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KPMG in South Africa

Regulatory Updates for the week ended 5 March, 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

Call for the nomination of candidates for election as non-executive directors to the Board of Directors of the South African Reserve Bank

The South African Reserve Bank (SARB) has extended the invitation for the nomination of candidates for consideration as shareholder elected non-executive directors to the Board of Directors of the SARB. Three vacancies are expected to arise at the SARB's Annual Ordinary General Meeting (AGM) to be held on 30 July 2021. *Link* *Link* *Link*

Guidance on iterative approach for determining the Solvency Capital Requirement using the technical provisions including the risk margin

The Prudential Authority (PA) published the FSI 2.2 (Valuation of Technical Provisions), which sets out the requirements for valuing technical provisions for the purposes of assessing regulatory financial soundness. The standard method requires insurers to calculate the Solvency Capital Requirement (SCR) and the risk margin using the technical provisions excluding the risk margin to avoid the circularity problem. Insurers can apply to the PA to calculate their SCR using the technical provisions including the risk margin. *Link*

Regulation 28 of the Pension Funds Act under the spotlight

Draft amendments to Regulation 28 of the Pension Funds Act have been published for public comment. National Treasury highlighted that the proposed amendments are designed to encourage investment in infrastructure. Comments are invited until 29 March 2021. *Link*

Consultation paper on the feasibility of establishing a domestic card scheme in South Africa

The South African Reserve Bank (SARB) has published a consultation paper, to obtain opinions, views and suggestions on the feasibility of establishing a domestic card scheme in

South Africa and to request stakeholders to share their comments by 31 March 2021. It also provides an overview of the card scheme along with its working models. *Link*

National Treasury publishes provisional figures on loan issues, national revenue fund receipts/payments and cash balances: February 2021

National Treasury released provisional figures of loan issues, national revenue fund receipts/payments and cash balances as at 31 January 2021. A few highlights include:

- Net domestic short-term loans decreased by ZAR13,560 million
- Net domestic long-term loans inclusive of redemptions, and switch transactions increased by ZAR42,423 million
- National Revenue Fund receipts of ZAR574 million were recorded resulting from revaluation profits on foreign currency transactions, premiums on debt portfolio restructuring and premiums on bond transactions. *Link*

Comment Sought on 2021 Draft Rates Bill

National Treasury published the 2021 Draft Rates and Monetary Amounts and Amendment of Revenue Laws Bill (2021 Draft Rates Bill) and the 2021 Draft Financial Sector Levies Bill for comment till 31 March 2021. The 2021 Draft Financial Sector Levies Bill aims to impose levies on the financial sector to fund the Prudential Authority (PA) and Financial Sector Conduct Authority (FSCA) for the costs of regulating financial institutions as a result of the implementation of the Twin Peaks regulatory system. *Link*

2021 Division of Revenue Bill tabled

The 2021 Division of Revenue Bill was tabled in Parliament and it aims to provide for the following:

- The equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2021/22 financial year
- The determination of each province’s equitable share
- Allocations to provinces, local government and municipalities from national government’s equitable share
- The responsibilities of all three spheres pursuant to such division and allocations. *Link*

DSIBs submission of consolidated data

The PA published a directive to inform all banks, branches of foreign institutions, controlling companies and auditors of banks or controlling companies of further requirements applicable to South African domestic systemically important banks (D-SIBs). These further requirements are regarding the submission of credit-related statutory BA returns, based on group consolidated information, on a six-monthly basis. *Link*

Market Developments

International

Announcements on the end of LIBOR

The Financial Conduct Authority (FCA) has announced the dates that panel bank submissions for all LIBOR settings will cease, after which representative LIBOR rates will no longer be available. This is a major step towards the end of LIBOR and the Bank of England and FCA urge market participants to continue to take the necessary action to ensure they are ready. The FCA has confirmed that all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- Immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings
- Immediately after 30 June 2023, in the case of the remaining US dollar settings. *Link*

FCA launches pre-paid funeral plans consultation

The FCA launched a consultation on how it plans to regulate the pre-paid funeral plans sector. The FCA's proposals intend to ensure the following:

- Products meet the individual needs of consumers
- Plans are sold fairly, including a ban on cold-calling to prevent consumers being pushed into taking out plans which may not be right for them
- The price of plans are fairly valued, with firms stopped from using additional fees to drive profits and a ban on commission payments to intermediaries
- Consumers have access to the financial services compensation scheme and financial ombudsman service from day one. *Link*

FCA confirms the increase in thresholds for contactless payments

The FCA has increased the single transaction contactless payment threshold from ZAR813.5 to ZAR1808. The contactless threshold for multiple transactions will also increase from ZAR2350.3 to ZAR5423.8. These changes are expected to allow the industry to increase the limit for contactless payments at the point of sale to securely improve convenience for consumers and merchants. *Link*

Update on the Double Volume Cap

The FCA published a revised version of the Statement of Policy about the use of a temporary power that has been under UK Markets in Financial Instruments Regulation (MiFIR). Dark trading in equities takes place when the terms on which participants are willing to trade in equity instruments are not made publicly available before the trade is executed. The Double Volume Cap (DVC) limits the level of dark trading to a certain proportion of total trading in an equity. In the revised Statement of Policy FCA sets out that its willingness to use temporary powers flexibly and amend the approach to the DVC if another jurisdiction makes an equivalence decision in respect of the UK. *Link*

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