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## KPMG in South Africa

*Regulatory Updates for the week ended 19 January 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

#### **FNB ex-CEO Michael Jordaan to launch app-driven bank**

Bank Zero is planned to launch in the fourth quarter of 2018, and will be making use of a mutual bank licence and serving both individuals and businesses.

The bank will be app-driven, and if granted a licence, will become SA's fourth mutual bank, alongside Finbond, GBS and VBS. [Fin24](#). For more information, please contact [Johan Scheepers](#).

### Insurance

#### **Insurance Act 2017**

The Act was gazetted on 18 January 2018 and introduces the legal framework for micro insurance which helps to promote financial inclusion. A new Solvency Assessment and Management regime will be introduced as well as a framework for insurance group supervision. The act also aims to facilitate alignment with international standards in accordance with South Africa's G20 commitments. The act addresses regulatory gaps identified by the IMF/World Bank's Financial Sector Assessment Program evaluation of South Africa. [Greengazette](#). Please contact [Derek Vice](#) to discuss further.

### Others

**Penalties prescribed as per the Pension Act**

The Registrar of Pension Funds published for comment its proposal to increase the maximum penalty that can be prescribed as per the act from 1000 ZAR to 4000 ZAR per day for the period during which the failure continues. [FSB](#). Please contact [Leon Grobler](#) for more information.

#### **Notice to complete NOCLAR declaration**

The declaration has been sent to all SAICA members and associates. Registered auditors with the Independent Regulatory Board for Auditors (IRBA), are required to comply with both the SAICA Code and the IRBA Code of Professional Conduct for Registered Auditors. SAICA members and associates are required to complete this declaration by close of business on 15 February 2018. [SAICA](#)

#### **Financial services platform for Africa launched**

African investment company, Arise has partnered with FMO, the Dutch Development Bank and Above and Beyond Tech (a&b), on a collaborative fintech initiative called FinForward. The program provides a marketplace integrating and matching African financial institutions and mobile money providers with fintech companies. The platform has been designed to ensure that global fintech companies are easily accessible to African financial institutions to help them to innovate, reduce costs, tap into new revenue streams and work towards opening banking platforms to promote financial inclusion. [Fin24](#)

#### **A fee guideline in terms of the National Credit Act has been published for comment**

The guideline applies to all credit providers, credit bureaux and data providers. The guideline prescribes the fees payable to the South African Credit and Risk Reporting Association for the on-boarding for credit and data providers, the maintenance and use of the data transmission hub and the monitoring and reporting of all data submitted via the Data Transmission Hub to the credit bureaux. The guidelines also focus on maintenance fees payable and restrictions and penalties. [Sabinet](#)

#### **A private member's bill designed to provide for parliamentary oversight in respect of the appointment of the Public Investment Corporation's (PIC) Board Chairperson has been tabled in parliament**

The bill seeks to:

- amend the Public Investment Corporation Act, 2004, so as to amend certain definitions;
- determine the composition of the corporation's board of directors and to provide for the progressive implementation of the new composition;
- provide for the Minister to appoint the chairperson of the board on recommendation of the National Assembly and the other members of the board in consultation with Cabinet;
- provide for specific representation on the board;
- require directives regarding the management of the corporation to be tabled in the National Assembly and published;
- require the corporation to publish and submit a report on all investments to the Minister for tabling;
- provide for annual reporting on requests for approval made in terms of legislation;
- provide for a procedure that the Minister must follow before making regulations;
- provide that the Minister must table regulations in the National Assembly. [Sabinet](#)

#### **The Draft Public Audit Amendment Bill has been published for comment**

The proposed legislation seeks to:

- amend the Public Audit Act, 2004, so as to insert new definitions;
- provide for certainty on the discretion of the Auditor-General with regard to certain audits;
- authorise the Auditor-General to provide audit or audit related services to an international association, body, institution or organisation;
- provide for the Auditor-General to refer undesirable audit outcomes, arising from an audit performed under the Act, to an appropriate body for investigation;
- provide for the Auditor-General to recover losses in certain instances against the responsible persons;
- provide for the establishment, powers and functions of a remuneration committee;
- provide for consultation between the Independent Commission for the Remuneration of Public Office-bearers and the remuneration committee;
- provide for additional reporting requirements;
- provide for a maximum amount or percentage of audit fees that can be defrayed from the vote of National Treasury;

revise the provisions relating to the appointment of an audit committee for the Auditor-General;  
empower the Auditor-General to make regulations on specific issues. *Sabinet*

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## Market Developments

### International

#### **Aligning the Financial Services Compensation Scheme levy time period (UK)**

In this paper the FCA proposes to:

- allow the 2017/18 compensation year to run to its original timeframe
- require the Financial Services Compensation Scheme (FSCS) to run a nine-month compensation levy year for the period 1 July 2018 to 31 March 2019 with pro-rated class thresholds
- delay the introduction of arrangements for firms who pay fees on account by one year until April 2019. [FCA](#)

#### **Company refunds 17.2 million AUD in add-on insurance premiums (Australia)**

ASIC found that for sales of MTA Guaranteed Asset Protection (GAP) insurance between 2009 and 2017:

- It was unlikely that the customer would be able to claim on the insurance, because, for example, they may have paid a large deposit on the car loan, so that the insured value of the car was more than the amount borrowed.
  - The cover under the GAP policy was unnecessary as it duplicated replacement vehicle cover held by customers under their comprehensive car insurance policies.
  - Customers were sold a more expensive level of GAP cover than they needed.
  - Many customers did not receive rebates under their GAP policies when they paid out their loan early, even though cover under those policies had ended.
- With regard to the MTA Consumer Credit Insurance (CCI), ASIC found that the life cover was sold to young people who were unlikely to need the cover if they had no dependents. [ASIC](#)

#### **Insurance company refunds 45.6 million AUD in add-on insurance premiums (Australia)**

The refund program covers four add-on insurance products sold between December 2010 and November 2017:

- Motor Equity Insurance (MEI) – a Guaranteed Asset Protection (GAP) insurance that pays the difference between the amount the customer owes on the car loan, and the amount the car is insured for under comprehensive car insurance, if the car is written off.
- Loan Protection Insurance (LPI) – a type of Consumer Credit Insurance (CCI) designed to meet some of the repayments under a customer's loan contract if they die, suffer a traumatic illness (such as cancer), or become disabled or unemployed.
- Tyre and Rim Insurance (TRI) – that meets the cost of repairing or replacing a vehicle's tyres and rims if they are punctured or suffer a blowout.
- Warranty Insurance products (Warranties) – that provide cover for some repairs to a vehicle, once any manufacturer's new vehicle warranty has expired. [ASIC](#)

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