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## KPMG in South Africa

*Regulatory Updates for the week ended 28 August, 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

#### **SARB publishes media release on Interchange Determination Project: Review of the interchange determination process**

The National Payment System Department of the South African Reserve Bank (SARB) released communication to announce the launch of the Interchange Determination Project — to review the interchange determination process. The project aims to facilitate the process of determining interchange in the South African market following Recommendation 8 of the Banking Enquiry Report, issued by the Competition Commission of South Africa in June 2008. [Link Link](#)

#### **SARB releases the composite business cycle indicators for August 2020**

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The SARB released the composite business cycle indicators — August 2020 edition, with data captured for the period of January–June 2020. A few highlights include:

- The composite leading business cycle indicator increased by 2.7 percent in June 2020
- The composite coincident business cycle indicator decreased by 0.8 percent on a month-to-month basis in May 2020 as compared to April 2020
- The composite lagging business cycle indicator increased by 4.4 percent on a month-to-month basis in May 2020 [Link](#)

#### **SARB publishes terms of reference of the work streams of the Market Practitioners Group**

The SARB released a report on the establishment of terms of reference for work streams of the Markets Practitioners Group (MPG). The MPG will function alongside other structures, such as the Financial Markets Liaison Group — that has an interest in the work of the MPG. To execute its mandate as set out in its Terms of Reference, the MPG has established work streams drawn from a diverse set of market practitioners. [Link](#)

#### **FSCA announces the resignation of Divisional Executive of Regulatory Policy**

The Financial Sector Conduct Authority (FSCA) announced the exit of Caroline da Silva, its current Divisional Executive of Regulatory Policy, to be effective on 31 October 2020. [Link](#)

#### **FSCA grants exemption in terms of section 7B(1) of Pension Funds Act, 1956**

The FSCA, under section 7B(1) of the Pension Funds Act, 1956 (Act 24 of 1956), read with section 281(3) of the Financial Sector Regulation Act, 2017 (Act 9 of 2017) (FSR Act), exempted the funds listed in Annexure A of the notice from the provisions of section 7A(1) of the Pension Funds Act, to the extent set out in the schedule. [Link Link Link](#)

#### **FSCA to put forward proposals on Business Interruption insurance test case**

Insurance Claims Africa has mentioned in a media statement that the FSCA has requested SA insurers and other interested parties to put forward their proposals on Business Interruption (BI) test cases by 14 September 2020. Some other jurisdictions, including the UK and Ireland have already taken test cases related to BI insurance claims. [Link](#)

#### **PA releases Directive (D4 of 2020): Capital framework for SA-based on the Basel III framework**

The Prudential Authority (PA) of South Africa released a new Directive (D4 of 2020), publishing amendments related to the regulations of SA banks on the prescribed minimum requirement capital ratios and various components of the capital requirements — that were effective from 1 January 2013. The capital requirements include the systemic risk capital requirement (Pillar 2A), the domestic systemically important bank (D-SIB) capital requirement, the countercyclical buffer (CCyB) range and the capital conservation buffer range. This directive replaces the previous one i.e., D6 of 2016, issued in November 2016. [Link Link](#)

#### **PA releases circular on disclosure of capital related matters**

The PA issued circular (C3 of 2020) on disclosure of capital related matters of SA banks, in terms of section 6(4) of the Banks Act, 1990. The circular aims to provide clarity to banks, controlling companies, branches of foreign institutions and auditors of banks or controlling companies regarding the need of provision of the capital-related public disclosures in terms of regulation 43 of the Regulations relating to Banks, read with Directive 1/2019. The areas addressed in the regulatory update includes composition of regulatory capital, minimum required capital (MRC) ratio, the total amount of capital to be disclosed and the domestic systemically important bank (D-SIB) add on. [Link Link Link](#)

#### **PA releases form to report any illegal deposit-taking scheme**

The PA released a draft form for its stakeholders and the public to formally report the presence of any illegal deposit-taking schemes in the SA financial services sector. [Link](#)

#### **Ombudsman for Long-Term Insurance releases its August 2020 newsletter: Ombuzz Issue 44**

The Ombudsman for Long-Term Insurance (OLTI) published its August 2020 release of newsletter: Ombuzz Issue 44, with updates on premium reviews of Universal Life Policies. [Link](#)

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## **Market Developments**

## International

### **PRA releases update on temporary approach to VAR back-testing exceptions to mitigate pro-cyclical market risk capital requirements**

The Prudential Regulation Authority (PRA) released a statement on its decision to terminate its temporary approach to value at risk (VAR) back-testing exceptions from 30 September 2020. [Link Link](#)

### **PRA and FCA's Guidance on conclusion of the COVID-19 specific payment deferrals**

PRA published a statement that has clarified its approach to the International Financial Reporting Standard (IFRS 9) and capital requirements during the COVID-19 pandemic, in response to the updated Financial Conduct Authority (FCA) Guidance on retail mortgage payment deferrals. FCA has published a draft updated Guidance to provide tailored forbearance arrangements for mortgage lending firms that are impacted due to payment deferrals from borrowers. [Link Link](#)

### **FCA press release: Pension savers claim GBP30 million lost to scammers**

The FCA and the Pension Regulator have jointly recorded a loss of about GBP30.1 million (about ZAR684.1 million) reportedly lost due to pension scams since 2017, as per the complaints data filed with Action Fraud. According to the data, the scammers have targeted both pension big and small pension funds, with reported losses ranging from GBP1,000–0.5 million (about ZAR0.2–11.1 million). [Link](#)

### **APRA launches its quarterly newsletter: Issue Three 2020**

The Australian Prudential Regulation Authority (APRA) launched its third edition of quarterly newsletter with updates on:

- Operational resilience in financial services sector of Australia during the COVID-19 pandemic
- Management of super fund liquidity during COVID-19
- APRA's 2020 Insurtech Survey
- Liquidity in banking [Link](#)

### **ASIC issues guidance for AU Government's enhanced regulatory sandbox**

The Australian Securities and Investments Commission (ASIC) released guidance to assist innovative financial businesses test their products and services under the Australian Government's enhanced regulatory sandbox (ERS), which is scheduled to commence on 1 September 2020. [Link](#)

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