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KPMG in South Africa

Regulatory Updates for the week ended 06 July, 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

Insurance

SARB communique

The South African Reserve Bank (SARB) published a communique for public officers. The communique provides information on the submission of application and notification forms related to the Long Term Insurance Act and the Short Term Insurance Act. The communique also provides information on payment of levies and fees, submission of annual statutory returns and requests for purchase of public returns. [PA](#)

Determination of equivalent foreign jurisdictions

The notice talks about the requirements for the licensing of a branch of a foreign reinsurer with respect to the Insurance Act. The notice also talks about the Financial Soundness Standards for Insurers and Insurance Groups made under the Act as published by the Prudential Authority. The notice asks the board of directors of an insurer or reinsurer to consider the Notice in approving its reinsurance and other forms of risk transfer policy. An insurer and reinsurer needs to consider the Notice when:

- Entering into reinsurance arrangements; and
- Calculating its financial soundness in accordance with the relevant Financial Soundness

Standards for Insurers made under the Act. [SARB](#)

Funeral insurance to be tightened up

Funeral insurance will be under stricter supervision as the Insurance Act, introduces new rules governing the sector and paves the way for the regulation of micro-insurance. The act and amendments to the Policyholder Protection Rules, which would bring into effect standards for micro-insurance products, would make it easier for low-income consumers to access quality insurance products. According to National Treasury, the micro-insurance framework aimed to facilitate the entry of new firms, which should increase access to insurance. [BusinessLive](#)

Brokerage and Securities markets

Discussion document on investment related matters

The Discussion Document published by the Financial Sector Conduct Authority (FSCA), focuses on the impact of certain of the initial Retail Distribution Review (RDR) proposals on the investments sector. The purpose of the Discussion Document is to:

- Share observations and current views on specific initial RDR proposals as they impact on the investments industry; and
- Elicit stakeholder input on possible regulatory measures to:
 - Define the activity of investment management and consider the extent to which investment management needs to be demarcated from other forms of discretionary investment mandate;
 - Clarify the nature of the legal and business relationships between different types of discretionary investment mandate holders, collective investment scheme management companies and investment advisers, and how best to structure these in the regulatory framework to achieve RDR objectives; and
 - Provide for fee and remuneration arrangements in light of the above, to align with the RDR approach of aligning remuneration with actual activities performed and avoiding unnecessary duplication of costs for the end investor. [Link](#)

Others

Credit extension slows down

The National Credit Regulator (NCR) released the Consumer Credit Market Report (CCMR) and the Credit Bureau Monitor (CBM). The reports are based on the data submitted to the NCR by registered credit providers and credit bureaus respectively. The Chief Executive Officer (CEO) of the NCR announced that the latest statistics for the quarter ended March 2018 indicate that new credit granted to consumers decreased by 10.38%. The total value of new credit granted decreased quarter-on-quarter from 135.71 billion ZAR to 121.62 billion ZAR. The number of applications for credit increased by 0.04% quarter-on-quarter from 10.48 million in December 2017 to 10.49 million in March 2018. CEO at the NCR has encouraged consumers to get a copy of their credit reports and take control of their credit profiles and finances. [NCR](#)

Market Developments

International

FCA clarifies fairer treatment of regular premium PPI complaints

The Financial Conduct Authority (FCA) issued a consultation paper on new guidance about the handling of certain regular premium payment protection insurance (PPI) complaints. The guidance clarifies that firms should assess commission disclosures not only at the point of sale but on an on-going basis, and that this should be assessed under our general complaint handling rule. The consultation provides guidance on how to ensure fair and consistent outcomes for regular premium PPI complaints. It supports the aim of bringing the PPI issue to an orderly conclusion in a way that secures appropriate protection for consumers and enhances the integrity of the financial system. [FCA](#)

Building the financial sector's operational resilience

The Bank of England, Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) have published a joint discussion paper (DP) on an approach to improve the operational resilience of firms and financial market infrastructures (FMI's). The

discussion paper envisages that boards and senior management can achieve better standards of operational resilience through increased focus on setting, monitoring and testing specific impact tolerances for key business services. The paper reinforces the need for firms and FMIs to develop and improve response capabilities so that any wider impact of disruptive events is contained. [FCA](#)

ASIC consults on credit card responsible lending assessments

The Australian Securities and Investments Commission (ASIC) issued a consultation paper which proposes responsible lending assessments for credit cards be based on whether the consumer can afford to repay the credit limit within three years. The purpose of the reform is to make sure that consumers can afford to repay their credit card debts within a reasonable period. Consumers will still retain the flexibility to make low minimum repayments on credit cards. ASIC has proposed a three-year period to strike an appropriate balance between:

- Preventing consumers from being in unsuitable credit card contracts; and
- Ensuring that consumers continue to have reasonable access to credit through credit card contracts. [ASIC](#)

ASIC consults on proposed changes to the capital requirements for market participants

The Australian Securities and Investments Commission (ASIC) has released a consultation paper which proposes changes to the capital requirements for market participants, which prescribe the minimum amount of capital a participant must hold. The proposed changes will protect investors and market integrity by strengthening the risk profile of market participants and reducing the risk of a disorderly or non-compliant wind-up. The ASIC has proposed that market participants of futures markets will be required to comply with a risk-based capital regime instead of a net tangible asset requirement, and must hold core capital of at least 1,000,000 AUD. [ASIC](#)

Basel Committee issues technical amendment to the Net Stable Funding Ratio

The Basel Committee on Banking Supervision approved a technical amendment which is related to the treatment of extraordinary monetary policy operations in the Net Stable Funding Ratio (NSFR). The new amendment to the NSFR standard allows reduced required stable funding factors for central bank claims with a maturity of more than six months, subject to a floor of 5%. This amendment aims to provide greater flexibility in the treatment of extraordinary central bank liquidity-absorbing monetary policy operations. [BIS](#)

Basel Committee issues revised G-SIB framework

The Basel Committee published the framework for Global Systemically Important Banks (G-SIB) on revised assessment methodology and higher loss absorbency requirement. A number of enhancements to the G-SIB framework have made, including the extension of the scope of consolidation to insurance subsidiaries and the introduction of a trading volume indicator in the substitutability category. [BIS](#)

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