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KPMG in South Africa

Regulatory Updates for the week ended 12 July 2024

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

South Africa

Jibar transitioning to ZARONIA

The South African Reserve Bank (SARB) announced the transition from Jibar for the South African Rand Overnight Index Average (ZARONIA). This transition covers three pillars: adoption in derivatives markets, adoption in cash markets, and transition of legacy positions. The derivatives market will be the first to adopt ZARONIA under a newly established ZAR overnight indexed swap market. The cash market adoption will include the development of ZARONIA-linked loan, money, and bond market instruments. Legacy contracts currently linked to Jibar will also need transitioning to ZARONIA. Despite Jibar's planned cessation, the three pillars may run parallel rather than consecutively for a smooth transition.

The transition from JIBAR to ZARONIA marks a pivotal shift in South Africa's financial landscape, with broad-reaching impacts. It enhances financial stability, market integrity, and risk management. The move necessitates a comprehensive reassessment of its impact on pricing of financial products, legal and regulatory implications, and market

liquidity. [Link](#)

IR signs MoU with the Eswatini Communications Commission

The Information Regulator (IR) of South Africa signed a Memorandum of Understanding (MoU) with the Eswatini Communications Commission (ESCCOM) to cooperate on regulating laws protecting personal data. The MoU aims to enhance cross-border enforcement cooperation and promote exchanges on data protection strategies. The IR CEO highlighted the importance of the MoU in protecting personal information across borders. [Link](#)

Criteria for identifying outlier banks

The Prudential Authority (PA) has established criteria to identify banks at risk from significant interest rate changes. As per amendments to Regulation 30, the PA uses a Supervisory Outlier Test (SOT) to ascertain undue exposure to interest rate risks. Banks exceeding a specific threshold are considered outliers and may require further assessment and avoidance actions. [Link](#)

Prudential Communication 10 of 2024

The Prudential Authority (PA) invites public discussion on amendments to the Commercial Paper Exemption Notice, under the Banks Act, 1990. The amendments aim to refine restrictions on commercial paper issuance without infringing Bank Act provisions. Previous consultations, industry surveys, and revisions have led to substantial changes in the draft revised notice, thus necessitating further consultations for transparency and feedback. Finalized amendments will be approved by the Minister and published in the Government Gazette. [Link](#)

Cybercriminals surge public works department

The South African Department of Public Works and Infrastructure has lost over ZAR300 million to cybercrime in the past 10 years, with the latest incident involving a ZAR24 million theft. This has prompted the suspension of four officials and a forensic investigation. The minister plans to improve financial controls, increase infrastructure investment, and rethink the department's model of providing services to other government departments. [Link](#)

Amendment of the designation of an insurance group

The Prudential Authority's (PA) CEO, Fundi Tshazibana, under the Insurance Act of 2017, has announced an amendment to the designation of members within the Professional Provident Society Insurance Company Limited group of companies. Effective from 21 June 2024, this is aimed at facilitating insurance group supervision. A list of 45 insurance companies is available on the Bank's website. [Link](#) [Link](#)

Regulator warns of exposure to 'risky' sovereigns

According to the article, the Prudential Authority (PA) has cautioned South African banks to act carefully when offering credit in African countries with high sovereign default risks and potential credit downgrades, using Ghana's 2022 sovereign default as a reference. This warns of the banks' exposure to such 'risky' nations. [Link](#)

Other Southern Africa

BoN launches instant payment program

The Bank of Namibia (BoN) has initiated the Instant Payment Programme (IPP), aimed at improving financial accessibility for Namibians, including vending machine suppliers, taxi drivers, senior citizens, and small enterprises. With partners including Namclear, NPCI International, Payment Association of Namibia, and others, the programme aims to offer a modern, efficient payment solution that increases financial inclusion and

economic activity. The IPP, fully aligned with national strategies, anticipates complete interoperability of payment methods by 2025, assisting underserved populations and helping modernize the financial sector. [Link](#)

International

Fees regime for UK financial market infrastructures

The Bank of England has introduced fee-levying regime for Financial Market Infrastructures (FMIs) in the UK, including central counterparties, central securities depositories, and recognized payment systems. The fees cover supervision, applications, and other related costs, with the methodology based on the FMIs' importance to the financial system and the allocation of supervisory resources. [Link](#)

Final rules and information for the Financial Accountability Regime

The Australian Prudential Regulation Authority (APRA) and Australian Securities and Investments Commission (ASIC) have issued details for implementing the Financial Accountability Regime (FAR) for insurance and superannuation sectors starting 15 March 2025. The move aims to improve the risk governance cultures of APRA-regulated entities, directors and senior executives, and includes amendment to regulator rules, updated information paper, guides, templates, and reporting instructions. [Link](#)

FCA overhauls listing rules

The Financial Conduct Authority (FCA) released a simplified listing regime. The changes, aimed at promoting growth and innovation, allow a wider range of companies to issue shares on a UK exchange. They include streamlined eligibility, flexibility around voting rights, and removing the need for votes on substantial transactions. However, shareholder approval for key decisions remains mandatory. The new rules will take effect from 29 July 2024. [Link](#)

Market developments

South Africa

Investec winds down tax-free fixed-deposit account

According to the article, Investec is winding down its 12-month tax-free fixed-deposit account due to it being no longer suitable for clients. This move comes after a review of savings products and aligns with Investec's business objectives and clients' needs. The closure will take effect on 31 December 2024. [Link](#)

Standard Bank eyes East Africa for growth

According to the article, Standard Bank is targeting growth in East Africa, focusing on sectors like energy, infrastructure, and agriculture. It sees East Africa's integration and ease of trade as key attractions. However, current focus is on organic growth and potential partnerships. The bank has roughly 4 percent market share in Kenya and 3 percent in Nigeria, identifying these regions as growth areas due to their large economies and the bank's low market share. [Link](#)

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