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KPMG in South Africa

Regulatory Updates for the week ended 29 June, 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.

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Regulatory Developments

Banking

Address by Deputy Governor of the South African Reserve Bank, at the Asset and Risk Management Forum

The Deputy Governor spoke about the evolution of the South African Reserve Bank's (SARB) approach to the Strategic Asset Allocation over the last few years, and what SARB is currently doing in this space. The Strategic Asset Allocation is presented as a set of long-term target currency and asset allocations with the highest likelihood of achieving long-term investment goals within certain risk constraints, as defined by the Investment Policy. [SARB](#)

Insurance

Commencement date for the Insurance Act

The Minister of Finance has determined that the Insurance Act will commence on 1 July 2018. The Act was assented to by the President on 18 January 2018. The Insurance Act has established a legal framework for the prudential regulation and supervision of insurers and insurance groups in terms of the Twin Peaks framework. The new Act will ensure the safety and soundness of insurers, enhance the protection of policyholders and potential policyholders, promote broad-based transformation of the insurance sector, and contribute to the stability of the financial system in general. The introduction of the micro insurance

framework, which aims to facilitate the entry of new firms, will increase access to insurance by all South Africans. [NT](#)

Prudential Authority communication

The Prudential Authority has issued Communications 1-3 giving insight and clarity to the implementation of the Insurance Act. Communication 3 in particular gives detail on Schedule 3 of the Insurance Act which sets out transitional arrangements for the implementation of the Insurance Act and the Prudential Standards. [Link](#)

Brokerage and Securities markets

Global Foreign Exchange Committee meeting help in South Africa

The South African Reserve Bank (SARB) hosted a meeting of the Global Foreign Exchange Committee (GFXC). The GFXC was established in May 2017 as part of the launch of the Global FX Code.

The objectives of the GFXC are:

- To promote collaboration and communication among the local foreign exchange committees (FXCs) and non-GFXC jurisdictions with significant FX markets;
- To exchange views on trends and developments in global FX markets, including on the structure and functioning of those markets, drawing on information gathered at the various FXCs; and
- To promote, maintain and update on a regular basis the FX Global Code (the Code) and to consider good practices regarding effective mechanisms to support adherence. [SARB](#)

Others

MOU between the Competition Commission of South Africa and the Swaziland Competition Commission

The Competition Commission of South Africa signed a MOU with the Swaziland Competition Commission in order to cooperate where it is practical and appropriate. Both the bodies have agreed to provide mutual assistance in investigations or enforcement proceedings pertaining to violation of laws and share experience in the practical enforcement of the law. They have also agreed to share views and experiences on substantive competition policy rules and also join work on development of scientific and methodological research. [CC](#)

FIC and SIU sign co-operation pact

The Financial Intelligence Centre (FIC) and the Special Investigating Unit (SIU) have signed a Memorandum of Understanding (MoU) that commits the two organisations to increased collaboration. The organisations have agreed to co-operate and assist each other in fulfilling their respective legislative responsibilities and obligations. The MoU aims to regulate, strengthen and formalise the exchange of information between the organisations. The MoU will result in both organisations becoming more effective and efficient in combating crime, leading to a better, safer and more prosperous future for South Africa. [FIC](#)

Parliament Seeks Comment on Public Audit Amendment Bill

The Select Committee on Finance sought comment on the Public Audit Amendment Bill, which was tabled in parliament in May 2018. The bill aims to amend the Public Audit Act, 2004, so as to delete certain definitions and to insert new definitions, provide certainty for discretion of the Auditor-General with regard to certain audits and provide for the establishment, powers and functions of a remuneration committee among others. [Sabinetlaw](#)

Other African Countries

Business Expectations Survey March 2018 – Summary Review (Botswana)

The Bank of Botswana's Business Expectations Survey (BES) provides information on the local business community's perceptions about the prevailing state of the economy and economic prospects. Modest economic growth is expected globally in 2018 and 2019, while domestic growth is expected to be driven improvements in the mining and non-mining sectors. Business confidence is also expected to rise in the second half of 2018 while inflation expectations for 2018 and 2019 suggest credibility of banks monetary policy.

[Bank of Botswana](#)

Credit Conditions Survey Report: Central Bank of Nigeria (Nigeria)

The report shows the increase in availability of secured credit to households in Q2 2018 and is expected to increase further in the next quarter. Lenders reported that the availability of unsecured credit to households increased in Q2 2018, and this is also expected in Q3 2018. Secured loan performance, as measured by default rates, improved in the review quarter, and lenders expect lower default rates in the next quarter. Changes in spreads between bank rates and MPR on approved new loan applications sizes widened in Q2 2018, and is expected to widen for all firm sizes in the next quarter. [Central Bank of Nigeria](#)

Signature of MoU between the Financial Services Commission, Mauritius and the Bank of Russia (Mauritius)

The Financial Services Commission, Mauritius and the Central Bank of the Russian Federation entered into a Memorandum of Understanding that establishes a mechanism for mutual assistance and facilitating exchange of information between both Authorities. It is also expected to promote an efficient collaborative model between both jurisdictions, enhancing the supervision of cross-border transactions in the fields of financial markets, insurance and pensions. [FSC](#)

Market Developments

International

FCA acts to protect consumers' pension pots (UK)

The Financial Conduct Authority (FCA) has today launched a consultation on a package of measures designed to protect consumers, improve engagement and promote competition in the retirement income market. The measures will help consumers at key points when they make decisions about what to do with their pension pot, as well as providing ongoing support to consumers once they have accessed their pension savings. They include improvements to the clarity and timings of communications prior to people making decisions about what to do with their pension pot, simplifying the options that people have, and the ongoing communications people receive. [FCA](#)

FCA's role in preparing for Brexit (UK)

The amendment of financial services legislation under the European Union (Withdrawal) Act has forced the Financial Conduct Authority (FCA) to amend its Handbook to ensure that it is consistent with changes the Government is making to the EU law and that it functions effectively when the UK leaves the EU. They are also considering to limit these changes only to the identified core priorities in their business plan. [FCA](#)

FCA publishes update on wide-ranging review of retail banking sector (UK)

The review provides a greater understanding of retail banks' business models, and how these may change in the future. This includes looking at how Personal Current Accounts (PCAs) are paid for, the possible impact of technological and regulatory developments such as Open Banking and changes to payment services due to the revised Payment Services Directive (PSD2). The review is set to have a significant impact on Financial Conduct Authority (FCA)'s work on overdrafts. [FCA](#)

FCA statement on EBA's draft PSD2 Guidelines and Opinion for banks and others involved in open banking (UK)

The Financial Conduct Authority (FCA) is supportive of the European Banking Authority's (EBA) Opinion and draft Guidelines on the Regulatory Technical Standards (RTS) on Strong Customer Authentication and Common and Secure Communication and is looking forward to reflect these changes in its guidance and rules for easier integration by banks and API initiatives. [FCA](#)

Basel Committee issues progress report on banks' implementation of the Principles for effective risk data aggregation and reporting (International)

The report showed that G-SIBs found it challenging to comply with the Principles, due mainly to the complexity and interdependence of IT improvement projects. In view of the outcome of the e report and to promote further adoption of the Principles, the Basel Committee has made the following recommendations:

- Banks should continue to implement the Principles according to the roadmaps agreed with their supervisors and consider how implementation would benefit other data-related initiatives and requirements; and
- Supervisors should maintain their emphasis on ensuring that banks fully implement the Principles.
- Supervisors should also continue to promote home-host cooperation in relation to the implementation of the Principles by global banking groups. [BIS](#)

Trust is the missing link in today's cryptocurrencies (International)

The Bank for International Settlements (BIS) wrote in its Annual Economic Report (AER) that cryptocurrencies' model of generating trust limits their potential to replace conventional money. The BIS argued that the decentralised technology underpinning private digital tokens is no substitute for tried and trusted central banks. [BIS](#)

Seize the day to secure sustained growth (International)

The Bank for International Settlements (BIS) mentioned in its Annual Economic Report that policymakers can maintain the current economic upswing beyond the short term by tackling structural reforms, rebuilding monetary and fiscal policy space to react to future threats and encouraging prompt implementation of regulatory reforms. According to the General Manager of BIS, addressing vulnerabilities is key to keeping the growth momentum on track. The stronger performance gives a window to pursue necessary reforms and recalibrate policies. [BIS](#)

ASIC releases guidance for its oversight of the Australian Financial Complaints Authority (AFCA) (Australia)

The Australian Securities and Investments Commission (ASIC) has released a new guidance in advance of AFCA commencement to provide policy certainty for stakeholders and to support an efficient transition to the new single scheme. The guidance includes:

- Framework for reporting by AFCA to regulators;
- Role of the AFCA independent assessor; and
- Whether the transition period to the commencement of AFCA allowed sufficient time for firms to comply with their dispute resolution disclosure obligations. [ASIC](#)

ASIC enhances its enforcement toolkit beyond Australia's borders (Australia)

The Australian Securities and Investments Commission (ASIC) has become one of the first signatories to the IOSCO Enhanced Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (EMMoU), an enhanced standard for cross-border enforcement cooperation. ASIC has highlighted its power to assist foreign regulators by compelling physical attendance for testimony, obtaining and sharing audit work papers, communications and other information relating to the audit and review of financial statements, and provide guidance on freezing of assets. The EMMoU also provides the framework for ASIC to request reciprocal assistance of this nature from fellow EMMoU signatories. [ASIC](#)

Accounting/Auditing updates

IRBA Adjusts Auditing Firm Fees:

The Independent Regulatory Board for Auditors published adjusted fees. The limits were determined in terms of the Public Finance Management Act and are set to expire on 30 June 2021. [Sabinelaw](#)

Inside Edge

Prudential Authority communication 3

The Prudential Authority has issued Communication 3 giving insight and clarity to the implementation of the Insurance Act. Communication 3 in particular gives detail on Schedule 3 of the Insurance Act which sets out transitional arrangements for the implementation of the Insurance Act and the Prudential Standards. Click [here](#) for a summary of the salient points.

Please [click here](#) to access the previous issues of the External edition of FinWatch

Michelle Dubois
Senior Manager, Africa Regulatory CoE
Email ID: Michelle.Dubois@kpmg.co.za

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