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KPMG in South Africa

Regulatory Updates for the week ended 2 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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Regulatory Developments

Prudential Authority publishes Annual Report FY20-21

The Prudential Authority (PA) of South Africa has published its Annual Report for FY20-21. The report covers the key highlights of FY20-21 and information on financial accounts. A few key highlights of the PA's work in FY20-21 include:

- Strengthened the regulation and supervision of banking institutions with updated Basel III requirements
- Conducted eight AML/CFT inspections at six banks and two life insurers during the year under review.
- Continued to conduct AML/CFT inspections using virtual platforms
- Started the process to remediate the shortcomings identified during the 2019 Financial Action Task Force (FATF) mutual evaluation
- Established the PA Climate Think Tank to coordinate activities with the National Treasury on its technical paper 'Financing a sustainable economy', published in May 2020. [Link](#)

SARB publishes Annual Report and Annual Financial Statements for FY20-21

The South African Reserve Bank (SARB) published its Annual Report for FY20-21. The report highlights the SARB's 2025 strategic plan which includes five focus areas (SFAs) and other objectives to drive the achievement of both price and financial stability in the longer term. A few highlights from these 5 SFAs include:

- Maintain headline inflation within the target range
- Protect and enhance financial stability to achieve a safer financial system

- Promote and ensure the safety, soundness and integrity of regulated financial institutions and market infrastructures
- Enhance South Africa's resilience to external shocks
- Ensure cost effective availability and integrity of currency. [Link](#) [Link](#)

Information Regulator to take over PAIA functions from the South African Human Rights Commission

The Information Regulator published a document stating that it will be taking over the regulatory mandate functions relating to the Promotion of Access to Information Act (PAIA) 2000. This follows a proclamation, by the President, of sections 110 and 114(4) of Protection of Personal Information Act (POPIA) 2013, which provide for amendment of PAIA and the effective transfer of certain functions currently performed by the South African Human Rights Commission (SAHRC) to the Information Regulator on 30 June 2021. Further, in order to simplify the compilation process of PAIA Manuals in terms of section 14 and 51 of PAIA, the Regulator will publish PAIA manual templates shortly as a guide. [Link](#) [Link](#) [Link](#)

Proposed implementation dates in respect of specified regulatory reforms for banks

The Prudential Authority (PA) issued a guidance note, indicating proposed implementation dates for certain specified regulatory reforms for banks. The PA issued proposed amendments to the Regulations on 29 July 2020, which incorporated both the Total Loss Absorbing Capacity Holdings (TLAC) and large exposures (LEX). In the proposed Directive dated 16 March 2021, the industry was consulted on the new proposed implementation date of the proposed LEX, of 1 July 2021. Based on the comments received from the industry on the proposed Regulations and proposed Directive issued in terms of LEX, the PA will require further industry engagement prior to implementation thereof. [Link](#)

Notice of invitation to submit comments on the draft Prudential Standard: Capital requirements for financial conglomerates

The Prudential Authority published a notice on draft Prudential Standard on capital requirements for financial conglomerates that had been previously consulted on in March 2020. The comments received from the informal consultation have resulted in non-material amendments to the capital standard. The draft standard will be applied in a field-testing exercise by designated financial conglomerates from 1 January 2022. The Prudential Standard will only be finalised after the field testing has concluded to the satisfaction of the Prudential Authority. Comments on the draft standard and accompanying documents must need to be submitted by 26 July 2021. [Link](#) [Link](#)

International

Consultations by the FPC and PRA on changes to the UK leverage ratio framework

The Financial Policy Committee (FPC) conducted a comprehensive review of the UK leverage ratio framework in light of revised international standards, and its ongoing commitment to review its policy approach. The document published by Bank of England outlines the changes that the FPC proposes to make to the framework, and the Prudential Regulation Authority's (PRA) proposed approach to implementing these changes. This consultation is relevant to all Capital Requirements Regulation (CRR) firms and CRR consolidation entities on an individual, consolidated, and where relevant, sub-consolidated basis. [Link](#) [Link](#)

APRA and ASIC release notes on inaugural superannuation CEO roundtable

The Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA) have released public notes on the inaugural Superannuation CEO Roundtable held on Friday 30 April 2021. The event focused on the implementation of SPS 515 Strategic Planning and Member Outcomes and Product Design and Distribution Obligations. [Link Link Link Link](#)

ASIC consults on crypto asset based ETPs and other investment products

ASIC has released Consultation Paper 343 Crypto-assets as underlying assets for ETPs and other investment products (CP 343), seeking feedback on proposals about exchange-traded products (ETPs) and other investment products that provide retail investors with exposure to crypto-assets. [Link Link](#)

Industry response to consultation on promoting consumer access to affordable advice

ASIC has released an infographic summary of the response to Consultation Paper 332, promoting access to affordable advice for consumers (CP 332). The infographic sets out the key issues raised by respondents in their submissions to CP 332. [Link Link](#)

BIS publishes Annual Report and Annual Economic Report for FY20-21

BIS has released its Annual Report for FY20-21 along with annual financial statements and the Annual Economic Report for FY20-21. A few key themes from the BIS Annual Report are as follows:

- Promotion of global monetary and financial stability
- Promotion of international cooperation
- Financial results and allocation
- Governance and organisation [Link Link](#)

BIS: Central bank digital currencies: an opportunity for the monetary system

BIS published a speech by Mr. Hyun Song Shin, Economic Adviser and Head of Research of the BIS, on the occasion of the Bank's Annual General Meeting. In this he laid out the design choices that can help put central bank digital currencies into practice. Further, he states that the foundation of the monetary system is trust in the currency. Central bank digital currencies (CBDCs) build on this trust, offering in digital form the unique advantages of central bank money. They should operate in a two-tier monetary system, in which the private sector and central bank each focus on what they do best. [Link Link](#)

Market Developments

Banking sector establishes information sharing partnership to curb financial crime

The article highlights how stakeholders from the banking sector have come together to fight financial crime through a financial information sharing partnership, called the South African Anti-Money Laundering Integrated Task Force (Samlit). It states that Samlit has brought together the Financial Intelligence Centre (FIC), 22 national and international banks, the South African Reserve Bank's Prudential Authority and Financial Surveillance Department and banking association representatives.

Further, the partnership is expected to ensure that knowledge on the method of financial criminals is shared, that institutions increase their understanding of the types of financial

crime and that the work of Samlit assists law enforcement authorities in their follow through. [Link](#)

MTI and Cajee brothers' bitcoin scandals prompt quicker move for crypto regulations

South Africa is moving to stiffen oversight of cryptocurrency assets after a spread of scams. A new regulatory timeline foresees finalizing a framework in three to six months, after the publication of proposals earlier in June that require public comment before approval. Tougher rules could be imminent this year after a jolt of scandals that most recently included a suspected Ponzi scheme allegedly run by Ameer and Raees Cajee, which resulted in the disappearance of an estimated ZAR51 billion in Bitcoin from their from their Africrypt investment platform. [Link](#)

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