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KPMG in South Africa

Regulatory Updates for the week ended 15 January, 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.

- Regulatory Developments
- Market Developments

Regulatory Developments

Request for information on personal lines claims reported in the 2020 calendar year

The Financial Sector Conduct Authority (FSCA) has requested all licensed non-life insurers that are members of The Ombudsman for Short-term Insurance (OSTI) (relevant non-life insurers) to furnish information to the authority on the number of personal lines claims reported in the 2020 calendar year. Relevant non-life insurers are requested to complete Annexure A for the period 1 January 2020 up to and including 31 December 2020, and submit it via e-mail to the authority by not later than 26 February 2021. *Link*

Banks Act Regulations Amended

The Banks Act Regulations have been amended by National Treasury. Amendments are introduced to Regulation 23 including a new sub regulation (15) on counterparty credit risk exposure and sub regulation (16) on exposure to central counterparties. Amendments are also made to Regulations 31, 36, 38, 39 and 67. *Link*

Request for information related to pending transfers in term of Section 14 of the Pension Funds Act, 1956

The FSCA has requested all retirement funds and administrators that have section 14 transfers pending or overdue to provide the following information to the Authority by no later than 31 March 2021:

– list of all the pending section 14 transfers on their books
– a brief project plan of how the fund intends on actioning and finalising each of these section 14 transfers in a structured and prudent manner. *Link* *Link*

The FSCA publishes its South African research insights and consultation paper on open finance

The FSCA recently published its South African research insights and consultation paper on Open Finance, which aims to identify the benefits and risks in the implementation of Open Finance in South Africa. The benefits range from personalised products and services for consumers, specialisation, ecosystem orchestration and alternative revenue streams for financial service providers. The paper has also made some recommendations to inform licensing requirements around Open Finance and set the tone for risk-based supervision and enforcement. *Link*

SARB publishes monthly release of selected data — December 2020

The South African Reserve Bank (SARB) published its monthly release of selected data on banking, mutual funds, capital market etc, for the period of December 2020. *Link*

Calculation of the Solvency Capital Requirement using the standardised formula

The Prudential Authority (PA) published Draft Guidance Notice on FSI 4 for public consultation. This notice provides guidance for the stressing of IBNR reserves by life insurers in order to calculate the capital requirements as set out in FSI 4. Insurers and other interested persons are invited to submit their comments in respect of the Draft Guidance Notice on or before 31 January 2021. *Link*

Fintech innovation in South Africa in the era of data security and protection

An Intergovernmental Fintech Working Group (IFWG) study of the market revealed that there are 220 active and operational Fintechs in South Africa and the number is expected to grow as technology adoption increases. The report and discussion also indicated that the use of non-traditional data is on the rise in South Africa and it comes with both benefits and risks. Key benefits include financial inclusion, personalisation, affordability, and enhanced customer experience. The main risks are data privacy, data protection, decision bias, fairness and transparency. Further, it highlighted that financial regulators need to put proper safeguards in place to ensure that the financial system is geared towards the realisation of better consumer outcomes. *Link*

Market Developments

International

The final countdown: Completing sterling LIBOR transition by end-2021

The Financial Conduct Authority (FCA) highlights how LIBOR has been embedded in the financial system for many years and used to calculate interest in everything from corporate borrowing and intra-group transfers, to complex derivatives. The Bank of England along with the FCA have set out expectations for regulated firms to remove their reliance on LIBOR in all new business and in legacy contracts, where feasible. *Link*

FCA publishes first consultation on new prudential regime for UK investment firms

The FCA is seeking views on its proposed rules to introduce the UK Investment Firm Prudential Regime (IFPR) for FCA prudentially-regulated investment firms (FCA investment firms). The new rules are expected to extend the framework for prudential requirements to consider the potential harm FCA investment firms pose to clients, consumers and the market.

This includes the amount of capital and liquid assets the FCA investment firm should hold so that if it does have to wind down. *Link*

New executive appointments at Financial Conduct Authority

The FCA appointed Sheldon Mills as the new Executive Director, Consumers and Competition, and Siobhán Sheridan as Chief People Officer. He joins the FCA from the Ministry of Defence where she has been leading an HR team of 200 people and has been responsible for Diversity and Inclusion Strategy at Group level for Defence. *Link*

Paul Feeney appointed Chair of the FCA's Practitioner Panel

The FCA has appointed Quilter CEO Paul Feeney as the Chair of its independent Practitioner Panel. Paul will take up the post from 1 January 2021, succeeding Tulsi Naidu, CEO of Zurich UK. He has been a member of the Panel since 2015. *Link*

Regulatory capital, market capital and risk taking in international bank lending

The working paper published by BIS highlights how regulatory capital and market capital differ substantially over time and across banks. BIS also used syndicated loan data to examine if and how each of the two capital measures affects the impact of monetary policy on banks' risk-taking. *Link*

COVID-19 and cyber risk in the financial sector

The bulletin published by BIS highlights how the financial sector has been hit by hackers relatively more often than other sectors during COVID-19. It also explains what are the substantial risks from cyber-attacks for financial institutions, their staff and their customers going forward. *Link*

APRA publishes new FAQ for ADIs on measurement of credit risk weighted assets

The Australian Prudential Regulation Authority (APRA) published a new frequently asked question (FAQ) for authorised deposit-taking institutions (ADIs) on the measurement of credit risk weighted assets relating to insurance stand-by letters of credit. *Link* *Link*

APRA releases information paper on BEAR implementation at three large ADIs

APRA released an information paper detailing the findings from its review of the implementation of the Banking Executive Accountability Regime (BEAR) by three of Australia's ADIs. APRA's review found that all three of the ADIs designed adequate frameworks to implement the BEAR which helped to deliver the following:

- more clarity and transparency of individual accountabilities at ADIs
- sharpened challenge by boards on actions taken by accountable persons to meet their obligations
- more targeted engagement between APRA and ADIs to deliver prudential outcomes. *Link*

APRA announces ZAR527.6 billion reduction in aggregate Committed Liquidity Facility

APRA issued a letter to authorised deposit-taking institutions (ADIs) and announced a ZAR527.6 billion reduction in the aggregate amount in the Committed Liquidity Facility (CLF), from the amount as at 1 December 2020. The CLF was established between the Reserve Bank of Australia (RBA) and certain locally incorporated ADIs that are subject to the Liquidity Coverage Ratio (LCR). *Link* *Link*

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