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Regulatory Updates for the month of May 2018

FinWatch – A Monthly Newsletter

Find the inaugural edition of **FinWatch** which provides a pan-Africa view of all regulatory and market developments impacting the financial services industry produced by the South Africa Regulatory CoE.

- Pan Africa Updates
- Global Updates (covering Australia, the UK and the US)
- International Updates (covering organizations such as BIS, FSB, etc.)
- Accounting Changes

Pan Africa Updates

Nigeria

Namibia

Revised positon on cryptocurrencies (Namibia)
The overall position of the Bank is that it does not recognise, support and recommend the possessing, utilisation and trading of cryptocurrencies in Namibia and by members of the public. Members of the public who do so will have no recourse to the Bank in the event of financial loss or misfortune. As such, the Bank strongly discourages any engagements or activities related to unregulated currencies such as cryptocurrencies. *BON*

Namibia Interbank Settlement System (NISS) and Namclear declared systematically important to the National Payment System (NPS) (Namibia)
The reason for declaring these institutions as systematically important Financial Market Infrastructures (FMI) are as follows:

- NISS is the only infrastructure that settles payment transactions finally and permanently within the NPS;
- Namclear is the only FMI within the NPS that provides interbank clearing services and this duly has an impact on the NPS. *BON*

Mauritius

Guideline on the operational framework for primary dealers (Mauritius)
The Guideline sets out the operational framework for primary dealers which will take effect on 02 May 2018. The selection of primary dealers will be based on the following criteria:

- a minimum Tier 1 capital of 4 billion MUR;
- An average bid of 200 million MUR of securities at primary auction over the last six months;
- Evidence of secondary market trading would be an added advantage.

Primary dealers will be appointed for a period of one year, renewable annually. *BOM*

Public consultation – insolvency sub-funds (Mauritius)
The FSC has, at this stage, drafted the following:

(a) a Concept Paper on introducing new insolvency sub-funds under the Insurance Industry Compensation Fund; and

(b) the Insurance (Industry Compensation Fund) (Amendment) Regulations 2018

The public is invited to submit their views on the Concept Paper and/or the Amended Regulations, to the FSC by 29 June 2018. *FSC*

Ghana

Deputy Governor discusses sustainable SME finance in Ghana (Ghana)
The interview provides Deputy Governor of Bank of Ghana's (BoG) perspective on financial inclusion and the pillars of sustainable SME finance. According to her, Bank of Ghana has been at the forefront of promoting financial inclusion and innovation in Ghana. One significant initiative has been the opening up of the electronic money space to non-banks and FinTech partnering banks. This has led to increased access to financial services and products for previously underserved groups. There are currently 24 million mobile money accounts in Ghana, about twice the number of bank accounts — accessing savings, investments, insurance and pension products and services using their mobile money accounts. Ghana's automated collateral registry has also become a key part of the credit market infrastructure, supporting bank's credit delivery to borrowers. *AFI*

Launch of mobile money interoperability in Ghana (Ghana)
With the implementation of interoperability, banks can leverage on the existing 143,418 mobile money agents to reach out to the unbanked. Also, there are enormous opportunities for banks to leverage on the over 25 million existing mobile money accounts to expand the scope and appeal of electronic payments, to offer more innovative payment products that provide convenience, simplicity, speed at minimal transaction costs as well as offer efficient means of delivering financial services even in the remote areas. BOG

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Global Updates

Australia

ASIC and RBA welcome the new BBSW calculation methodology
ASIC and the Reserve Bank of Australia (RBA) have welcomed the new BBSW calculation methodology. The bank bill swap rate (BBSW) rate is a major interest rate benchmark for the Australian dollar and is widely referenced in many financial contracts. The new BBSW methodology calculates the benchmark directly from market transactions during a longer rate-set window and involves a larger number of participants. *Link*

ASIC consults on code of ethics compliance schemes for financial advisers
The Australian Securities and Investments Commission (ASIC) released a consultation paper outlining its approach to approving and overseeing compliance schemes for financial advisers. *ASIC*

ASIC revises licensing regime for domestic and overseas market operators
The Australian Securities and Investments Commission (ASIC) has developed a regulatory guide which introduces a two-tiered market licence regime, applying a risk-based assessment. The new approach has been facilitated by legislative changes, made by the Government in March 2017 to amend the Corporations Act relating to the market licensing regime. *ASIC*

ASIC welcomes AFCA authorization
Australian Financial Complaints Authority (AFCA) will be able to deal with complaints about financial firms including banks, credit providers, insurance companies and brokers, financial advisers, managed investment schemes and superannuation trustees. It will operate significantly higher monetary and compensation limits for consumer and small business complainants, as well as provide enhanced access to free dispute resolution for primary producers. *ASIC*

ASIC releases guidance on AFS licensing exemption for tax and BAS agents
The guidance was developed in conjunction with the Tax Practitioners Board and is being released as part of updates to Information Sheet 216 AFS licensing requirements for accountants who provide SMSF services. It sets out some basic principles which tax and BAS agents can apply to understand whether their advice falls within the licensing exemption, and provides a few examples to illustrate how the exemption works. *ASIC*

ASIC perspective on reform and regulatory developments
In his speech on expectations in the current regulatory environment, the Deputy Chair of Australian Securities and Investments Commission (ASIC) spoke about the following:

- Trust deficit in financial services and what that means for standards of conduct in industry;
- ASIC's focus on life insurance including ASIC's work on financial advice, direct insurance and insurance through super;
- Opportunities for financial services firms to strengthen codes and to take cross industry action to restore consumer trust and confidence;
- Regulatory reforms with implications for both legal requirements and community expectations. *ASIC*

ASIC gives disclosure relief during transition to AFCA
The AFCA is the new single external dispute resolution (EDR) scheme for consumer and small business complaints. ASIC will give financial firms, including superannuation trustees, transitional relief to allow them time to update mandatory disclosure documents and periodic statements with the contact details of the Australian Financial Complaints Authority (AFCA). AFCA will replace the three existing schemes: the Financial Ombudsman Service (FOS), the Credit and Investments Ombudsman (CIO) and the Superannuation Complaints Tribunal (SCT). *ASIC*

The UK

Building societies and the future of retail banking
In his speech at the Building Societies Annual Conference, the Director of Supervision at the Financial Conduct Authority (FCA) spoke about how building societies have an opportunity to provide a valuable service for consumers. They can offer unique and complex products, but must also consider the unique and complex risks that come along with them. In his opinion, building societies should focus on healthy competition for the benefit of the consumer and the society, rather than unhealthy competition such as loosening underwriting standards or chasing significant differentials in front to back book pricing. *FCA*

Memorandum of Understanding between the Financial Reporting Council (FRC) and the Financial Conduct Authority (FCA)
The FCA and the FRC published the Memorandum of Understanding (MoU) which concerns the arrangements for co-operation and co-ordination between the Financial Reporting Council (FRC) and the Financial Conduct Authority (FCA) in carrying out their respective regulatory responsibilities. The purpose of the MOU is to assist co-operation and co-ordination between the FRC and FCA by setting out the respective statutory regulatory responsibilities of the FRC and FCA and the arrangements for co-operation and the

exchange of relevant information. Its purpose is also to aid through clarity and transparency, understanding of the above by firms, Parliament and the public. Link

FCA published the MOU between FCA and IS

The Memorandum of Understanding (MoU) sets out at a high level the agreement between the Insolvency Service (IS) and the Financial Conduct Authority (FCA) that governs the exchange of information to better deliver the objectives of both organisations. Its aim is to outline the ways in which the IS and the FCA will exchange information and intelligence to further the objectives of each organisation. The purpose of this MoU is to establish a framework for cooperation between the IS and the FCA. It sets out

- Role of each organisation; and
- Explains the intention to work together and cooperate proactively in matters of common interest. Link

FCA publishes outcome of high-cost credit review

The Financial Conduct Authority (FCA) has announced new proposals designed to protect millions of people who use overdrafts and high-cost credit. The FCA has proposed a package of reforms to ensure the lenders are better protected including the possibility of a cap on rent-to-own lending. The proposed changes will make overdraft costs more transparent and prevent people unintentionally dipping in to an overdraft in the first place. The FCA will consider more radical options to ban fixed fees and end the distinctions around unarranged overdraft prices. FCA

FCA's approach to the review of insurance business transfers

The Financial Conduct Authority (FCA) published a guidance which sets out their approach to reviewing insurance business transfers Schemes under the Financial Services and Markets Act (FSMA). The aim of the guidance is to provide examples of the types of comments that FCA has made or are likely to make to Applicants and IEs about their submissions on proposed Transfers. The guidance was published to help Applicants draft proposals in ways that will lead to a more efficient review process. The guidance also aims at supplementing FCA's Principles for Businesses. FCA

Competition for retail deposits between commercial banks and non-bank operators

This working paper published by the Prudential Regulatory Authority (PRA) analyses the competition outcome between a bank and a nonbank operator by adopting a two-sided platform framework, used to model the strategic interaction between different payment systems operators whose business model is to match merchants and retail customers on their two separate platform sides. The paper talks about how the new competition threat to commercial banks could materialise and disrupt the traditional commercial bank model. PRA

Consolidation of three UK Payment System Operators

The New Payment System Operator (NPSO) expects to take over responsibility for the Cheque and Credit Clearing Company over the next few months.

NPSO take on responsibility for the Bacs and Faster Payment systems

Move is the next step in streamlining the retail payment systems for the first time

The successful consolidation of the three operators has been a key focus for both the Payment Systems Regulator (PSR) and the Bank of England. This is an important step in bringing three payment systems together for the first time and will develop the capability and capacity of the operators, reducing the complexity and costs of having three separate retail payment system operators (PSOs). The NPSO will also be responsible for delivering the New Payments Architecture (NPA) - an industry-led initiative that aims to increase competition and resilience as well as enhance innovation across the payments and banking industry. BOE

SONIA reform implemented

The Bank's aim in reforming SONIA is to strengthen a benchmark which is considered critical for the sterling financial markets. Previously, the benchmark was based on a market for brokered deposits which has limited transaction volumes. It now captures a broader scope of overnight unsecured deposits, by including bilaterally negotiated transactions alongside brokered transactions. Volumes underlying the rate based on the new methodology now average around 50 billion GBP daily, over three times larger than those underlying SONIA previously. BoE

International Updates

BCBS and IOSCO issues criteria for identifying simple, transparent and comparable short-term securitisations

The Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO) issued the Criteria for identifying simple, transparent and comparable short-term securitisations. The short-term STC criteria aims to assist the financial industry in its development of simple, transparent and comparable short-term securitisations. The criteria published takes into account of the characteristics of asset-backed commercial paper (ABCP) conduits, such as

- Short maturity of the commercial paper issued;
- Different forms of programme structures; and
- Existence of multiple forms of liquidity and credit support facilities. *BIS*

The market risk framework: 25 years in the making

In his speech, Secretary General of the Basel Committee opined that even after a quarter-century, central bankers globally lament the finalisation of the market risk framework as a never-ending story. The speech tries to answer three questions:

why has the Committee revised the market risk framework?

why has it taken so long to complete? and

_how do we get the framework finished in a timely manner?. *BIS*

FSB publishes toolkit to mitigate misconduct risk

The Financial Stability Board published the Strengthening Governance Frameworks to Mitigate Misconduct Risk toolkit which indicates 19 tools that firms and supervisors can use to overcome the causes and consequences of misconduct. This includes standards and codes of behaviour, measures to address misconduct in wholesale markets and use of compensation tools. *FSB*

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