



# KPMG Regulatory Centre of Excellence

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## KPMG in South Africa

*Regulatory Updates for the week ended 09 March, 2018*

### 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.

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## Regulatory Developments

### Banking

#### **Guidance Note 2/2018 – Flavour of the year topic**

All bank boards will be required to make a 45 minutes presentation and engage in discussions on the topic “Auditor independence and audit quality measures”. The presentation should clearly suggest the steps followed by the audit committee to ensure that all requirements pertaining to auditor independence has been followed. [SARB](#). For more information, please contact [Johan Scheepers](#) or [John Martin](#).

### Insurance

#### **Update of regulatory examinations**

The purpose of this information circular is to provide information on the version update of the regulatory examinations with respect to:

RE1: Regulatory Examination: FSPs and Key Individuals in all categories of FSPs

RE5: Regulatory Examination: Representatives in all categories of FSPs

According to the updated version of the RE1 and RE5, persons who registered to write the regulatory examination on or after Tuesday, 03 April 2018 are obliged to write the new version of the regulatory examination, which will contain the updated questions. Also persons who write the level 1 regulatory examination on or after Tuesday, 03 April 2018,

must ensure that they use updated preparation material that is aligned with the qualifying criteria in Annexure Four of Board Notice 194 of 2018. [FSB](#). Please contact [Michelle Dubois](#) for more information.

## Others

### **South African Reserve Bank (SARB) in collaboration with National Treasury has published a consultation paper on payroll deductions**

The consultation paper focuses on addressing issues relating to discretionary or voluntary payroll deductions covering all employees in South Africa from both the public and private sectors. Examples of discretionary or voluntary payroll deduction include repayments of home, car or other types of personal loans, deductions for savings products or insurance premiums. [SARB](#)

### **Financial Services Board published the Guidelines on Recovery Plans for Market Infrastructures for comment**

According to the Principles for Financial Market Infrastructures issued by the Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions in April 2012 all financial market infrastructures should have comprehensive and effective recovery plans. Absence of a recovery plan thus constitutes non-compliance with the Principles for Financial Market infrastructures. [FSB](#)

### **Media release on Prudential Authority establishment**

The Prudential Authority (PA), one of the two pillars of the new architecture for the regulation of the financial sector, will take effect on 1 April 2018. The PA will be a juristic person operating within the administration of the South African Reserve Bank (SARB). It will consist of the following four departments: Financial Conglomerate Supervision Department; Banking, Insurance and Financial Market Infrastructure Supervision Department; Risk Support Department; and Policy, Statistics and Industry Support Department. March will witness the final planning stages for the establishment of the PA. The dedicated PA website, [www.prudentialauthority.co.za](http://www.prudentialauthority.co.za), goes live on 1 April 2018, with the full PA team on hand to ensure the effective regulation of South Africa's financial sector. [SARB](#)

### **Consultation on Draft Prudential Standards**

The SARB, prior to the establishment of the Prudential Authority, is inviting submissions in relation to the Draft Prudential Standards to be prescribed under Section 63 of the Insurance Act, 2017. The prudential standards explain the need, the intended operation and the expected impact of the regulation. [SARB](#)

### **Presentation to the Portfolio Committee by DTI on the National Credit Amendment Bill, 2017**

Some of the responses to the submissions include:

- Constitutionality of the Bill;
- Reporting of suspected reckless credit agreements to NCR by Credit Providers;
- Mandatory Credit Life Insurance; and
- Capacity requirements and NCT process

## Other African countries

### **Compulsory insurance for private commercial buildings (Nigeria)**

The compulsory insurance will cover the following risks:

- Fire and allied perils (flood, earthquake, collapse of buildings, storm);
  - Legal liabilities of an owner or occupier of premises in respect of loss of or damage to property, bodily injury or death suffered by all users of the premises and third parties.
- [NIC](#)

### **Consultative Paper on the Review of the Microfinance Legislations (Kenya)**

The Central Bank of Kenya (CBK) is revising the legal and regulatory framework governing the microfinance banking sub-sector in Kenya. In this regard, CBK is currently conducting a review of the Microfinance Act, 2006 and Regulations, 2008. Following stakeholder consultations in the last quarter of 2017, CBK has developed a consultative document on the proposed amendments to the Microfinance Act, 2006 and Regulations, 2008. [CBK](#)

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## Market Developments

### International

#### **Final release of revised Prudential Standard LPS 230 reinsurance (Australia)**

This release proposes to replace the current Prudential approach with a more principles-based approach to assessing whether arrangements between a life company and a reinsurer require APRA approval. It was not APRA's intention to significantly widen the range of arrangements that must be submitted to APRA for approval. Rather, APRA would only expect to be consulted on arrangements that, when viewed as a whole, may give rise to potentially adverse prudential or policy owner outcomes. [APRA](#)

#### **APRA to introduce first prudential standard aimed at tackling growing threat of cyber attacks (Australia)**

The proposed new standard, CPS 234, would require regulated entities to:

- clearly define the information security-related roles and responsibilities of the board, senior management, governing bodies and individuals;
  - maintain information security capability commensurate with the size and extent of threats to information assets, and which enables the continued sound operation of the entity;
  - implement information security controls to protect its information assets, and undertake systematic testing and assurance regarding the effectiveness of those controls;
  - have robust mechanisms in place to detect and respond to information security incidents in a timely manner; and
- notify APRA of material information security incidents. [APRA](#)

#### **ASIC consults on updated guidance for its oversight of the Australian Financial Complaints Authority (AFCA) (Australia)**

The Bill will establish AFCA and will commence operations from 1 November 2018. There are a number of transitional steps that need to take place before AFCA commences, including:

- the Minister will authorise AFCA; and
  - the AFCA Board will consult on the scheme's terms of reference.
- ASIC is issuing draft guidance to clarify ASIC's policy approach at this stage of the transition to assist all stakeholders in the same. [ASIC](#)

#### **New IFRS 17 webcast: recognising the contractual service margin in profit or loss (International)**

This webcast is part of a webcast series that the International Accounting Standards Board is providing to support the implementation of IFRS 17. This webcast series aims to provide a basic introduction into various aspects of IFRS 17. [IFRS](#)

#### **Monetary policy in the grip of a pincer movement (International)**

The study brings together recent research to question the usefulness of the natural interest rate as a monetary policy benchmark. The study provides empirical evidence on the determination of the real interest rate that supports this conclusion. It finds that monetary policy regimes appear to influence long-term movements in real interest rates rather than saving and investment. That influence operates in part through the long-lasting scars that financial cycles leave on the economy. A more balanced monetary policy framework would place less emphasis on near-term inflation and more on the financial cycle. [BIS](#)

#### **Basel III Monitoring Report (International)**

This report presents the results of the Basel Committee's latest Basel III monitoring exercise based on data as of 30 June 2017. The Committee established a rigorous reporting process to regularly review the implications of the Basel III standards for banks, and it has published the results of previous exercises since 2012. The Committee's finalisation of the Basel III reforms is not yet reflected in the results; the collection of relevant data for those reforms started for the end-2017 reporting date. Data has been provided for a total of 193 banks, comprising 106 large internationally active banks. These "Group 1 banks" are defined as internationally active banks that have Tier 1 capital of more than 3 billion EUR, and include all 30 banks that have been designated as global systemically important banks (G-SIBs). The Basel Committee's sample also includes 87 "Group 2 banks" (i.e. banks that have Tier 1 capital of less than 3 billion EUR or are not internationally active). [BIS](#)

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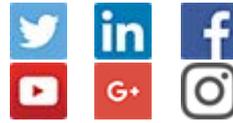
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