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KPMG in South Africa

Regulatory Updates for the week ended 26 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.

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Regulatory Developments

Banking

Keynote address by Deputy Governor of the South African Reserve Bank, at the Risk South Africa Conference

In his address, the Deputy Governor spoke about transitioning to new interest rate benchmarks and why the new interest rate benchmark is important for financial policy [Link](#)

Others

National Assembly passed Competition Amendment Bill

The National Assembly passed the Competition Amendment Bill and sent it to the National Council of Provinces for concurrence. The Bill introduces provisions that:

- Clarify and improve the determination of prohibited practices relating to restrictive horizontal and vertical practices, abuse of dominance and price discrimination and to strengthen the penalty regime;
- Introduce greater flexibility in the granting of exemptions which promote transformation and growth;
- Strengthen the role of market inquiries and merger processes in the promotion of competition and economic transformation through addressing the structure and de-concentration of markets;
- Protect and stimulate the growth of small and medium businesses and firms owned and

- controlled by historically disadvantaged persons while at the same time protecting and promoting employment, employment security and worker ownership;
- Facilitate the effective participation of the National Executive within proceedings contemplated in the Act, including making provision for National Executive intervention in respect of mergers that affect the national security interests of the Republic;
- Mandate the Commission to act in accordance with the results of a market inquiry;
- Amend the process by which market inquiries are initiated and promote greater efficiency regarding the conduct of market inquiries;
- Clarify and foster greater certainty regarding the determination of confidential information and access to confidential information;
- Provide the Competition Commission with the powers to conduct impact studies on prior decisions; and
- Promote the administrative efficiency of the Competition Commission and Competition Tribunal. [Sabinet](#)

2018 Medium Term Budget Policy Statement to the National Assembly

The Finance Minister emphasised that the South African economy is at a crossroads while delivering the 2018 Medium Term Budget Policy Statement (MTBPS) in Parliament. The Finance Minister announced five measures to stimulate the economy:

- Growth enhancing economic reforms;
- Reprioritization of public spending to support growth and job creation;
- Setting up an Infrastructure Fund;
- Addressing urgent matters in education and health and investing in improving municipal infrastructure; and
- Finalization of the Mining Charter, [Sabinet](#)

Bills Tabled with 2018 MTBPS

A number of finance-related bills were tabled in Parliament. The bills include:

- Division of Revenue Amendment Bill;
- Adjustments Appropriation Bill;
- Special Appropriation Bill;
- Rates and Monetary Amounts and Amendment of Revenue Laws Bill;
- Taxation Laws Amendment Bill; and
- Tax Administration Laws Amendment Bill. [Sabinet](#)

Other African Countries

Launch of the Zambia Industrial Commercial Bank limited (ZICB) (Zambia)

At the launch of the ZICB, the Governor of the Bank of Zimbabwe thanked the Government for committing in the 2019 Budget to take the Deposit Insurance Bill in 2019 to Parliament for legislation. In his opinion, once enacted into law, the deposit insurance scheme will help to foster greater confidence of the public to get into the financial sector. The deposit insurance scheme will not only protect depositors by way of compensating them for the insured deposits in the event of a bank failure in a timely manner, but will also promote increased financial inclusion. [BoZ](#)

Cyber and Information Security Directive (Ghana)

The Bank of Ghana published a directive on cyber and information security. The Directive provides a framework for establishing Cyber and Information Security protocols and procedures for:

- Routine and emergency scenarios;
- Delegation of responsibilities;
- Inter- and intra-company communication and cooperation
- Coordination with government authorities;
- Establishment of reporting mechanisms;
- Physical security measures for IT Datacentres and Control Rooms; and
- Assurance of data and network security. [BoG](#)

Market Developments

International

FCA publishes PPI complaints deadline progress report

The Financial Conduct Authority (FCA) has published an update on the progress of its

Payment Protection Insurance (PPI) consumer communications campaign and supporting supervisory work. The campaign has succeeded in increasing consumers' understanding of PPI as well as awareness of the deadline for making complaints. 73% of people recognise the FCA's campaign and over 2 million people have visited the FCA PPI website since the campaign launched. There has been a clear increase in consumer action:

- 8.4 million checking enquiries were made, with monthly volumes 40% up on their immediate pre-campaign level;
- 3.7 million complaints were made, 63% up on the 10 months before the campaign;
- More consumers are complaining themselves instead of going to Claims Management Companies (CMCs). 55% of complaints have been made directly by consumers, compared to 45% before the campaign. [FCA](#)

FCA and TPR publish joint pensions strategy

The Financial Conduct Authority (FCA) and The Pensions Regulator (TPR) launched a joint regulatory strategy aimed at strengthening their relationship, and taking joint action to deliver better outcomes for pension savers and those entering retirement. The strategy identifies key issues which contribute to the prospect of people not having adequate income, or the income they expected in retirement. To tackle the main drivers of this harm, the FCA and TPR have set out their vision for the pensions sector over the next 5 to 10 years. This includes making clear their areas of priorities and how to address fundamental changes in the sector. The regulators have delivered a strategy that aims to provide

- Pensions and retirement income products that support people and increase financial provision for later life;
- Pensions that are well funded, well governed and deliver value for money; and
- Pensions which provide the tools to enable people to make well informed decisions.

[FCA](#)

Deposit insurance and financial stability: old and new challenges

In his address, the General Manager of the BIS discussed the channels through which effective deposit insurance schemes support trust. He revisited the specific goals of deposit insurance, and the benefits of reaching these goals. He also sketched inherent limitations and trade-offs. In his opinion, in Europe, the introduction of the European Deposit Insurance Scheme (EDIS) could prove to be a catalyst for financial integration, by completing the banking union, and for enhancing the regime for dealing with weak banks. According to him, deposit insurers have assumed an active role in resolution, strengthening the post-crisis financial system. [BIS](#)

Basel Committee issues final stress testing principles

The Basel Committee on Banking Supervision issued the final version of its stress testing principles. This document replaces the Committee's 2009 Principles for sound stress testing practices and supervision, which addressed key weaknesses in stress testing practices as highlighted by the global financial crisis. The role of stress testing has grown in importance. It is now both a critical element of risk management for banks and a core tool for banking supervisors and macro prudential authorities. The updated principles reflect the evolution. At the same time, the updated principles have been streamlined and set at a high level so that they can be applied across banks and jurisdictions while remaining relevant as stress testing practices continue to evolve. [BIS](#)

APRA and ASIC empower consumers with new reporting standard on life insurance claims

Consumers will soon have access to high-quality, comparable data on life insurance claims and disputes after the Australian Prudential Regulation Authority (APRA) issued a new reporting standard to the industry. The release of APRA's Life Insurance Reporting Standard LRS 750.0 Claims and Disputes will enhance the consistency and quality of life insurance data published through a ground-breaking program established jointly last year by APRA and the Australian Securities and Investments Commission (ASIC). The standard makes it mandatory for life insurers to report data on claims and disputes, and is a critical milestone on the path to delivering enhanced transparency and accountability through the regular publication of credible, reliable and comparable data. [ASIC](#)

Wholesale market conduct

The Australian Securities and Investments Commission (ASIC) is focusing more deeply on the conduct of market participants in wholesale financial markets, including OTC derivatives markets. ASIC has been enhancing its focus on the financial markets. The Commissioner of ASIC outlined several particular streams of work, but ASIC generally

found that industry's attention to wholesale market conduct issues has been lacking. ASIC often sees a lower level of maturity and intensity of control frameworks for wholesale markets than ASIC can find in exchange-traded markets. This is a focus for ASIC, and ASIC will expect industry to ensure its control frameworks reflect the significant conduct risks that can arise in wholesale markets. [Link](#)

Inside Edge

Innovating compliance through automation

Technological innovation and generational shifts in behaviour are putting pressure on organisations to become more nimble in order to avoid business disruption or demise. Compliance leaders often speak of the need to “do more with less.” Never has that been more true than today. While compliance leaders may understand how automation can help their organisations more efficiently respond to shifting regulatory expectations and the changing risk landscape, more than half of 206 U.S. chief information officers (CIOs) and chief compliance officers (CCOs) surveyed by KPMG are not yet automating their compliance activities, according to the new KPMG report, [Innovating compliance through automation](#). [Listen to this discussion](#), with Michelle Dubois, Senior Manager, and Nicole Stryker, Director in Forensic Advisory Services New York, where they shared insights from the survey.

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

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