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KPMG in South Africa

Regulatory Updates for the week ended 15 November 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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South Africa

Selected SA Banking Sector Trends 2024 – Monthly - September 2024
The South African Reserve Bank (SARB) published the "Selected SA Banking Sector Trends 2024 - Monthly" September report on 13 November 2024. This report is part of the Prudential Authority's monthly statistics and provides insights into current trends affecting the South African banking sector. In September 2024, South Africa's banking sector showed positive trends as profitability improved with higher returns on equity and assets and total assets grew by 7.4 percent. *Link*

Prudential Communication 14 of 2024 - Extension of the PA's 2021-2024 Regulatory Strategy
The Prudential Authority (PA) is extending its 2021–24 Regulatory Strategy until 31 March 2025 to align with the South African Reserve Bank's upcoming 2025–30 Strategy. The PA aims to enhance the safety of financial institutions, protect customers, and support financial stability. The extension allows the PA to adapt its regulatory framework to current economic conditions and technological advancements. Future regulatory strategies will follow the SARB's five-year cycle, ensuring relevance and effectiveness in its functions. *Link*

Financial sector faces pressure to meet FSCA Cyber Resilience Standards
According to the article, The Financial Sector Conduct Authority's (FSCA) Joint Standard on Cybersecurity and Cyber Resilience will take effect in June 2025, compelling South African financial institutions to meet stringent requirements set by the FSCA and the South African Reserve Bank (SARB). These standards aim to bolster the sector's ability to withstand and recover from increasingly sophisticated cyber threats. Institutions are required to implement robust cybersecurity measures, including risk management, incident reporting, and continuous monitoring, to safeguard sensitive customer data and ensure the stability and integrity of the financial system. *Link*

CIS tax certainty is necessary and needs to support the growth of savings
The Association for Savings and Investment South Africa (ASISA) emphasizes the need for tax certainty to foster savings growth. The current ambiguity surrounding the taxation of Collective Investment Schemes (CIS) negatively impacts both the industry and investors. ASISA advocates for clear tax policies that support investment and savings, arguing that a stable tax environment is crucial for encouraging individuals to save and invest for the future. The organisation calls for reforms that will enhance confidence in the savings sector. *Link*

Directive 9 on the implementation of the "Travel Rule" relating to crypto asset transfers
The Financial Intelligence Centre (FIC) issued Directive 9, mandating the implementation of the "travel rule" for crypto asset transfers in South Africa, effective 30 April 2025. This directive requires accountable institutions to provide information about the originators and beneficiaries of crypto transactions, enhancing transparency and preventing money laundering and terrorist financing. All crypto asset service providers (CASPs) must comply with this directive and other relevant legislation, facing sanctions for non-compliance. The FIC aims to strengthen the integrity of the financial system. *Link*

Other Southern Africa

Directive to Establish an AML/CFT Compliance Function (AML/CFT Directive 1)
The Non-Bank Financial Institutions Regulatory Authority (NBFIRA) published the AML/CFT Directive 1, effective 01 December 2024 which establishes a compliance function for Anti-Money Laundering and Counter Financing of Terrorism in Botswana. It replaces the previous directive from 2020 and sets criteria for appointing an AML Compliance Officer (AMLCO). The directive applies to various licensed entities governed by multiple financial acts, aiming to enhance regulatory oversight and risk management. By implementing these guidelines, the directive seeks to strengthen the country's defenses against financial crimes and ensure compliance within the financial sector. *Link*

International

New rules to strengthen resilience of UK's financial sector
The Financial Conduct Authority (FCA) have announced new rules to enhance the resilience of critical third parties that provide essential services to financial firms. These regulations, effective from 01 January 2025, aim to mitigate risks from disruptions, such as cyber-attacks or outages, that could impact the financial system. The rules require designated third parties to conduct resilience testing, report major incidents, and provide regular updates to regulators. This initiative aligns with international standards and seeks to ensure the stability and attractiveness of the UK financial market. *Link*

PS16/24 – Operational resilience: Critical third parties to the UK financial sector

The joint policy statement from the Bank of England, Prudential Regulation Authority and Financial Conduct Authority outlines the final rules for critical third parties (CTPs) in the UK financial sector. It aims to enhance operational resilience and manage risks that could threaten financial stability. HM Treasury will designate CTPs based on their potential impact, while firms remain accountable for managing risks associated with these third parties. The CTP Oversight Regime is designed to complement existing operational resilience requirements and promote a secure financial environment. *Link*

FCA to consult on extending the time motor finance firms have to handle commission complaints
The Financial Conduct Authority (FCA) plans to consult on extending the time motor finance firms have to address consumer complaints related to non-discretionary commissions, following a Court of Appeal ruling that deemed such commissions unlawful without consumer consent. Proposals are expected within two weeks, potentially allowing firms until mid-December 2024 to manage the anticipated increase in complaints. Additionally, the FCA is reviewing historical discretionary commission arrangements and has extended complaint handling deadlines until December 2025 to ensure orderly resolutions for consumers and firms. *Link*

FCA Welcomes Treasury's National Payments Vision
The Financial Conduct Authority (FCA) expressed support for the UK Treasury's National Payments Vision (NPV). This initiative aims to enhance the UK payments landscape by clarifying priorities and guiding regulatory and industry activities. The NPV will focus on developing a new interbank payments infrastructure, known as the New Payment Architecture (NPA), set to replace existing systems by 2026. The FCA emphasizes that this vision is crucial for creating a world-leading payments ecosystem that benefits consumers and businesses alike. *Link*

Market developments

South Africa

How Discovery’s new ZAR1,350 per month medical aid plan compares
According to the article, Discovery has launched a new medical aid plan priced at ZAR1,350 per month, aimed at making healthcare more accessible. This plan offers essential coverage, including hospital benefits and chronic disease management. Compared to existing options, it provides a cost-effective alternative for individuals and families.. *Link*

Sanlam Client Inflows Surge Despite Two-Pot Claims
Sanlam has reported that client inflows have more than doubled, even as the company processes a significant number of claims under South Africa's new two-pot retirement system. To date, payouts to fund members have reached ZAR2.5 billion, reflecting the high demand for withdrawals from the savings component of the system. In the first two days following the system's implementation, Sanlam processed over 20,000 claims, indicating a robust response from clients seeking access to their retirement savings. *Link*

SARB's Intent to Acquire 50 percent of BankservAfrica
BankservAfrica has announced that the South African Reserve Bank (SARB) intends to acquire a 50 percent stake in the company. This strategic move aims to transition BankservAfrica into a national Payments utility, enhancing its role in the payments landscape of South Africa. The collaboration with SARB and commercial bank shareholders is expected to strengthen the infrastructure for settlements and payment services, promoting efficiency and innovation within the financial sector. *Link*

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