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KPMG in South Africa

Regulatory Updates for the week ended 29 July 2016

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](#)
- [Accounting Changes](#)
- [The Inside Edge](#)

Regulatory Developments

Banking

SARB to focus on payment innovation

During the 2016 Payments Association of South Africa (PASA) International Conference, the South African Reserve Bank (SARB) announced its plan to focus on local payment industry innovation and development. The bank expects the country's financial sector legislation to include the introduction of new regulations as well as expanded oversight and supervision by various regulators, in order to protect the industry from the fraudsters. [Fin24](#)

SARB publishes Cooperative Banks Annual Report 2015/16

The South African Reserve Bank (SARB) published 'Cooperative Banks Annual Report 2015/16'. The report begins with an overview of the organizational developments at the South African Reserve Bank (SARB) in the period under review. It provides data and an analysis of the aggregated information of cooperative banks, as well as an overview of the interactions with stakeholders during that time. As per the report, the total income of the cooperative banking sector increased by 14,4 per cent from R10,2 million at the end of February 2015 to R11,7 million at the end of February 2016. Total assets increased by 13,1 per cent during the period, from R95,0 million to R107,4 million, which was mainly driven by growth in loans. Total capital also increased, by 30,1 per cent, from R9,7 million as at 28 February 2015 to R12,6 million as at 29 February 2016, which was attributed to increased retained earnings and reserves. [SARB](#)

Insurance

View of an insurance services provider on the Retail Distribution Review

An insurance services provider shared its views on the Re Retail Distribution Review (RDR). The company believes that though the timelines of RDR are expected to move further, this duration should be used by the brokers, underwriting management agents and insurers to be prepared with the impact that RDR will have on their business. Failure

to do so may result in non-compliance with the proposed new regulatory regime, and may result in the contravention of a regulatory requirement. RDR proposes an adviser categorization model to be informed by the FAIS competency framework currently under review. The framework aims to establish a balanced regulatory framework, ensuring that advisors and intermediaries acquire and maintain adequate levels of competence in product knowledge, professional standards and continuous professional development.

[Insurance Gateway](#)

Others

National Treasury publishes a document on the cost estimates of Twin Peaks

National Treasury published a documentation, providing an update on its views on feedback on the Financial Sector Regulation Bill. The document reported the findings of an impact study conducted by Treasury which included a cost projection of the new dispensation, and how it would be funded. As per the document, the total cost under the current institutional framework is R962 m, and the estimated initial costs under Twin Peaks institutional framework is R1,033 m. The initial increase to around R1 033 million represents an estimated 7.4% increase over the cost of the current institutional framework. The main increase is associated with the introduction of market conduct supervision of retail banking at the FSCA. Costs associated with the financial stability role of the Reserve Bank are also projected to increase. [Insurance Gateway](#)

National Credit Regulator raids the Northern Cape

The National Credit Regulator (NCR) conducted raids in the Northern Cape on the 28th – 30th June 2016 to find the credit providers who are contravening the National Credit Act (NCA). Places that were covered include areas surrounding Kimberly, Barkley West, Ritchie and Modder River. The NCR investigated 10 credit providers. This led to the arrest of four individuals who contravened the NCA. [NCR](#)

NCR issues a circular on alternative dispute resolution agents

The NCR issued a circular on Alternative Dispute Resolution (ADR) agents. As per the circular, it has come to the attention of the NCR that there are entities that operate as ADR agents for consumer complaints on credit agreements without being registered with the NCR. Hence, the credit providers are requested by the NCR not to provide consumer documents and information to, or interact with any, unregistered entities or persons. [NCR](#)

FSB issues its quarterly bulletin

The Financial Services Board (FSB) published its quarterly bulletin for the first quarter of 2015. The bulletin cover its focus areas, enforcement actions, key events, and the steps taken to strengthen South Africa's financial institutions. [FSB](#)

[To Top](#)

Market Developments

International

FCA issues a policy statement on financial crime reporting (UK)

The Financial Conduct Authority (FCA) issued a policy statement. The statement reports on the main issues arising from a consultation paper 'Introduction of financial crime reporting form' and publishes the final rules. In December 2015, the FCA had consulted on a proposal to introduce a financial crime return (REPCRIM). The proposal was set out in the consultation paper. This statement summarizes the responses received to the consultation, and FCA's view on these responses. It also presents the final rules and implementation timescale for the reporting requirement. [FCA Press Release](#), [Consultation Paper](#)

CPMI-IOSCO release guidance on cyber resilience for financial market infrastructures (International)

The Bank for International Settlements' Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) jointly published a Cyber Guidance report entitled 'Guidance on cyber resilience for financial market infrastructures' on 29 June 2016. The Cyber Guidance establishes internationally agreed guidance on cyber security for the financial industry. It aims to bring consistency to the industry's ongoing efforts to enhance its cyber resilience such as the

ability of the Financial Market Infrastructures (FMIs) to pre-empt cyber-attacks, respond rapidly and effectively to them, and achieve faster and safer target recovery objectives if the attacks succeed. The Guidance is built on the following themes:

- Board and senior management attention is critical to a successful cyber resilience strategy
- Ability to resume operations quickly and safely after a successful cyber-attack is paramount.
- FMIs should make use of good-quality threat intelligence and rigorous testing.
- FMIs should aim to instil a culture of cyber risk awareness and demonstrate ongoing re-evaluation and improvement of their cyber resilience at every level within the organization. [BIS-IOSCO Press Release; Guidance](#)

OECD report on AEOI, tax transparency project (International)

The Organization for Economic Cooperation and Development (OECD) presented a report to the finance ministers of the G20 countries at a 23-24 July meeting in Chengdu, China. The report provides an update of the tax transparency standards for the automatic exchange of information (AEOI) — the framework agreement for which bilateral exchange relationships are activated via a process of notifications.

The report states that 135 countries have committed to the AEOI process and 83 countries and jurisdictions have signed the multilateral competent authority agreement for AEOI.

[OECD Report](#)

[To Top](#)

Accounting Changes

FASB publishes proposed accounting standards update

The Financial Accounting Standards Board (FASB) published proposed accounting standards update. The purpose is to improve the usefulness of the information reported to users of employee benefit plan financial statements. The update relates primarily to the reporting by an employee benefit plan for its interest in a master trust. [FASB](#)

IPSASB Publishes IPSAS 39, 'Employee Benefits'

The International Public Sector Accounting Standards Board (IPSASB) published IPSAS 39, 'Employee Benefits', which will replace IPSAS 25, Employee Benefits, on January 1, 2018, with earlier adoption encouraged. This project was part of the IPSASB's strategy to maintain its existing standards, including updating them for relevant changes made to the equivalent International Financial Reporting Standards (IFRS).

[IFAC](#)

FASB issues proposed improvements to disclosure requirements for income taxes

The Financial Accounting Standards Board (FASB) issued a proposed Accounting Standards Update (ASU). The ASU is intended to enhance disclosure requirements on income taxes. The proposed ASU is part of the FASB's disclosure framework project, which aims to improve the effectiveness of disclosures in notes to financial statements by communicating the information that is important to users of a reporting organization's financial statements. The stakeholders are invited to review and provide comment on the proposal by 30 September 2016. [FASB](#)

ASB issues exposure drafts of proposed GRAP Standards on disclosure of interests in other entities; separate financial statements; consolidated financial statements; investments in associates and joint ventures; and joint arrangements

The Accounting Standards Board (ASB) issued exposure drafts of proposed Generally Recognized Accounting Practice (GRAP) Standards on the following:

- **Disclosure of interests in other entities:** The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated. The information should also evaluate the effects of those interests on its financial position, financial performance and cash flows. [Exposure Draft](#)
- **Separate financial statements:** The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

[Exposure Draft](#)

- **Consolidated financial statements:** The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. [Exposure Draft](#)
- **Investments in associates and joint ventures:** The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. [Exposure Draft](#)
- **Joint arrangements:** The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. [Exposure Draft](#)

[To Top](#)

The Inside Edge

South African Insurance Industry Survey 2016

KPMG has published the South African Insurance Survey 2016. The survey includes 14 pieces of thought leadership that specifically focus on various aspects touching the industry. Our connectivity with the market has ensured that the thought leadership that we share in this issue is topical, interesting, inspiring and most importantly, what you want to read. Whether you are interested in business, regulatory, tax or accounting topics – we have it covered in this edition. Please [click here](#) for the details.

[To Top](#)

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