

- Legislative relief for ETF market makers;
- Deferred settlement trading;
- Initial public offering (IPO) sell downs; and
- Option for global firms to calculate their short positions as at a global end calendar time. *ASIC*

FCA consults on new rules to improve the approach to open-ended funds investing in illiquid assets

The Financial Conduct Authority (FCA) is consulting on new rules and guidance to reduce the potential for harm to investors in funds that hold illiquid assets, particularly under stressed market conditions. These measures will also support the FCA's market integrity objective and help address financial stability concerns. *FCA*

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