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Regulatory Updates for the week ended 12 February, 2021

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

Regulators and banks are now testing a 'digital currency' system in South Africa

The Intergovernmental Fintech Working Group (IFWG) announced the launch of 'Project Khokha 2'. This project aims to explore the use of tokenised money, blockchains and digital currency in South Africa. As part of Project Khokha 2, the IFWG will also investigate the use of Distributed Ledger Technology (DLT) in the country's financial sector. *Link*

NCOP briefed on Auditing Profession Amendment Bill

National Treasury proposed amendments to the Auditing Profession Amendment Bill instructing that the Independent Regulatory Board for Auditors (IRBA) must submit a regulatory strategy to the Finance Minister for approval within three months after the promulgation of the Auditing Profession Amendment Act. Further, Treasury also pointed out that the approved regulatory strategy would also have to be published in the Gazette within six months of the date of promulgation. *Link*

How Suptech can empower Regulators

The Financial Sector Conduct Authority (FSCA) published a report which aims to unpack the rising use of Supervisory Technologies (Suptech) tools to support supervision and risk management, as well as identify the benefits in using Suptech tools and challenges in rolling out these tools in South Africa. *Link* *Link*

Exemption of particular persons from competence and fee requirements, no. 4 of 2021

The Financial Sector Conduct Authority (FSCA), under section 44(4) of the Financial Advisory and Intermediary Services Act, 2002 exempted particular persons from provisions of the Act and certain measures broadcasted thereunder. *Link* *Link*

Exemption of certain funds from the requirements of Sections 9A and 16 of the Pension Funds Act, 1956

The FSCA, under section 2(5)(a) of the Pension Funds Act, 1956 (Act No. 24 of 1956) exempted certain funds from the provisions of sections 9A and 16 of the Pension Funds Act, 1956 (Act No. 24 of 1956). *Link* *Link*

The FSCA's current position on Contingent Business Interruption (CBI) Insurance

The Financial Sector Conduct Authority (FSCA) recently published a communication, explaining its current position on certain aspects of CBI insurance cover as well as its expectations of non-life insurers and policyholders in respect of CBI claims, in order to ensure that the processing of these claims is not unduly delayed and in line with the legal certainty that has been obtained in recent judgments. *Link*

New SA tax law: a bold step for loop structures and exchange control

The article highlights the introduction of three tax laws in the past which intend to modernise SA's existing exchange control system. Further, it states that from a cross-border planning standpoint, it is important that both the exchange control and tax implications are considered carefully before making use of this latest Reserve Bank dispensation. *Link*

Market Developments

International

FCA finds the COVID-19 pandemic leaves over a quarter of UK adults with low financial resilience

The Financial Conduct Authority (FCA) released its Financial Lives survey (FLS) which looks at consumers' financial situations, the financial products they choose and their experiences of engaging with financial services firms. The FCA concluded that the number of consumers with low financial resilience, meaning over-indebtedness or with low levels of savings or low or erratic earnings increased significantly. Over the course of 2020, the number of UK adults with low financial resilience increased from 10.7 million to 14.2 million. *Link*

PRA statement on supervisory benchmarking exercise relating to capital internal models

The Prudential Regulation Authority (PRA) published a statement providing greater clarity for credit institutions that are in scope of the PRA's 2021 supervisory benchmarking exercise for capital internal models. The statement addresses a difference that has arisen between the intended specifications for the supervisory benchmarking exercise and the applicable UK legislation. *Link*

Update on Bank of England and FCA Memorandum of Understanding on the supervision of market infrastructure and payment systems

The Bank of England and FCA held a consultation with FMIs and reviewed their co-operation regarding market infrastructure, seeking in particular feedback on how the authorities had co-operated during the coronavirus. The authorities concluded that the MoU's arrangements for co-operation remain effective, with appropriate co-ordination and no material duplication. Further, the authorities highlighted that policy co-operation will be even more important from 2021 as a result of the UK leaving the European Union. *Link*

FCA report outlines practices firms can consider to reduce consumer harm caused by failed technology changes

A new multi-firm review by the Financial Conduct Authority (FCA) analysed how firms implement technology change, the challenges caused when changes fail and steps that can be taken to protect consumers from harm and disruption in the market. Further, the report aims to support discussions on how to reduce the frequency and severity of disruption due to technology change activity. FCA states that firms should consider the findings when assessing their future technology changes. *Link* *Link*

Global CIO Insights: AM, Banking, Insurance PoVs

KPMG recently released the findings of the KPMG CIO Survey 2020 and provided a viewpoint on how digital leaders in their respective sectors are performing against their peers. Following are the few sector specific insights:

- Insurers need to drive up efficiencies through increasing digitisation and the automation of manual processes such as claims, payments, and assessments in a way that also improves customer engagement
- With headwinds from low interest rates and higher than anticipated credit loses, digital alteration has now become a necessity for banks to improve customer experience, increase operational efficiencies, support remote working, create scalability and build essential data streams
- Responsible, values-driven investment has also become key to the strategic agenda with delivery through digital customer platforms. *Link* *Link* *Link* *Link*

The case for an open financial system

BIS published a speech delivered by Mr Andrew Bailey, Governor of the Bank of England, at the Financial and Professional Services. In his speech he highlighted the importance of open financial markets why is it in the interests of all – home and abroad – and something people should always endeavour for. *Link*

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