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Regulatory Updates for the week ended 25 May, 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

Insurance

Equity investors can now buy insurance

Equity investors can now buy insurance to protect themselves against steep share-price falls caused by alleged management fraud. The policy covers any drops of more than 10%, up to a limit of 70% of the closing share price the day before the bad news broke. It pays out only if the policyholders realise the losses by selling their shares within 30 days of the decline. *BusinessLive*

Capitec moves into insurance market

Capitec, entered the insurance market with the launch of Capitec Insure. The product would be accessible via the Capitec banking app, where customers could change their cover amounts depending on monthly affordability. Other features include a doubling of the funeral payout if a life assured died in an accident and a six-month premium waiver if the policyholder died for the remaining life assureds. *Link*

Others

A tough first quarter for local collective investment schemes

The local Collective Investment Schemes (CIS) industry has reported a 3.2% drop in assets under management for the first quarter of this year. The drop is a result of difficult market conditions and subdued net inflows on the back of bruised investor sentiment. According to the CIS industry statistics released by the Association for Savings and Investment South Africa (ASISA), asset under management dropped to R2.18 trillion over the first quarter of this year from R2.25 trillion at the end of December 2017. *ASISA*

Other African Countries

Namibia Interbank Settlement System (NISS) and Namclear declared systematically important to the National Payment System (NPS) (Namibia)
The reason for declaring these institutions as systematically important Financial Market Infrastructures (FMI) are as follows:

- NISS is the only infrastructure that settles payment transactions finally and permanently within the NPS;
- Namclear is the only FMI within the NPS that provides interbank clearing services and this duly has an impact on the NPS. *BON*

The Fintech and Innovation-Driven Financial Services Regulatory Committee finalised its report (Mauritius)
In this Report, the Committee identifies priority areas in the fintech space to be considered for regulation in Mauritius and recommends the approach to be adopted in regulating this emerging sector of activities. The Report has been submitted to the relevant Authorities for due consideration. *FSC*

Market Developments

International

ASIC and RBA welcome the new BBSW calculation methodology
ASIC and the Reserve Bank of Australia (RBA) have welcomed the new BBSW calculation methodology. The bank bill swap rate (BBSW) rate is a major interest rate benchmark for the Australian dollar and is widely referenced in many financial contracts. The new BBSW methodology calculates the benchmark directly from market transactions during a longer rate-set window and involves a larger number of participants. *Link*

APRA and ASIC release new life claims data
The Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC) have published new data on life insurance claims and claims related disputes. The new data released indicates that more than 90 per cent of claims that go to decision are paid in the first instance. APRA and ASIC are now moving to establish an ongoing reporting regime with regular publication of credible, reliable and comparable data at both aggregated industry and insurer-specific levels. The aim is to improve transparency of life insurance claims practices as well as the quality of information underpinning public debate and policy-making. *APRA*

Building societies and the future of retail banking
In his speech at the Building Societies Annual Conference, the Director of Supervision at the Financial Conduct Authority (FCA) spoke about how building societies have an opportunity to provide a valuable service for consumers. *FCA*

Memorandum of Understanding between the Financial Reporting Council (FRC) and the Financial Conduct Authority (FCA)
The FCA and the FRC published the Memorandum of Understanding (MoU) which concerns the arrangements for co-operation and co-ordination between the Financial Reporting Council (FRC) and the Financial Conduct Authority (FCA) in carrying out their respective regulatory responsibilities. The purpose of the MOU is to assist co-operation and co-ordination between the FRC and FCA by setting out the respective statutory regulatory responsibilities of the FRC and FCA and the arrangements for co-operation and the exchange of relevant information. Its purpose is also to aid through clarity and transparency, understanding of the above by firms, Parliament and the public. *Link*

FCA published the MOU between FCA and IS
The Memorandum of Understanding (MoU) sets out at a high level the agreement between the Insolvency Service (IS) and the Financial Conduct Authority (FCA) which governs the exchange of information to better deliver the objectives of both organisations. Its aim is to outline the ways in which the IS and the FCA will exchange information and intelligence to further the objectives of each organisation. The purpose of this MoU is to establish a

framework for cooperation between the IS and the FCA. It sets out:

- The role of each organisation; and
- Explains the intention to work together and cooperate proactively in matters of common interest. *Link*

Inside Edge

South African entities to comply with the GDPR

General Data Protection Regulation (GDPR) is now effective from 25 May 2018 and will transform the way that personal information is collected, stored, used, disclosed and disposed of, on a global scale. Any company dealing with data of EU data subjects needs to comply with the GDPR. The GDPR has extra-jurisdictional reach which means that even organisations not established in the EU may be impacted as a result.

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