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## KPMG in South Africa

*Regulatory Updates for the week ended 09 November, 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

#### **Standard Bank announces secondary listing on A2X**

The Standard Bank Group announced in a shareholder notice, its secondary listing on A2X. According to the notice, the bank's ordinary and second preference shares have been approved for inclusion on A2X with effect from November 15, 2018. In the bank's opinion, the secondary listing will not affect the bank's primary listing on the JSE, and its issued share capital will not be affected. The bank added that the listing on A2X supports a bigger goal of deepening and broadening financial markets. [Fin24](#)

#### **Address by SARB at the National Payment System Department's annual cocktail function**

In his address, Deputy Governor of the SARB, Francois Groepe, reflected on the journey of the SAMOS and SADC RTGS systems. He then moved his focus to outline the goals that SARB plans to achieve and reflected on the opportunities offered by financial technology. The SARB is currently working with the payment industry to replace the existing RTGS system with a new-generation RTGS solution that will address current business functionality and cater for evolving business and technical requirements. Some of these requirements stem from advances in the fintech field and related innovation, regulatory changes, as well as the ever-evolving business landscape. The new system must enable

modular design, quicker development turnaround times, and reduced time to market for changes in the payment environment and cater for multi-currency functionality. [SARB](#)

## Others

### **FAIS Ombud Annual Report 2017/2018**

The FAIS Ombud reported that during the year under review, 10542 complaints were resolved, which were finalised as follows:

- 2 799 were referred;
- 6303 dismissed; and
- 1440 were settled.

Complaints involving short-term insurance claimed the number one position in terms of numbers, with 3243 complaints received. This was followed by long-term insurance complaints, at 3 100, and investments, at 1231. [FAIS](#)

### **Competition Policy under spotlight at Annual Conference**

International policy experts, economic consultants, scholars, lawyers and academics have attended the Annual Competition Law, Economics & Policy Conference. The conference was hosted by the Competition Commission, in partnership with the Competition Tribunal and the University of the Witwatersrand. The event focused on “20 years of Competition Law in South Africa and the Key milestones, Developments and Challenges”. There are three Conference topics that were to be discussed in depth:

- Investment, Concentration and Legislative amendments;
- Towards regional integration: developments and challenges;
- Is South Africa achieving the objectives of the law? 20 years of Competition Law in South Africa. [Link](#)

### **Outcome of the October 2018 meeting of the FATF**

South Africa participated in the meeting of the Financial Action Task Force (FATF) session under the United States of America (USA) Presidency in Paris. At this meeting the FATF continued work on a number of important initiatives relating to its mandate to promote effective implementation of measures against money laundering, terrorist financing and other related threats to the integrity of the international financial system. Key among these are the following:

- Operations and Streamlining the FATF;
- Combating the financing of terrorism, including a public statement on FATF Monitoring of Terrorist Financing Risks and Actions Taken;
- Amendments to the FATF Recommendations to address the regulation of virtual assets;
- Future work on proliferation financing;
- Adoption of a report to the G20 Leaders' Summit;
- Adoption of two Risk-Based Approach Guidance papers on the Life Insurance Sector and the Securities Sector;
- Update on FinTech & RegTech Initiatives;
- Future work on Digital IDs; and
- Outcomes of the meeting of the FATF Forum of Heads of Financial Intelligence Units (FIUs). [FIC](#)

## Other African Countries

### **Address by Second Deputy Governor of Bank of Ghana, Mrs. Elsie Addo Awadzi, at the Joy FM Financial sector forum**

In his address, the Deputy Governor, discussed the importance of the stability and integrity of the financial system. She then highlighted the current state of affairs of the banking sector of the country, which is judged by a number of indicators such as the increase in total assets, profitability, benchmarking of industry's CAR against the bank's. She also reflected on the reforms which were initiated by the bank and specific actions taken against the defunct bank along with the impact of these actions on the industry. [BoG](#)

### **Bank of Mauritius reopens 4.42 percent Three-Year Government of Mauritius Treasury Notes**

The Bank of Mauritius has announced reopening of 4.42% Benchmark Three-Year Government of Mauritius Treasury Notes, maturing on 05<sup>th</sup> October 2021 for a nominal amount of INR 425 million. These were issued through an auction held on 03 October 2018, which was reopened on 10 October 2018 and a nominal amount of Rs1,600 million was issued. [BOM](#)

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## Market Developments

### International

#### **FSI-GPFI conference discusses implications of fintech and other regulatory and supervisory developments for financial inclusion**

The BIS's Financial Stability Institute (FSI) and the G20's Global Partnership for Financial Inclusion (GPFI) convened the fourth biennial conference on global standard-setting bodies (SSBs) and innovative financial inclusion. The conference took place in the context of accelerating change in the financial services landscape in countries across the income spectrum, including expanding opportunities for financial inclusion, but also new challenges for country-level authorities and for SSBs. Participants explored:

- Specific examples of adapting regulatory, supervisory and safety net practices to take into account fintech developments;
- Ways for financial sector authorities to leverage the same technologies driving fintech to support their own work; and
- Application of the concept of proportionality in the implementation and assessment of international standards. [BIS](#)

#### **Financial inclusion in the age of fintech: a paradigm shift**

The Deputy General Manager of the Bank of International Settlements (BIS), Agustín Carstens, gave the welcoming keynote at the fourth FSI-GPFI conference on standard-setting bodies and innovative financial inclusion: implications of fintech and other regulatory and supervisory developments in Switzerland on 25 October 2018. In his opinion, financial inclusion is improving and fintech is providing more opportunities for further improvement. However, effective regulation is necessary in exploring these opportunities without impinging on financial stability and other policy objectives. Existing regulations may need to be adjusted in order to take into account fintech developments. These adjustments must result in appropriate, proportionate and timely regulations. Identification of these adjustments starts at the national level, and is complemented by SSBs' work in defining standards that promote national practices with cross-border relevance. The BIS is contributing to all of these undertakings through its work on financial stability and capacity building and in providing platforms for coordination. [BIS](#)

#### **APRA finalizes prudential standard aimed at combating threat of cyber attacks**

The Australian Prudential Regulation Authority (APRA) released the final version of its prudential standard focused on information security management. The new Prudential Standard CPS 234 Information Security will shore up APRA-regulated entities' resilience against information security incidents (including cyber-attacks), and their ability to respond swiftly and effectively in the event of a breach. The new standard requires APRA-regulated entities to:

- Clearly define information-security related roles and responsibilities;
- Maintain an information security capability commensurate with the size and extent of threats to their information assets;
- Implement controls to protect information assets and undertake regular testing and assurance of the effectiveness of controls; and
- Promptly notify APRA of material information security incidents. [APRA](#)

#### **Terms of Reference for the General Insurance pricing practices**

The Financial Conduct Authority set the key areas the market study will focus at. The key areas are:

- Harm from pricing practices
- Fairness of Pricing practices
- Impact of pricing practices on competition [FCA](#)

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## Inside Edge

#### **The 2018 KPMG Insurance Survey**

Our experience suggests that most insurers are now undertaking some form of emerging technology implementation. Some are pushing their way towards the cutting edge by partnering with InsurTechs to develop new artificial intelligence, machine learning and robotic solutions while others are doing more fundamental work, focusing on transforming

their capabilities with investments in the customer agenda which requires a reform of the front, middle and back offices. The [2018 survey](#) includes a number of thought leadership articles that specifically focus on various aspects currently impacting the industry.

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