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KPMG in South Africa

Regulatory Updates for the week ended 9 April, 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

Tax Chronology of South Africa: 1979–2021

This publication by the South African Revenue Service (SARS) covers the period 1979 to 2021 and provides an overview of the current and historical rates for various taxes, duties and levies collected by SARS. The contents are intended for general purposes and research only, and are not intended to serve as financial or other advice. [Link](#)

Co-operative Financial Institutions Guidance Notes

The Prudential Authority (PA) published the prudential standard, TCFI-01, transitional arrangements for co-operative financial institutions specifying the requirements for registration of a cooperative financial institution with the PA in terms of the provisions of the Co-operative Banks Act, 2007 (Act No. 40 of 2007). This guidance note is issued to assist applicants to complete the application process for registration with the PA by providing guidance on the completion of FORM-001 – application for registration. [Link](#)

Approved amendments to the A2X rules

The Financial Sector Conduct Authority (FSCA) stated that the amendments of A2X rules have been approved. A2X is a market infrastructure licensed as an exchange in terms of the Financial Markets Act, No 19 of 2012. [Link](#) [Link](#)

Guidance Notice FSI 4.3 – non-life underwriting risk capital requirement

The Prudential Authority published the Guidance Notice on FSI 4.3: Non-Life Underwriting Risk Capital Requirement. The Guidance Notice aims to help insurers in complying with the requirements as outlined in the Prudential Standard FSI 4.3 (Non-life Underwriting Risk Capital Requirement). This Guidance Notice is aimed at explaining approaches that may be

adopted for the treatment of insurers' eligible risk mitigation instruments in addition to the impairment of those instruments for counterparty default risk. [Link](#)

Measuring systemic risk in South African banks

The Prudential Authority (PA) published a working paper, introducing several market-based measures of systemic risk and examining how they can inform the vulnerability assessment of South African banks from the perspective of both markets and regulators. [Link](#)

Flavour-of-the-year topic communication to CFI and Co-op Banks

The PA published a communication to provide information on the flavour-of-the-year topic for Co-operative Financial Institutions and Co-operative Banks for the 2021 calendar year. The PA has determined that for the 2021 calendar year, the flavour-of-the year topic will be Governance Structures and Arrangements within Co-operative Financial Institutions and Co-operative Banks. [Link](#)

Invitation to comment on a discussion document on the proposed requirements for funding in resolution

The South African Reserve Bank (SARB) published a discussion document titled 'proposed requirements for funding in resolution', for comment. The document develops on the proposals relating to requirements for funding in resolution, set out in the 2019 discussion paper published by the SARB under the title 'Ending too big to fail: South Africa's intended approach to bank resolution'. Further, the SARB is expected to publish a series of discussion papers, focusing on the key aspects that will affect and facilitate the execution of a resolution framework in South Africa. These discussion documents will then be adapted into a regulatory instrument upon conclusion of the consultative process and after declaration of the Financial Sector Laws Amendment Bill (FSLAB). [Link](#) [Link](#)

Information Regulator publishes the Guidance Note for Registration of Information Officers

The Information Regulator (IR) of South Africa has published the Guidance Note for the Registration of Information Officers (IOs) and Deputy Information Officers (DIOs), in order to ensure proper understanding of the legislative requirements. It highlights that the IR is developing an online portal for the registration of IOs and it is expected to be live by the end of April 2021. Accordingly, the registration of IOs and/or DIOs is expected to commence on 1 May 2021. Further, to speed up the registration process, responsible parties are encouraged to submit their applications for registration through the online registration portal by 1 May 2021. [Link](#)

Market Developments

International

The importance of purposeful anti-money laundering controls

The FCA published a speech delivered by Mark Steward, Executive Director of Enforcement and Market Oversight, at the AML & ABC Forum 2021. In his speech he discussed two of the biggest sanctions in the last 12 months related to failures to address financial crime and anti-money laundering (AML) risks. He also highlights the complexity of AML investigations because they are rarely transactional and require a systemic understanding of how a firm

operates, its governance controls, its cultural habits, and the nuts and bolts of sometimes opaque systems. [Link](#)

ASIC warns time is fast running out for insurance claims handling AFS licence applications

ASIC has called on insurance claims handling firms to lodge licence applications (new and varied) by no later than 7 May 2021. Applications submitted after 7 May 2021 risk being rejected at the deadline of 30 June 2021 which is the legislative deadline to access transitional arrangements. ASIC will reject an application if it is incomplete. Rejections occurring close to the 30 June 2021 deadline may mean that the applicant has insufficient time to rectify and re-submit their application. [Link](#)

ASIC commences proceedings against Westpac for alleged misleading and unfair sales of consumer credit insurance

ASIC has started civil penalty proceedings in the Federal Court against Westpac Banking Corporation, alleging it mis-sold consumer credit insurance (CCI) with credit cards, and other credit facilities, to customers who had not agreed to buy the policies. [Link](#)

APRA releases consultation to enhance oversight of life reinsurance market

The Australian Prudential Regulation Authority (APRA) has released for consultation a package designed to address concerns regarding the increased use of offshore reinsurers by life insurers. The concerns are particularly heightened in relation to the group risk market, which plays an important role in Australia's superannuation system. The proposed updates to Prudential Standard LPS 117 Capital Adequacy: Asset Concentration Risk Charge (LPS 117) is expected to impose an aggregate limit on the exposure of life insurers to offshore reinsurers, which are not regulated by APRA. [Link](#) [Link](#)

ASIC sues CBA for misleading conduct over monthly access fees

ASIC has commenced civil penalty proceedings in the Federal Court against the Commonwealth Bank of Australia (CBA), alleging the charging of monthly access fees to customers when it was not entitled to do so. ASIC alleges that CBA incorrectly charged monthly access fees to customers entitled to fee waivers due to systems and processes that were inadequate or improperly configured in 30 different ways, as well as due to manual errors made by CBA staff. [Link](#)

APRA acts against Macquarie Bank over multiple breaches of prudential and reporting standards

APRA has increased Macquarie Bank Limited's liquidity and operational risk capital requirements in response to multiple material breaches of APRA's prudential and reporting standards. The enforcement action recounts to the incorrect treatment of specific intra-group funding arrangements for the purposes of calculating capital and related entity exposure metrics. These resulted from deficiencies in Macquarie Bank's ability to manage the operational risk inherent in the complex intra-group structure, within which it transacts with its related entities. [Link](#)

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Michelle Dubois
Senior Manager, Africa Regulatory CoE
Email ID: Michelle.Dubois@kpmg.co.za

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