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KPMG in South Africa

Regulatory Updates for the week ended 16 July, 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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- [Market Developments](#)

Regulatory Developments

Information Regulator warns against the processing of personal information of data subjects without their consent

The Regulator reminds the public that photographs clearly identifying an individual are regarded as personal information in terms of the Protection of Personal Information Act, and that distribution of such material is regarded as processing of personal information in terms of the Act. The Act prohibits the distribution of personal information without the consent of the individual that is being identified in the item being distributed. [Link](#)

Notice of invitation to submit comments on the draft Prudential Standards for co-operative financial institutions (CFIs) and co-operative banks

The Prudential Authority has published the draft prudential standards for CFIs and co-operative banks for public consultation. The draft prudential standards cover requirements pertaining to registration and operations, governance as well as risk management, internal controls and compliance. Comments and responses on the draft standards and accompanying documents need to be submitted by 2 August 2021. [Link](#)

PA: LIBOR benchmark rate transition guidance

The communication note published by the PA provides guidance to financial institutions related to the London Interbank Offered Rate benchmark reforms (LIBOR) and suggests a few considerations financial institutions are expected to incorporate into their transition programmes. It also urges financial institutions to leverage necessary resources and available supervisory guidance (from home authorities in all relevant LIBOR currencies) to complete all relevant transition milestones successfully. [Link](#)

International

FCA issues warning letter to banks over AML failings

Retail banks have been issued a warning by the Financial Conduct Authority (FCA) regarding continuing weaknesses and failings surrounding their financial crime controls. The letter outlined the key issues and weaknesses surrounding retail banks' financial crime controls and requested that each firm complete a gap analysis of each of the identified weaknesses and take prompt and reasonable steps to resolve them by 17th September 2021. The following were the common control weaknesses identified and cited:

- Governance and oversight
- Risk assessments
- Due diligence
- Transaction monitoring and suspicious activity reporting (SARS). [Link](#)

FCA publishes Annual Report and Accounts 2020-21

The FCA has published its annual report and the following are a few key highlights from the report:

- issued guidance to firms ensuring 4.5 million payment deferrals for mortgage and credit customers during the pandemic
- introduced new rules on home and motor insurance pricing which will save consumers an estimated ZAR72.1 billion over 10 years
- imposed financial penalties totalling ZAR3,260.3 million. [Link](#) [Link](#)

Implementation of Basel standards

The Prudential Regulation Authority (PRA) published a Policy Statement providing feedback to responses to Consultation Paper 5/21 'Implementation of Basel standards'. It also contains near-final rule instruments, Statements of Policy, Supervisory Statements, and reporting templates and instructions. The Policy Statement is relevant to UK banks, building societies, and PRA-designated investment firms, as well as UK financial holding companies and UK mixed financial holding companies of certain PRA-authorized firms. [Link](#)

BIS: Stress-testing banks for climate change – a comparison of practices

The BIS published a working paper which discusses the challenges that emerge when trying to adapt traditional stress tests to banks' climate-related risks. It highlights that these challenges relate to the following:

- data availability and reliability
- the adoption of very long-time horizons
- uncertainty around future pathways of key reference variables covering physical risks (eg. floods, temperature increases and rising sea levels)
- uncertainty relating to transition risks (eg. changes in climate policies, technologies, or consumer preferences). [Link](#)

BIS: Fintech and the digital transformation of financial services: implications for market structure and public policy

The working paper published by BIS highlights how digital innovation is transforming financial services. It also states how innovations in financial technology such as mobile money, peer-to-peer (P2P) or marketplace lending, roboadvice, insurance technology (insurtech) and

crypto-assets have emerged around the world. The paper further examines the implications of digital innovation for market structure and attendant policies, including financial and competition regulation. [Link](#)

APRA releases consultation to ADIs on preparedness for zero and negative interest rates

The Australian Prudential Regulation Authority (APRA) has released for consultation a letter to authorised deposit-taking institutions (ADIs) on its draft expectations regarding ADIs' preparedness for the possibility of zero and negative interest rates. [Link](#) [Link](#)

Market Development

Standard Bank proposes Liberty takeover

Standard Bank has made an offer to buy out shareholders in Liberty, which is expected to hike its stake in the life insurance and investment business from 54 percent to 100 percent. While the companies already cross-sell banking and insurance products to their clients, Standard Bank wants to bring the businesses closer together. [Link](#)

Looting could impact cost of insurance in the long term, warns Santam

According to Santam, the recent spate of looting and destruction to property could have long-term implications on the cost of insurance and investor confidence in South Africa. [Link](#)

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