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KPMG in South Africa

Regulatory Updates for the week ended 17 April, 2020

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.

- [Regulatory Developments](#)
- [Market Developments](#)

Regulatory Developments

National Treasury publishes Disaster Management Tax Relief Bills

National Treasury published a notice to confirm the submission date for public comments on the two Draft Disaster Management Tax Relief Bills as 15 April 2020. [Link](#)

Ministry of Finance publishes media briefing on updates on COVID-19

The Ministry of Finance has published a media statement which covers various measures taken by regulators in order to cushion the economy from any major impact, along with updates on banking and financial market interventions. [LinkLink](#)

FSCA publishes draft exemption notice on insurers that offer investment policies to medical schemes under LTIA

The Financial Sector Conduct Authority (FSCA) published a draft exemption notice proposing exemption of insurers that offer investment policies to medical schemes from Regulation 4.2(1) of Regulations under Long-Term Insurance Act, 1998 (Act 52 of 1998) (LTIA). The FSCA seeks public comments on the draft general exemption until 12 May

2020. [Link Link Link Link](#)

FSCA publishes on submission of Compliance Report and FAIS Hand-over Report requirements for FSP's for 2020

The FSCA published a communication notice to inform stakeholders, Financial Services Providers (FSPs) and Key Individuals of the extension of the period of submission for Compliance Reports and Handover Reports under section 17(4)(a) of the FAIS Act. [Link](#)

FSCA publishes on exemption of insurers providing premium relief under STIA and LTIA

The FSCA published a communication notice on the exemption of short-term and long-term insurers providing premium relief, from certain provisions of the Regulations under the Short-Term Insurance Act, 1998 (STIA) and Long-Term Insurance Act, 1998 (LTIA). [Link Link Link](#)

FSCA publishes draft exemption notice on direct premium collection under STIA and LTIA

The FSCA published a draft communication notice on the exemption from direct premium collection by an independent intermediary, on behalf of a short-term insurer or a long-term insurer from certain provisions of the STIA or LTIA and certain Regulations thereunder. [Link Link](#)

FSCA publishes exemption of financial service providers and juristic representatives from certain financial soundness requirements

The FSCA published a communication notice to inform various financial service providers (FSPs), key individuals and other stakeholders of the exemption of FSPs and juristic representatives from certain financial soundness requirements, as per the Determination of Fit and Proper Requirements for Financial Services Providers and Representatives (Board Notice 194 of 2017). The exemption aims to alleviate financial pressures experienced by FSPs and juristic representatives due to the impact of COVID-19 in South Africa. [Link Link Link Link](#)

FSCA and PA publishes joint communication notice with respect to COVID-19

The FSCA and the Prudential Authority (PA) published a joint communication notice with respect to the COVID-19 pandemic on the observed and predicted impact on the SA economy and specifically its insurance industry. The document also outlines some of the regulatory and supervisory actions that both the FSCA and PA are implementing to alleviate the stress caused by COVID-19 on insurers. [Link](#)

FSCA and PA published joint guidance note in terms of Disaster Management Act, 2002

The FSCA and the PA, in terms of Regulation 11B(4A)(e)(ii) under section 27(2) of the Disaster Management Act, 2002 (Act 57 of 2002) and after consultation with the Department of Trade, Industry and Competition, issued a guidance note with respect to the performance of essential financial services in terms of the regulations and the joint directive of 9 April 2020, as set out in the Schedule. [Link Link](#)

Media statement: Release of Intergovernmental Fintech Working Group's Position Paper on Crypto Assets

The Intergovernmental Fintech Working Group (IFWG), a group of South African financial sector regulators, including the Financial Intelligence Centre (FIC), FSCA, National Credit Regulator (NCR), National Treasury, South African Revenue Service (SARS) and SARB, have drafted a policy position paper on crypto assets. The position paper aims to provide specific recommendations for development of a regulatory framework on crypto assets, which includes suggestions on required regulatory changes that needs be implemented. The recommendations focus on –

- Implementation of Anti-money laundering and counter-terrorism financing regime (AML/CFT)
- Licensing and supervisory regime from a conduct of business perspective
- Regulatory regime for monitoring cross-border financial flows [Link Link Link](#)

PSG Konsult declares a double digit dividend

Investment group PSG declared a double-digit dividend, mentioning that it has started seeing the benefits of investment in systems, such as software used for trading. It has

declared that its dividend per share has increased by 10 percent. [Link Link](#)

Capitec withholds dividend following guidance of the SARB

South Africa-based retail banking group Capitec, has not declared a final dividend after the SARB recommended all SA-based banks suspend dividend pay-outs through publication of a guidance note. [Link Link](#)

Updates from other parts of Africa

Alexander Forbes to sell Namibia insurance unit to Momentum

South Africa-based pension fund administrator, Alexander Forbes, has entered into an agreement to sell its short-term insurance business to the SA-based insurer, Momentum Metropolitan Holdings (MMH). The acquisition, which is of ZAR50 million, is in line with Alexander Forbes's intention to dispose the group's insurance cluster. [Link](#)

Market Developments

International

FCA publishes consultation paper: ETF listing – Premium to standard listing

The Financial Conduct Authority (FCA) published a discussion paper on whether premium listing obligations to open-ended investment companies (OEICs) should be dis-applied and OEICs should be listed under standard-listing segment. Following this, the FCA published a consultation paper on 'Exchange-traded fund (ETF) listing: Premium to standard listing', which is applicable to the following group –

- Investors, including retail investors, who own shares in premium listed OEICs or are considering investing in them
- OEICs with premium listing of their shares or are considering applying to the FCA for a listing
- Fund managers of OEICs
- Advisors to the above, including the FCA-approved sponsor firms [Link Link](#)

BIS publishes working paper: Volatility spill-over and capital buffer among the G-SIBs

The Bank for International Settlements (BIS) published a working paper on volatility spill-overs and capital buffers among global systemically important banks (G-SIBs). In this paper, the BIS assessed the dynamics of volatility spill-overs among G-SIBs and measured them using vector-autoregressive models of range volatility of equity prices of G-SIBs – using machine learning methods. [Link Link](#)

ASIC publishes details on alterations in regulatory work and priorities during COVID-19 pandemic

The ASIC, in response to the COVID-19 pandemic, has stated temporary changes in its regulatory work and priorities. A few highlights include –

- It has stepped up its markets supervision work to support the fair and orderly operation of markets, ensure investors are appropriately informed and protect against manipulation and abuse
- It will heighten its support for consumers vulnerable to scams and sharp practices, receive poor advice or seek assistance
- It will identify other actions needed to support firms, such as facilitating the timely completion of capital raisings and other urgent transactions, providing regulatory relief, where appropriate and identifying measures to support small business [Link](#)

Federal court upholds ASIC's product intervention order on short term credit

On September 2019, Australia-based financial service provider Cigno filed a judicial review application in the Federal Court of Australia seeking to challenge the ASIC's product intervention order with respect to short term credit. As per the judgement, the ASIC is entitled to consider detriment caused indirectly by the financial product or a class of financial products, with respect to the circumstances of availability of the product or the class of products to retail clients that causes the detriment. [Link Link](#)

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Michelle Dubois
Senior Manager, Africa Regulatory CoE
Email ID: Michelle.Dubois@kpmg.co.za

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