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## KPMG in South Africa

*Regulatory Updates for the week ended 03 April, 2020*

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### Regulatory Developments

#### **SARB publishes working paper: Competition in South African banking – An assessment using the Boone Indicator and Panzar-Rosse approaches**

The South African Reserve Bank (SARB) published a working paper on 'Competition in South African banking – An assessment using the Boone Indicator and Panzar-Rosse approaches', which has used the Boone indicator and the Panzar-Rosse H-statistic, to assess competition in the South African banking sector. [Link Link](#)

#### **SARB publishes working paper: Developments in bank funding costs in SA**

The SARB published a working paper on 'Developments in bank funding costs in South Africa', which provides an assessment of developments in South African bank funding costs since the global financial crisis. [Link Link](#)

#### **SARB and PA take steps to ease bank lending**

The South African banking regulators have published proposals to drop the minimum capital requirements and compulsory reserve funds for lenders to boost credit to counter the economic risks caused by the coronavirus pandemic. The Prudential Authority (PA) has decided to implement measures to reduce the current minimum requirements of capital and reserve funds

that the SA-based banks need to maintain. All banks are required to comply with the capital and reserve requirements as prescribed by the PA.

#### **SARB publishes fees payable for applications made under Insurance Act, 2017**

The SARB published a communication notice on fees payable for applications made under Insurance Act, 2017 (Act 18 of 2017). The notice aims to provide consumers with an update on matters pertaining to payment of fees, in line with the previous publication of the PA on fees payment, published on 6 March 2019. [Link Link](#)

#### **FSCA published a statement on insurers performing medical underwriting during lockdown period**

The Financial Sector Conduct Authority (FSCA) published a media statement on insurers performing medical underwriting during the period of nation-wide lockdown in South Africa. The Association for Savings and Investment South Africa (ASISA) also published a media statement on the impact of COVID-19 on the long-term life insurance industry. The long-term insurance members of the ASISA supported the statement issued by the FSCA against collection of blood samples and conducting medical examinations as part of the underwriting process for new businesses. According to the FSCA, conducting such operations does not qualify as an essential service and must be avoided. [Link Link Link](#)

#### **FSCA published on impact of COVID-19 on compliance with various requirements of FMA**

The FSCA, on account of sudden outbreak of COVID-19, hereby communicates arrangements in respect of extending the compliance period with various requirements as set out in Financial Markets Act, 2012 (Act 19 of 2012). These fall under Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002), Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002), Pension Funds Act, 1956 (Act No. 24 of 1956), Long-term Insurance Act, 1998 (Act No. 52 of 1998), Friendly Societies Act, 1956 (Act No. 25 of 1956) and Short-term Insurance Act, 1998 (Act No. 53 of 1998), to mention a few. [Link Link](#)

#### **FSCA published e-newsletter – March 2020 edition**

The FSCA published the March 2020 edition of its e-newsletter, which covers regulatory actions taken during the period, including the aspect of sudden outbreak of COVID-19 in South Africa. [Link](#)

#### **FSCA announced extension of the period of debt listing requirements of the JSE**

The FSCA extended the period of debt listing requirements of the Johannesburg Stock Exchange (JSE) until 30 April 2020. [Link](#)

#### **FSCA publishes notice on exemption from and extension of period to comply with fit and proper requirements, 2020**

The FSCA under the Financial Advisory and Intermediary Services Act, 2002 (FAIS Act 37 of 2002), published a notice with respect to the exemption from and extension of the period to comply with fit and proper requirements, 2020. [Link Link Link](#)

#### **FSCA publishes notice on expectations on insurers and FSPs regarding premium collection of assistance business policies (funeral policies)**

The FSCA issued a communication notice, which sets out its expectations on the culture and responsibilities of insurers and financial services providers in respect of premium collection of funeral policies during the period of crisis – re-occurred due to sudden outbreak of COVID-19 in South Africa. [Link](#)

#### **New head of Banking Association South Africa steps down**

Cas Coovadia, the existing head of the Banking Association of South Africa stepped down and has been replaced by Bongwiwe Kunene, who has been appointed as the new managing director. Kunene's term will commence on 1 April 2020. [Link](#)

#### **NCR publishes public notice on extension of business days**

The National Credit Regulator (NCR) published an extension of their business days, in reference to the National Credit Act, 2005 (Act 34 of 2005) (NCA). According to Regulation 3 of NCA, the NCR can, on good cause shown, extend the business days – as prescribed in the Act. [Link Link](#)

#### **FIC publishes on commencement and enforcement of Financial Intelligence Centre Act as amended by Financial Intelligence Centre Amendment Act**

The Financial Intelligence Centre (FIC) issued a public communication notice on the commencement and enforcement of Financial Intelligence Centre Act, 2001 (Act 38 of 2001),

as amended by Financial Intelligence Centre Amendment Act, 2017 (Act 1 of 2017). [Link](#) [Link](#)

#### **FIC publishes on issues pertaining to life insurance providers**

The FIC issued a public communication notice, which provides guidance on the FIC Act compliance obligations to all accountable institutions offering life insurance products. The FIC guided all accountable institutions to consider money laundering and terrorist financing risks while assessing a client's risk and conducting customer due diligence prior to the receipt or pay out of any money. [Link](#)

#### **Competition Commission to conduct 14<sup>th</sup> annual competition law economics and policy conference**

The Competition Commission South Africa announced its 14<sup>th</sup> annual competition law economics and policy conference, 2020 from 2-4 September 2020 in Gauteng, South Africa. [Link](#)

#### **Updates from other parts of Africa**

##### **Media statement: Reserve Bank of Zimbabwe provides essential banking services during lockdown**

On account of 21-days nation-wide lockdown due to sudden outbreak of COVID-19, the Reserve Bank of Zimbabwe released a notice to advise public on essential banking services, that will remain available during this period. [Link](#)

##### **Reserve Bank of Zimbabwe publishes on interventions in response to financial vulnerabilities caused by COVID-19**

The Reserve Bank of Zimbabwe published a media statement on additional measures to overcome the impact of COVID-19 on the Zimbabwean society and the economy. A few highlights include –

- Promotion of digital financing services to customers, which in turn will enhance confidence in the economy and assisting banks to play a critical role as systemic stabilisers of the economy during these unprecedented times
- The Monetary Policy Committee (MPC) increased the Medium Term Bank Accommodation Facility for supporting productive sector activities by an additional amount of about ZAR1237 million
- Reduced the Statutory Reserve Ratio from 5 percent to 4.5 percent, to free some funds to the banks – in order to enhance their lending activities [Link](#)

##### **FRC Mauritius publishes guidance to auditors on account of COVID-19**

The Financial Reporting Council (FRC) Mauritius published a guidance note to companies and auditors on financial reporting and auditing, to reduce the impact of COVID-19 in the economy. The guidance relates to components, such as liquidity risk management, restructuring plan, going concern and other financial reporting and auditing aspects that are likely to get impacted. [Link](#)

##### **S&P downgrades the sovereign credit rating for Botswana**

S&P Global Ratings released the 2020 results of sovereign credit rating for Botswana and has downgraded the country's sovereign credit rating for long-term foreign and domestic currency bonds from an 'A-' to 'BBB+'. However, it has retained the existing rating for short-term foreign and domestic currency bonds at 'A-2'. [Link](#)

##### **Reserve bank of Botswana published its response to the impact of COVID-19**

The Bank of Botswana, on account of sudden outbreak of coronavirus, has set out a few measures in its media statement. A few highlights include –

- Promotion of digital and mobile money transactions, setting out the maximum transaction limits
- Provision of capital relief and liquidity support to commercial banks
- Maintenance of payments, clearing and settlements of transactions through real-time gross settlement, also known as Botswana Interbank Settlement System (BISS) and Botswana Automated Clearing House (BACH)
- Compliance with existing frameworks on anti-money laundering and combating of the financing of terrorism (AML/CFT) [Link](#)

##### **Reserve Bank of Botswana published circular on regulatory treatment of IFRS 9 during**

### **COVID-19 pandemic**

The Reserve Bank of Botswana published circular to banks on guidance on the regulatory treatment of International Financial Reporting Standards 9 (IFRS 9) in the context of COVID-19. The guidance on regulatory treatment and risk management includes –

- Requirement of compliance with the accounting treatment of modified financial instrument as per IFRS 9
- Requirement of banks to correctly attribute loan quality ranking by assessing customer risk profile
- Requirement of banks to employ strong credit risk management practices to avoid unintended consequences, including liquidity stress and capital erosion [Link](#)

### **Reserve Bank of Botswana publishes on amendment of revised directive for banks**

The Reserve Bank of Botswana published circular to announce capital relief and additional liquidity support measures to support banks in addressing liquidity challenges during the period of COVID-19 pandemic. [Link](#)

### **NBFIRA Botswana publishes public notice on business continuity services during COVID-19**

The Non-Bank Financial Institutions Regulatory Authority (NBFIRA) of Botswana published notice related to business continuity perspective, where the NBFIRA mentioned of providing limited services to regulated entities and public, as set out in the notice. [Link Link](#)

### **CMA Kenya published guidance on market compliance**

The Capital Markets Authority (CMA) Kenya published guidance note to capital markets industry on compliance requirements during COVID-19 pandemic. In view of anticipated impact on financial services industry due to outbreak of COVID-19, the CMA issued this guidance note to enable various market players adhere to its compliance requirements throughout the period. [Link Link](#)

### **Bank of Uganda publishes measures to mitigate economic impact of COVID-19**

The Bank of Uganda, in order to limit the impact of COVID-19 on financial stability and economic growth, published a set of measures that it would undertake. A few highlights on the key measures include –

- To ensure that financial institutions under its supervision continue seamless operations
- To ensure that contingency plans by financial institutions guarantee safety of customers and staff
- To waive limitations on restructuring of credit facilities at financial institutions, that may be more vulnerable to risk [Link](#)

### **Reserve Bank of Zambia publishes prudential standard on systemically important banks**

The Reserve Bank of Zambia published prudential standard on framework for dealing with domestic systemically important banks. Domestic systemically important banks (D-SIB) is a local banking institution whose failure might lead to market-wide disruption in provision of financial services, generating negative externalities. [Link](#)

### **Reserve Bank of Zambia publishes measures to mitigate impact of COVID-19**

The Reserve Bank of Zambia, on account of sudden outbreak of COVID-19, announced a set of measures to reduce cash transactions and facilitate mobile money transactions in Zambia. The central bank has also put up a set of measures to safeguard its financial system and promote the usage of digital financial services. [Link Link](#)

### **Central bank of Swaziland published notice on banking sector during COVID-19 outbreak**

The Central Bank of Swaziland to curb the impact of COVID-19, published on expected banking services which would be available during the 20-days period of nation-wide lockdown in Swaziland. It also covers various measures suggested by the central bank to commercial banks, to reduce the impact of coronavirus in the economy. [Link Link](#)

### **Bank of Namibia released Annual Report 2019**

The Bank of Namibia published its Annual Report for 2019, highlighting its financial performance in 2019, as compared to 2018. [Link](#)

### **Bank of Namibia publishes on policy and regulatory changes during COVID-19 pandemic**

The Bank of Namibia published a media statement on immediate policy and regulatory

changes, in response to the impact by COVID-19 on the banking industry of Namibia. The regulatory and policy relief measures set out in the publication includes information related to – loan repayment moratorium, liquidity relief, capital conservation buffer and concentration risk limit/single borrower limit. [Link](#)

#### **SEC Ghana publishes notice on capital market operations**

The Securities and Exchange Commission Ghana (SEC Ghana) published public notice related to capital market operations during the outbreak of COVID-19. [Link Link](#)

## **Market Developments**

### **International**

#### **FCA publishes statement on senior managers and certification regime and coronavirus**

The FCA published a statement on account of supporting solo-regulated firms in the application process of SM&CR, who are impacted by the outbreak of COVID-19. All regulated firms can appoint more than one senior manager who can be responsible for their coronavirus response. The FCA also expects these regulated firms to allocate their responsibilities to manage risks. [Link](#)

#### **PRA's statement on deposit takers' approach to dividend payments, share buyback and cash bonuses in response to COVID-19**

The PRA welcomed decisions by the boards of large UK banks to suspend dividends and buybacks on ordinary shares until the end of 2020. It also mentioned the cancellation of payments of any outstanding dividends of 2019. The PRA also published a letter by Sam Woods, the head of PRA, to the UK-based insurers on distribution on profits. [Link Link Link](#)

#### **Joint PRA and HMT statement on delay to implementation of Basel 3.1 standard**

The PRA and Her Majesty's Treasury (HM Treasury) published joint statement on delay of implementation of the Basel 3.1 standards. [Link](#)

#### **Joint PRA and FCA statement on senior managers and certification regime and coronavirus**

The PRA and FCA published a joint statement on their approach to the senior managers and certification regime (SM&CR) for dual-regulated firms, with respect to outbreak of COVID-19. [Link Link Link](#)

#### **Basel Committee published measures to reflect the impact of COVID-19**

The BCBS has published a guidance note related to banks, that reflect the risk-reducing effect of the exceptional measures while calculating their capital requirements. The document sets out technical guidance related to –

- The exceptional measures introduced by government and banks to alleviate the impact of COVID-19
- Expected credit loss (ECL) accounting [Link Link](#)

#### **Basel Committee sets out additional measures to alleviate the impact of COVID-19**

The Basel Committee on Banking Supervision (BCBS) has set out additional measures to alleviate the impact of COVID-19 on global banking system, as set out in the press release. These measures support the provision of banks' lending to the real economy and provide additional operational capacity for banks and supervisors to respond to the immediate financial stability priorities. [Link](#)

#### **Basel Committee and IOSCO announce deferral of final implementation phases of margin requirements for non-centrally cleared derivatives**

The BCBS and the International Organization of Securities Commissions (IOSCO) will continue to monitor the impact of COVID-19 on global financial system. In line with managing risk associated with current market volatility, the BCBS and the IOSCO have agreed to extend the deadline for completing the final two implementation phases of margin requirements for non-centrally cleared derivatives, by one year. This extension will provide additional operational capacity for firms to respond to immediate impact of COVID-19, also facilitate covered entities to act appropriately and comply with the revised requirements of deadline. [LinkLink](#)

#### **APRA announces deferral of capital reform implementation**

The APRA announced of deferring its scheduled implementation of the Basel III reforms by one year. This decision further supports authorised deposit-taking institutions (ADIs) to dedicate time and resources to maintain their operations and support customers in response to COVID-

19. This approach is also consistent with the recent decision of the Basel Committee on Banking Supervision (BCBS) on deferring of the implementation of Basel III standards, from January 2022 to January 2023. [Link](#)

#### **APRA outlines changes in reporting obligations for ADIs and RFCs in response to COVID-19**

The APRA outlined temporary changes in reporting obligations for ADIs and registered financial corporations (RFCs) in response to COVID-19. The alterations have been made in collaboration with the RBA and the Australian Bureau of Statistics, intended to balance the requirements for entities to dedicate time and resource in order to maintain their operations and support customers. [Link](#)

#### **ASIC provides information on funeral expenses reform**

The ASIC issued information sheet for funeral expenses facilities providers. As per the updated regulations, the entities who sell funeral expenses facilities, are required to hold Australian financial services licence from 1 April 2020. [Link](#)

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### **Accounting standards update**

#### **Announcement of SAICA Annual General Meeting**

The South African Institute of Chartered Accountants (SAICA) announced its upcoming Annual General Meeting (AGM) of members, to be held at the SAICA offices in Johannesburg on 28 May 2020 at 9am. [Link](#)

#### **IRBA publishes notice on essential services**

The IRBA has received requests from audit and accounting firms to include audit and accounting under essential services. The IRBA has involved the Companies and Intellectual Properties Commission (CIPC) and studied the relevant regulations and pronouncements to take decisions and advise auditors and accountants on the matter. [Link](#)

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