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KPMG in South Africa

Regulatory Updates for the week ended 18 October 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

Monetary Policy Review – October 2024

The South African Reserve Bank (SARB) published the Monetary Policy Review (MPR) in October 2024 which outlines the current economic landscape and the SARB's approach to maintaining price and financial stability. The report indicates a steady global economic environment, which influences domestic monetary policy decisions. The report also highlights the need to reset the anchor on price developments, reflecting ongoing challenges in managing inflation. [Link](#)

Daily Monetary Operations – 2024-10-17

The South African Reserve Bank (SARB) published a daily monetary operations report on 17 October 2024, highlighting updates in line with the new Monetary Policy Implementation Framework (MPIF). The report now includes three new columns: total quota amount, banks' amount within quota, and banks' amount in excess of quota. This

enhancement aims to provide clearer insights into the allocation and utilization of monetary resources by banks, reflecting their compliance with the established quotas.

[Link](#)

How the South African Reserve Bank moved inflation to 4.5 percent, and what it cost - by Lesetja Kganyago, Governor of the South African Reserve Bank

Lesetja Kganyago, Governor of the South African Reserve Bank, in a lecture on 17 October 2024, discussed lessons learned from managing inflation, particularly the move to a 4.5 percent target. Kganyago criticized the "transitory" inflation narrative and highlighted the effectiveness of aggressive monetary policies, noting that inflation in major economies decreased significantly without causing recessions, suggesting that central bankers created their own favorable outcomes. [Link](#)

Basel III regulations and financing decisions of non-financial firms: the South African evidence

The study investigates the effects of the Basel III regulatory framework on financing decisions in South Africa's real sector, analyzing 2,045 firm-year observations from 2011 to 2015 using a difference-in-differences approach. It finds a significant reduction in debt financing and debt maturity for firms classified as "constrained" compared to "unconstrained" firms after Basel III's implementation. The results indicate that Basel III has a lasting impact on financing choices, leading to decreased leverage and shorter debt maturity, particularly affecting constrained firms more severely. [Link](#)

Grey list: Regulators target trusts and NGOs in compliance drive

According to the article, South African regulators are increasingly targeting trusts and NGOs in a compliance drive to remove the country from the Financial Action Task Force's grey list by February 2025. The onerous requirements include rigorous "know-your-customer" and beneficial ownership registration processes, with only about 10 percent of trusts compliant. The Department of Justice has set a deadline of 15 November 2024, for filing beneficial ownership registers. Experts stress the importance of addressing compliance issues to improve South Africa's global financial reputation.

[Link](#)

Prudential Communication 12 of 2024 - Minimum readiness and attestation requirements for the implementation of FRTB and CVA

Prudential Communication 12 of 2024 outlines the requirements for South African banks to implement the Basel Committee's revised market risk and credit valuation adjustment frameworks by 01 July 2025. Banks must submit an implementation readiness approval to the Prudential Authority (PA), detailing minimum requirements, governance processes, and post-implementation reviews. They are encouraged to utilize their resources effectively and address any challenges proactively. For further assistance, banks can contact the PA Market Risk Division. [Link](#)

2023/24 Financial Intelligence Centre Annual Report

The Financial Intelligence Centre (FIC) of South Africa released its annual report for the 2023/24 financial year, highlighting significant achievements in combating financial crime. The FIC contributed to the recovery of ZAR98.5 million in criminal proceeds during 2023/24 by providing financial intelligence to law enforcement and other competent authorities for their investigations, prosecutions and applications for asset forfeiture. [Link](#)

Briefing by the Information Regulator on Annual Report

The Information Regulator provided a briefing on its Annual Report, detailing performance and spending for the first and second quarters of 2024/25. The session

included discussions on forward funding proposals for the 2025 Medium-Term Expenditure Framework (MTEF). Key highlights included the regulator's achievements, challenges faced in implementing its mandate, and financial allocations aimed at enhancing data protection and privacy initiatives. [Link](#)

2023/24 Integrated Report - Financial Sector Conduct Authority (FSCA)

The Financial Sector Conduct Authority (FSCA) highlights the regulator's initiatives and performance in shaping South Africa's financial landscape in its recent 2023/24 Integrated Report. It emphasizes the FSCA's commitment to ensuring a fair and stable financial market, enhancing consumer protection, and promoting transparency. [Link](#)

International

APRA releases quarterly insurance statistics for June 2024

The Australian Prudential Regulation Authority (APRA) has released its quarterly insurance statistics for the June 2024 quarter. The publications include comprehensive data on three sectors: general insurance, life insurance, and private health insurance, offering insights into financial performance, capital adequacy, and other key metrics. [Link](#)

It's good to be different: the new FCA supervisory strategy for the financial advice sector - Consumer Duty Alliance event

Nick Hulme from the Financial Conduct Authority (FCA) outlined a new supervisory strategy for the financial advice sector, emphasizing a shift towards an outcomes-based regulatory approach. The strategy focuses on three key areas: reducing serious harm, monitoring under the Consumer Duty, and reviewing advice guidance boundaries. Hulme highlighted the importance of flexibility for firms to innovate and improve client outcomes, particularly in retirement income and ongoing advice, while committing to increased engagement with industry stakeholders. [Link](#)

APRA publishes 2023-24 Annual Report

The Australian Prudential Regulation Authority (APRA) has published its Annual Report for the 2023-24 financial year. In the past year, APRA focused on systemic risks, operational risk management, and the impact of geopolitical uncertainties. APRA also prioritized the banking sector's resilience, learning from global banking challenges, and maintained macroprudential settings to safeguard financial stability. Overall, APRA's report underscores its proactive measures to enhance the resilience of the financial system amid evolving challenges, including geopolitical risks and operational threats. [Link](#)

FCA launches premium finance market study alongside new Government insurance taskforce

The Financial Conduct Authority (FCA) has launched a competition market study to assess whether consumers borrowing for motor and home insurance are receiving fair deals, amid rising prices. With over 20 million people using premium finance, which has average rates of 20-30 percent, the FCA is concerned about its value. The study will evaluate product fairness, customer awareness, and competition barriers. Additionally, the Government has initiated a motor insurance taskforce to explore actions to stabilize premiums while ensuring adequate coverage. An interim report is expected in the first half of 2025. [Link](#)

A new approach to financial advice regulation – Financial Conduct Authority

The Financial Conduct Authority (FCA) is shifting its regulatory approach to focus on good client outcomes and flexibility, engaging in open dialogue with the industry as the financial advice sector is adapting to significant changes, including an ageing population

and evolving client engagement, particularly among younger generations. Key initiatives include reducing harm, monitoring standards under the Consumer Duty, and addressing the advice gap through the Advice Guidance Boundary Review. [Link](#)

Ten years of FCA innovation: impact and opportunity

The Financial Conduct Authority (FCA) 10th anniversary event, Jessica Rusu announced the launch of an AI Lab, enhancing their Innovation services. Reflecting on the past decade, she highlighted the UK's growth in FinTech. Project Innovate has evolved significantly, now encompassing data and technology to foster innovation and regulatory solutions. [Link](#)

FCA welcomes buy now pay later consultation

The Financial Conduct Authority (FCA) welcomes the government's consultation on regulating currently-exempt buy now pay later (BNPL) products, advocating for their inclusion under its oversight. While BNPL offers benefits like flexible payment options, it also poses risks. The FCA plans to consult on its regulatory framework, ensuring consumer protection through clear information and affordability checks. Firms will need to apply for authorization, and a temporary permissions regime will allow continued operations during the application process. The FCA has already secured changes to unfair contract terms in BNPL agreements. [Link](#)

Market developments

Absa seeks to change its image through technology

According to the article, Absa is actively transforming customer perceptions of its retail banking services through significant investments in technology. The bank is now enhancing its operations with a focus on digital solutions. This shift includes adopting a new brand identity that emphasizes customer engagement and responsiveness, as well as integrating advanced technologies like conversational AI to improve customer experience. By embracing digitalization, Absa aims to redefine its service offerings and strengthen its competitive position in the banking sector. [Link](#)

KPMG South African Insurance Industry Survey 2024

The KPMG South African Insurance Industry Survey 2024 highlights the financial performance of several non-life insurers, life insurers and reinsurers. The survey provides insights into market trends, operational efficiencies, and the impact of regulatory changes. It emphasizes the importance of innovation and technology in enhancing customer experience and operational resilience. The findings aim to guide industry stakeholders in navigating the evolving landscape of the insurance sector. [Link](#)

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