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KPMG in South Africa

Regulatory Updates for the week ended 25 September, 2020

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](#)
- [Market developments](#)

Regulatory developments

National Treasury commences shortlisting process for the positions of Commissioner and Deputy Commissioners of the FSCA

National Treasury published a notice highlighting the Financial Sector Conduct Authority's (FSCA's) announcement of the need to appoint a new Commissioner and up to four Deputy Commissioners, in terms of the Financial Sector Regulation Act, 2017 (Act 9 of 2017) (FSR Act). [Link Link](#)

SARB publishes composite business cycle indicators: September 2020

The South African Reserve Bank (SARB) released data and information on the composite business cycle indicators of South Africa for the period of September 2020. [Link](#)

FSCA releases COVID-19 related communication to managers of collective investment schemes on approval of supplemental deeds

The FSCA published a communication notice outlining certain processes related to the approval of supplemental deeds on effective amendments and to establish additional portfolios on Collective Investment Schemes (CIS). [Link](#)

PA releases financial conglomerate designation criteria

The Prudential Authority (PA) of South Africa, under the FSR Act, released a publication on

the financial conglomerate designation criteria. The publication covers information on the country's financial conglomerates and their designations, characteristics of the eligible financial institutions required to be considered while designing a financial conglomerate, exemptions, etc. [Link Link](#)

PA releases communication 5 of 2020: FSI 2.2 iterative approach

The PA, with respect to its 2018 Prudential Standard: 'FSI 2.2 (FSI 2.2)' on requirements for valuing technical provisions for purposes of assessing regulatory financial soundness, released Guidance Notice: 'FSI 2.2(GN 2.2)' to assist insurers in complying with the requirements of FSI 2.2. The PA discusses the iterative approach that insurers may follow while calculating their Solvency Capital Requirement (SCR) and risk margin under such approach. Through this guidance note, the PA also intends to publish additional guidance on the application process to utilise the iterative approach methodology. [Link Link](#)

PA releases Directive and Guidance Note on 'Completion and submission of return relating to operational risk (Form BA 410)'

The PA released a Directive (D6/2020) on completion and submission of returns relating to operational risk, under section 6(6) of the Banks Act, 1990 (Act 94 of 1990). This Directive has replaced the earlier 'Directive 11 of 2013' and 'Directive 5 of 2018'. It aims to direct banks, controlling companies and branches of foreign institutions to submit their quarterly form, 'BA 410', within 20 working days after each relevant quarter-end on a bank solo basis and within 30 working days after each relevant quarter-end on a bank consolidated and controlling company consolidated basis. It has also published a Guidance Note (G9/2020) on 'Operational risk practices: Completion and submission of form BA 410', to ensure consistency in terms of operational risk reporting across the banking sector of SA. [Link Link Link Link Link Link](#)

Updates from other parts of Africa

SEC Zimbabwe releases its Annual Report 2019

The Securities and Exchange Commission of Zimbabwe (SECZ) released its 2019 Annual Report. The report includes the strategic focus areas of the regulator, its 2019 highlights, organisational structure and resources, Chief Executive's Report, corporate finance-related actions, capital markets risk assessment, etc. [Link](#)

PIA Zambia releases Annual Report 2019

The Pensions and Insurance Authority (PIA) Zambia released its 2019 Annual Report. The report covers the PIA's strategic plan for FY19–21, financial performance, strategic project updates, highlights on the country's pension, insurance and reinsurance industries, etc. [Link](#)

Market developments

International

FCA media release: First firms to begin to move to new data collection platform, RegData

The Financial Conduct Authority (FCA) has recently announced that UK-based financial services firms will be moved from Gabriel to RegData during mid-October 2020. These firms will thereafter be able to complete their regulatory reporting on RegData. The transition would be performed by the FCA in stages, based on the firms' reporting requirements. [Link](#)

Bank of England media release: Why do firms need to accelerate the transition from LIBOR benchmarks?

The Bank of England published a media release defining the purpose of Bank Overground to share its internal analysis. It has also highlighted how the current market volatility in response to the COVID-19 pandemic has further showed the London Interbank Offered Rates' (LIBOR's) weaknesses as an interest rate benchmark. It has also advised the financial service providers to shift from LIBOR to new alternate reference rates by the end

of 2021. [Link](#)

Bank of England's statement on the European Commission's decision on central counterparties

The Bank of England published an article welcoming the European Commission's adoption of the equivalence decision on the future UK legal and supervisory framework for central counterparties (CCPs). The decision will avoid EU financial firms having to exit UK clearing houses before the end of the year, which would have led to the transfer and replacement of large number of contracts in a short period. [Link](#)

Bank of England's initiatives to help individuals and businesses in faster and cost effective cross-border payments

The Bank of England published an article to improve its current cross-border payments in the financial services sector, to benefit individuals, businesses and the wider economy. It is also supporting the international regulatory efforts to enhance cross-border payments and renew its Real-Time Gross Settlement payments infrastructure. [Link](#)

Basel Committee approves annual G-SIBs assessment, updates workplan to evaluate post-crisis reforms

The Basel Committee on Banking Supervision (BCBS) published a media statement on COVID-19 related risks in the banking system, reiterating the importance of using capital and liquidity buffers. It has approved annual assessment excise for global systemically important banks (G-SIBs). It has also updated its workplan to evaluate its post-crisis reform to incorporate lessons learned from the COVID-19 crisis. [Link](#)

BIS working paper: Fintech and big tech credit — A new database

The Bank for International Settlements (BIS) published a working paper on fintech and big tech credit, where it has assembled and updated available data on fintech and big tech credit volumes for 79 countries during 2013–19. It has also extended the access to such databases for researchers, policymakers and practitioners. [LinkLink](#)

ASIC and IOSCO report on conflicts of interest within debt capital raising process

The Australian Securities and Investments Commission (ASIC) has issued a report (REP 668) on allocation in debt capital market (DCM) transactions, that outlines its findings from the surveillance of market practices in DCM transactions and sets out better practice guidelines, including the ASIC's expectations that Australian Financial Service (AFS) licensees:

- Would identify and manage the potential conflicts of interest while making allocation recommendations.
- Have effective policies and procedures to identify and manage confidential and market-sensitive information.
- Have processes to ensure that the information provided to issuers and investors are accurate and not misleading or deceptive.
- Have active and effective supervision and monitoring for DCM transactions. [Link Link](#)

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