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## KPMG in South Africa

*Regulatory Updates for the week ended 3 September, 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

#### **Invitation from the South African Reserve Bank to comment on a concept position paper on the proposed implementation principles for the standardised Triparty Collateral Management framework**

The South African Reserve Bank (SARB) has published, for public comment, a Triparty Collateral Management Concept Position Paper which proposes a framework and implementation principles of its participation in, and enablement of, a domestic assets Triparty Collateral Management model in South Africa which alleviates challenges such as:

- increased requirements for secured securities finance transactions
- increased demand for high-quality liquid assets (HQLA)
- increased scarcity of HQLA due to limited reuse of collateral assets
- increased disclosure requirements for collateral usage, collateral inventory management and visibility on the reuse of collateral assets. [Link](#)

#### **Guidance notice on the application of Section 5 of the Insurance Act, 2017 (act no. 18 of 2017) in respect of foreign entities insuring first party risks**

In tandem with the views of the Prudential Authority (PA) and Financial Sector Conduct Authority (FSCA), Section 5 of the Insurance Act, 2017 (Act No.18 of 2017) outlines that unless a person is licensed as a captive insurer under the Act that person may not conclude insurance business in relation to “first party risks” in South Africa. [Link](#)

#### **The FSCA’s expectations regarding bank branch closures and Automated Teller Machine (ATM) removals**

According to the Financial Sector Conduct Authority (FSCA), banks are requested to inform the FSCA of their plans for the permanent and temporary closure, including the transitioning to self-service channels of branches and ATMs. A robust need analysis must also be performed by the bank to check for the impact of closure and reported to the FSCA. [Link](#)

#### **Publication of draft regulations designating provision of benchmarks as financial service for public comment**

In a media statement by National Treasury, under terms of Section 57(a) of the Financial Sector Regulation Act, the Financial Sector Conduct Authority (FSCA) has been mandated to enhance and support the efficiency and integrity of financial markets by aligning the benchmark provision with international standards and implementing through conduct standards. [Link](#)

#### **Withdrawal of the temporary treatment of restructured credit exposures due to the Coronavirus pandemic**

The Prudential Authority issued D3/2020, which provided temporary minimum capital requirement relief. This will be withdrawn with effect from 1 April 2022. This is being communicated well in advance to grant banks sufficient time to make internal changes. [Link](#)

### **International**

#### **Firms reminded about potential financial crime risks linked to Afghanistan**

The Financial Conduct Authority (FCA) expects firms to establish and maintain systems and controls to counter the risk that they might be used to further financial crime while also complying with their legal obligations under the Proceeds of Crime Act 2002 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 ('MLRs' as amended). [Link](#)

#### **BIS Innovation Hub and central banks of Australia, Malaysia, Singapore and South Africa will test CBDCs for international settlements**

The Bank for International Settlements Innovation Hub, the Reserve Bank of Australia, Bank Negara Malaysia, Monetary Authority of Singapore, and South African Reserve Bank are joining forces to test the use of central bank digital currencies (CBDCs) for international settlements. The project will work with multiple partners to develop technical prototypes on different distributed ledger technology platforms while exploring different governance and operating designs that would enable central banks to share CBDC infrastructures, benefitting from the collaboration between sector experts in different jurisdictions and areas of operation. [Link](#)

#### **APRA releases response letter on the implementation of Reporting Standard ARS 220.0 Credit Quality**

The Australian Prudential Regulation Authority (APRA) has published a response letter regarding the 'Reporting Standard ARS 220.0 Credit Quality' which refers to the consequential changes to authorised deposit-taking institutions' (ADIs') reporting standards affected by the implementation of the new Prudential Standard APS 220 Credit Risk Management. [Link](#)

#### **APRA publishes new details on Climate Vulnerability Assessment**

The Australian Prudential Regulation Authority (APRA) has published an information paper outlining the Climate Vulnerability Assessment (CVA), an analysis, which aims to provide insights into the potential financial exposure of institutions, the financial system and economy to the physical and transition risks of climate change. [Link](#)

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## Market Developments

### IRBA Shines Light on Registration of Registered Auditors

The Independent Regulatory Board for Auditors has published information regarding:

- requirements for renewal of registration and re-registration of registered auditors or registered candidate authors
- renewal of registration for Registered Auditors and assurance and non-assurance status
- registration as a registered auditor or a registered candidate auditor
- registration of firms
- recognition of a registered auditor as a tax practitioner with the Regulatory Board [Link](#)

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