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KPMG in South Africa

Regulatory Updates for the week ended 8 June, 2018

FinWatch – A Weekly Newsletter

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Regulatory Developments

Banking

Opening remarks by Deputy Governor of the South African Reserve Bank (SARB), at the launch of the Project Khokha report

The Deputy Governor made the welcome remarks at the launch of the report on Project Khokha, which had as its scope the trial of interbank wholesale settlement using distributed ledger technology (DLT). This was the first DLT initiative; its aim was to contribute to the global initiatives that assess the application and use case for DLT. The report proved that the typical daily volume of the South African payments system could be processed in less than two hours with full confidentiality of transactions and settlement finality. Project Khokha is significant as it has demonstrated that regulatory institutions are capable of responding to the rapidly changing environment with agility, flexibility and speed. [SARB](#)

Insurance

Life insurers paid 99.3% of underwritten life policy death claims

The 2017 annual death claim benefit statistics for fully underwritten policies released by the Association for Savings and Investment South Africa (ASISA) reveal that life insurers paid 34,100 death benefit claims, while only 238 claims to a value of 318.8 million ZAR were declined. The report showed that life insurers paid 99.3% of all claims against fully underwritten life policies last year, resulting in benefit payments of 14.4 billion ZAR to

beneficiaries following the death of a loved one. [Link](#)

Financial sector regulator zeroes in on credit life insurance

The Financial Sector Conduct Authority (FSCA), has its focus on credit-life insurance. The FSCA may direct financial services providers to reimburse consumers premiums paid for products that have been wrongly sold to them or have delivered little value. The FSCA will also request conduct-related information. [Business Live](#)

Others

FIC published typologies for May,2018

The Financial Intelligence Centre (FIC) published a booklet which gives insight on some of the methods criminals use to abuse the financial system. The booklet has nine case studies which illustrate different types of criminal activities and demonstrate how the FIC's financial intelligence reports are pivotal in helping to solve a crime or secure a prosecution. [Link](#)

Other African Countries

Circular on extension of the regulatory framework for the use of USSD

The Central Bank of Nigeria (CBN) has approved the extension of the implementation of the Unstructured Supplementary Service Data (USSD) in the Nigerian Financial System. The circular directs Deposit Money Banks (DMB), Mobile Money Operators (MMO) and payment solution service providers to implement the regulatory framework for the use of USSD. [CBN](#)

Market Developments

International

ASIC warns consumers about paying high fees for credit repair and debt advice services (Australia)

The Australian Securities and Investments Commission (ASIC) is running a campaign to help consumers understand that by using credit repair and debt management firms they may end up paying high fees. ASIC believes that consumers should be aware these companies often fail to fix credit and debt issues, which can leave people in a worse financial situation. ASIC found out that debt management firms:

- Were offering services where fees and costs were not well explained;
- Often required payments be made before services were provided;
- Sometimes used high-pressure sales techniques. [ASIC](#)

FCA sets out plans for regulation of claims management companies (UK)

The Financial Conduct Authority (FCA) has published draft rules outlining how it will regulate claims management companies (CMCs). A key element of FCA's approach to regulation will be ensuring that consumers are both protected and treated fairly. The FCA's proposals will require CMCs to provide a potential customer with a short summary document containing important information such as an illustration of fees charged and an overview of the services the CMC will provide. Other requirements on firms will include a requirement for firms to hold capital linked to the type of business they undertake and further new requirements to protect any money firms hold on behalf of clients. [Link](#)

A Global Standard to Modernise UK Payments (UK)

The Bank of England in conjunction with the New Payments System Operator (NPSO) and the Payment System Regulator (PSR), launched a 6-week consultation on the adoption of a common global language or messaging standard, known as ISO 20022, for payments in the UK. The standard will be adopted across CHAPS, Faster Payments and Bacs, the UK's three main interbank payments systems, which together process over 8 billion payments per year, with a total value of over 90 trillion GBP. According to the Executive Director, risk will be reduced by allowing payments to be rerouted more effectively between systems, and by standardising and improving data supporting detection of fraud and financial crime. [Link](#)

Accounting/Auditing updates

ITCG meeting summary

The IFRS Taxonomy Consultative Group (ITCG) met to discuss:

- Better Communication in Financial Reporting themes;
- Effect of technology and digital reporting on the Board's Principles of Disclosure research project;
- Technology review of the IFRS Taxonomy; and
- Implementation support on using the IFRS Taxonomy. [IFRS](#)

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