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Regulatory Updates for the week ended 25 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.

Regulatory developments

South Africa

From deliberate sample to representative sample: pilot study for the BER inflation expectations survey
The South African Reserve Bank (SARB) published the working paper titled "From deliberate sample to representative sample: pilot study for the BER inflation expectations survey" by Monique Reid, Dieter von Fintel, and Anis Foresto discusses the evolution of the Bureau for Economic Research's (BER) inflation expectations survey since South Africa adopted inflation targeting in 2000. *Link*

Regulation and bank lending in South Africa: a narrative index approach
The South African Reserve Bank (SARB) published a working paper on regulation and bank lending in South Africa which examines the impact of macroprudential and financial inclusion regulations on bank lending in South Africa. It finds that macroprudential policies effectively increase interest rates on unsecured loans while decreasing rates for secured and mortgage lending. Conversely, inclusion-focused regulations raise unsecured lending rates and reduce growth in unsecured loans to households. The study concludes that these regulatory approaches largely overlap

rather than contradict each other, highlighting the complexities of achieving both financial stability and inclusion. *Link*

Digital Fraud Workshop - The Financial Sector Conduct Authority (FSCA)
The Financial Sector Conduct Authority (FSCA) hosted a Digital Fraud Workshop last week with industry leaders, including ICASA, to enhance fraud prevention strategies. Key organisations such as SABRIC, BankservAfrica, and SAFPS collaborated to discuss innovative methods to combat fraud and protect consumers. This workshop reflects a collective commitment to safeguarding the financial sector against emerging threats, emphasizing the importance of collaboration among regulators and industry stakeholders in addressing fraud effectively. *Link*

FASB Names Two New Members to Its Investor Advisory Committee
The Financial Accounting Standards Board (FASB) has appointed two new members to its Investor Advisory Committee (IAC): Alex Barros, Executive Vice President and Portfolio Manager at Nippon Life Global Investors Americas, and Clinton Chang, Vice President at Morgan Stanley. The IAC, which focuses solely on investor perspectives, advises the FASB on accounting standards and emerging trends. Barros brings expertise in large cap equities, while Chang specializes in accounting and tax policy, enhancing the committee's insights into financial reporting issues affecting investors. *Link*

Prudential Communication 13 of 2024 - Regulatory returns submission management Umoja Project Phase 2
The Prudential Authority (PA) has updated financial institutions regarding the readiness for regulatory returns submissions through the Umoja platform, part of Umoja Project Phase 2. This communication targets insurers and banks, stressing the importance of developing strategic programs to meet submission deadlines. Institutions are urged to participate in data modeling processes and prepare for machine-to-machine submissions. Further guidance on specific return components will be provided as it becomes available. *Link*

Two-pot: How does it affect preservation funds?
According to the article, the two-pot retirement system, implemented on 01 September 2024, allows existing preservation fund members to have a vested pot and a savings pot, while new contributors will have two components. Members can make one withdrawal from the savings pot each tax year, but should limit withdrawals to emergencies to avoid significant losses at retirement. *Link*

D5 - 2024 - Loss absorbency requirements for additional tier 1 and tier 2 capital instruments
The South African Reserve Bank (SARB) directive mandates banks to align additional tier 1 and tier 2 capital instruments with loss absorbency requirements, ensuring compliance with specified trigger events. These instruments must convert to equity or be written off at the Prudential Authority CEO's discretion. This replaces Guidance Note 6 of 2017 and aligns with Basel III and Financial Sector Laws Amendment Act provisions. Banks must specify conversion terms, including share calculations and pricing, and ensure instruments meet statutory and contractual requirements. *Link*

Emerging Market Finance: Fostering progress and leveling the playing field
Deputy Commissioner Farzana Badat represented the Financial Sector Conduct Authority (FSCA) at Bloomberg's fourth Global Regulatory Forum in New York City this week. With over 150 business and policy leaders in attendance, Farzana participated in a panel titled "Emerging Market Finance: Fostering progress and leveling the playing field." She discussed the critical role of regulators in emerging economies, highlighting

advancements in financial systems while addressing existing gaps between emerging and developed markets. *Link*

The upcoming debate on confidentiality and beneficial ownership
The South African Institute of Chartered Accountants (SAICA) released an article on the debate on confidentiality and beneficial ownership which is intensifying in South Africa as the Companies and Intellectual Property Commission (CIPC) pushes for public access to beneficial ownership registers. These registers, containing sensitive personal information about individuals controlling legal entities, are currently restricted to law enforcement. A new amendment will allow public access for a fee, raising concerns about privacy amidst rising incidents of data misuse. The balance between transparency and personal information protection remains delicate, necessitating further discussions with businesses before implementation. *Link*

SA regtech market to hit ZAR5.3bn amid greylisting woes
South Africa's regulatory technology (regtech) market is projected to grow by 27.7 percent annually, reaching $302.31 million (ZAR5.3 billion) in 2024, and $705.75 million (ZAR1.25 trillion) by 2029. This growth is driven by increasing regulatory complexity and the urgent need for compliance following the country's grey listing by the Financial Action Task Force. Financial institutions are adopting regtech solutions to enhance anti-money-laundering efforts, with partnerships forming to improve compliance efficiency, illustrated by Synthesis's work with TymeBank. *Link*

Other Southern Africa

Notice To Auditors & Audit Firms
The Botswana Accountancy Oversight Authority reminds all Certified Auditors and Audit Firms that the deadline for renewing registration for 2025 is 31 December 2024. Late renewals will incur a 50 percent penalty on fees. Auditors must complete specific forms based on their classification and provide evidence of Continuing Professional Development. Completed forms and documents should be submitted to the Authority's offices or via email. Non-compliance may result in sanctions under the Financial Reporting Act. *Link*

BoN Hosts Thought Leadership on Innovation and Sustainability
The Bank of Namibia (BoN) hosted a thought leadership event titled “Leveraging Innovation for Green Finance” in Windhoek, marking a significant step towards integrating sustainability into the financial system. The event unveiled a Sustainability Framework designed to guide financial institutions in addressing climate-related risks and promoting low-carbon investments. Governor Johannes Gawaxab emphasized the necessity of embedding sustainability at all levels to ensure long-term economic resilience, highlighting the framework as a foundation for innovation and collaboration to tackle pressing challenges like climate change and inequality. *Link*

International

Changes to OTC derivative transaction reporting are now in effect
Australian Securities and Investments Commission (ASIC) Derivative Transaction Rules (Reporting) 2024 have replaced the previous 2022 rules as of 21 October 2024. These new rules aim to align with international reporting standards, consolidate transitional provisions, and ensure that reporting requirements are effective. Following extensive public consultations, ASIC has engaged with the industry to address implementation issues. A measured compliance approach will be adopted until March 2025 for entities making reasonable efforts to comply. The changes are expected to enhance the quality and usability of OTC derivative transaction data for regulatory purposes. *Link*

ASIC annual report underscores transformation
Australian Securities and Investments Commission (ASIC) 's annual report for 2023–24 highlights significant progress in its transformation program, focusing on consumer protection and regulatory enforcement. Chair Joe Longo noted achievements such as the first civil penalty for greenwashing and increased investigations by 25 percent. The agency removed over 7,300 investment scams, aiding more than 11 million Australians through its Moneysmart website. Despite these successes, Longo acknowledged ongoing challenges and leadership changes, emphasizing ASIC's commitment to evolving and addressing emerging threats in the financial landscape. *Link*

FCA cracks down on illegal finfluencers
The Financial Conduct Authority (FCA) is intensifying its crackdown on illegal finfluencers, interviewing 20 individuals under caution for potentially promoting financial services products unlawfully. With a significant number of young people following and trusting these influencers, the FCA emphasizes the risks involved, as many finfluencers lack proper qualifications. In addition, the FCA has issued 38 alerts against social media accounts for unlawful promotions. Consumers are urged to consult the FCA's warning list before making investment decisions to protect their finances. *Link*

The FCA and Practitioner Panel 2023/24 survey findings
The Financial Conduct Authority (FCA) and Practitioner Panel have released the findings from their 2023/24 survey of regulated firms, revealing that over three-quarters of firms report a high level of satisfaction with the FCA's performance, an increase from previous years. However, firms highlighted areas for improvement, including enhancing growth facilitation, ensuring proportionality in new initiatives, and streamlining data collection processes. The FCA is committed to addressing these concerns and plans to simplify its rulebook and improve engagement with smaller firms to foster a thriving financial services market. *Link*

APRA amends operational risk financial requirements for superannuation trustees
The Australian Prudential Regulation Authority (APRA) has amended the prudential requirements for superannuation trustees regarding operational risk financial requirements (ORFR) under Prudential Standard SPS 114. These changes aim to enhance operational resilience by improving access to financial resources for ORFR and ensuring adequate reserving. Key updates include clarifying the ORFR's purpose, expanding its allowable uses, establishing a direct link with Prudential Standard CPS 230, and simplifying notification requirements. The amended SPS 114 will take effect on 01 July 2025. *Link*

FCA publishes results of non-financial misconduct survey
The Financial Conduct Authority (FCA) conducted a survey of over 1,000 investment banks, brokers, and wholesale insurance firms revealed an increase in reported allegations of non-financial misconduct from 2021 to 2023. Bullying and harassment (26 percent) and discrimination (23 percent) were the most common concerns, while a significant portion (41 percent) fell into an 'other' category. The FCA aims to help firms benchmark their reporting processes and improve workplace culture, emphasizing that transparency is crucial for addressing misconduct and maintaining trust within the financial sector. *Link*

Market developments

South Africa

Standard Bank hunts for SA sales as it leverages Liberty's impressive data, 2000 advisors
According to the article, Standard Bank is focusing on increasing its sales in South

Africa by leveraging Liberty's extensive resources, particularly its 2,000 tied advisors. Liberty CEO Yuresh Maharaj plans to integrate these advisors with Standard Bank's approximately 800 financial advisors and 1,000 relationship bankers. This collaboration aims to enhance the sales of insurance and investment products, creating a more robust financial services offering in the region and capitalizing on the strengths of both organisations. *Link*

Crypto-purchase restrictions by Capitec
According to the article, Capitec's recent decision to restrict customers from sending funds to crypto exchanges has sparked backlash from South Africa's crypto community. The bank claims this move is to protect clients from fraud, promoting its Capitec Pay as an alternative. Critics argue that this method is more expensive and infringes on customer rights., Some banks, such as TymeBank, remain crypto-friendly. *Link*

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