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## KPMG in South Africa

Regulatory Updates for the week ended 23 August 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

##### The upcoming Jibar transition

The Deputy Governor of the South African Reserve Bank (SARB), delivered opening remarks at the Market Practitioners Group (MPG) Conference on 21 August 2024. He enunciated about SARB transitioning from the Johannesburg Interbank Average Rate (Jibar) to the South African Rand Overnight Index Average (ZARONIA) as the new reference rate. ZARONIA is a more reliable, transaction-based benchmark. The SARB is committed to discontinuing Jibar by the end of 2026, urging market participants to actively transition. Structural differences between the rates will require adjustment spreads to achieve economic equivalence. Determining the appropriate spread is complex, considering changes in Jibar behavior. Regulatory measures may be needed for "tough legacy contracts" that cannot transition before Jibar ceases. [Link](#)

##### Draft directive for conduct within the national payment system in respect of payroll deductions

The South African Reserve Bank (SARB) has released a draft directive concerning payroll deductions, aimed at enhancing the regulatory framework for payment systems.

This directive outlines that payroll deductions may only include those mandated by law, court orders, collective agreements, arbitration awards, and employer-employee relationships. Employers must obtain written consent from employees, ensuring deductions benefit them without exploitation. Third-party deductions require annual approval from the SARB, which will monitor compliance and necessitate annual reporting of deductions. Non-compliance is considered an offence under the NPS Act. The directive will take effect six months post-publication, allowing time for transition, and those uncertain about compliance should consult the SARB's National Payment System Department. [Link](#)

## International

### **FCA calls on insurers to ensure they demonstrate fair value and good customer outcomes**

The Financial Conduct Authority (FCA) has called on insurers and brokers to ensure they provide fair value and good customer outcomes. While governance and oversight have improved, many firms still struggle to demonstrate how they are delivering fair value. The FCA found issues with information sharing and identifying target markets. It emphasizes that insurers must make sure customers get fair value, and progress is still needed. The FCA has taken action on guaranteed asset protection (GAP) insurance, pausing sales and then allowing some firms to resume after product changes. The regulator will continue to intervene if insurers cannot prove they meet rules and provide fair value. [Link](#)

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## Market developments

### South Africa

#### **KPMG Pulse of Fintech Survey**

Pierre Fourie, Partner in Financial Services at KPMG Southern Africa discusses the findings of this report with Simon Brown. [Link](#)

#### **Standard Bank upbeat on SA and Africa operations**

Standard Bank's CEO Sim Tshabalala presented an optimistic outlook for South Africa and Africa's economies. The bank's economists found that 95 percent of foreign investors are looking to increase their exposure to South Africa, with 30 percent planning to do so within the next 3 months. This reflects improved perceptions of South Africa since the election. Standard Bank's earnings increased 17 percent in constant currency terms for the first half of 2024, though this translated to just 4 percent in rand terms due to significant currency devaluations in some of its African markets. Overall, the bank's leadership sees positive signs for the South African and broader African economic environments. [Link](#)

#### **Capitec sees next growth chapter in SA business**

According to the article, Capitec Bank is expanding its focus beyond retail customers to target small and medium-sized businesses and build an insurance business. The bank sees massive growth opportunities in South Africa, especially with the new government of national unity. Capitec also aims to boost its share of services like prepaid cell phone airtime and electricity vouchers. In the long term, the bank plans to use its recent acquisition of Avafin Holding to drive international expansion. [Link](#)

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## FinWatch



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