



Regulatory Roundup

July 2023

<u>South Africa</u>	<u>Botswana</u>	<u>Mauritius</u>	<u>Namibia</u>
<u>United Kingdom</u>	<u>Australia</u>	<u>Zambia</u>	<u>Zimbabwe</u>

KPMG's Africa Regulatory Centre of Excellence is delighted to share the second edition of the "Regulatory Roundup", a comprehensive compilation of the significant regulatory updates from South Africa, our neighbouring Southern African countries, and abroad. This quarter we have a bumper edition as many of the regulators released their annual reports in the last few weeks.

In this edition we include a link to KPMG's Operational Resilience Webinar, a practical 90 minute webinar on the Prudential Authority's flavour-of-the-year topic - Organisational Resilience. The webinar gives a comprehensive view on the need for financial services firms to establish and maintain resilience in order to anticipate, adapt and thrive in the face of business disruption.

We encourage you to reach out to us to learn more about any of these regulatory topics.



[Watch the webinar here](#)

South Africa

SARB establishes Corporation for Deposit Insurance (CODI)

The South African Reserve Bank (SARB) has established the much anticipated Corporation for Deposit Insurance (CODI) on 03 April 2023. CODI will create and maintain a deposit insurance fund to protect covered depositors in the event of a bank being placed into resolution. [Link](#)

FSCA issued Conduct Standard related to short sale reporting

The Financial Services Conduct Authority (FSCA) has issued a notice inviting submissions on a draft Conduct Standard related to the reporting and disclosure of short sales. The Conduct Standard covers definitions, applications, restrictions and general obligations, short sale reporting, and public disclosure of short sales transactions and possessions. The Conduct Standard applies to authorized users and exchanges in relation to a short sale of listed securities executed on an exchange. [Link](#)

FIC published Directive 6 and 7

The Financial Intelligence Center (FIC) has published Directive 6 and 7 which outlines the general guidelines for accountable institutions for the submission of risk and compliance returns. [Link](#)

IR shares outcomes of complaints in relation to PAIA and POPIA

The Information Regulator of South Africa has released the outcomes of complaints investigated and assessments conducted in relation to the Protection Of Personal Information Act (POPIA) and Promotion Of Access to Information Act (PAIA). The regulator has conducted 96 assessments of public and private bodies for PAIA and received 895 complaints for POPIA in the 2022-23 financial year. [Link](#)

Proposed amendments to the JSE Equities Rules, JSE Derivatives Rules and JSE Interest Rate and Currency Derivatives Rules

The Financial Services Conduct Authority (FSCA) has released the proposed amendments under sections 71(3)(b)(ii) of Financial Markets Act 2012. The amendments include provisions that require members of the scheme to provide financial customers with certain information and confirm the accountability of the schemes governing body. [Link](#)

Capital treatment of investments in insurance entities by banks

The Prudential Authority (PA) has released a proposed directive related to the capital treatment of investments in insurance entities by banks. The directive emphasizes the need to appropriately separate the capital resources of banks and insurance entities to maintain the integrity of banks' capital structures. Banks with significant investments in insurance entities must comply with the limited recognition framework provided in the regulations relating to the bank. The directive provides specific guidelines that banks must follow regarding the threshold reduction methods, post-acquisition reserves, and reporting variations to the value of the initial investment. Banks not complying with this directive may approach the PA for a transition of up to 12 months. [Link](#)

FIC and SARB published joint guidance

The Financial Intelligence Centre (FIC) and the National Payment System Department (NPSD) of the South Africa Reserve Bank (SARB) have released joint guidance (Guidance Note 8). The guidance note outlines the requirements for accountable institutions as set out in the Directive 1 of 2022 relating to electronic funds transfers. The guidance addresses issues relating to verifying client information, thresholds, verifications, and customer due diligence. [Link](#)

The Ombudsman Briefcase: March 2023

The Ombudsman for Short Term Insurance (OSTI) published its quarterly newsletter for the quarter ending March 2023. The newsletter provides updates on the trends and developments related to short-term insurance in South Africa. [Link](#)

Basel Committee finds South Africa compliant with its NSFR standard

The Basel Committee of Banking Supervision has found South African regulations to be largely compliant with its Next Stable Funding Ratio (NSFR) and Large Exposures (LEX) framework. The reports are part of the committee's Regulatory Consistency Assessment Program and follow a review of implementation of global standards. [Link](#)

The blizzard of cases swamping the FSCA

The Financial Sector Conduct Authority (FSCA) launched 418 investigations in the year ending March 2023, concluding 406 cases according to its Regulatory Actions Report. FAIS and Insurance were the largest areas of violation. 38 investigations were launched into insider trading, with 23 opened into over-the-counter derivative providers. Key individuals failing in their duties have noticeably increased during investigations. A total 210 people were debarred for dishonest or illicit conduct. [Link](#)

FSCA Statement on Sustainable Finance and Programme of Work

The Financial Sector Conduct Authority (FSCA) has published the Statement on Sustainable Finance and Programme of Work which outlines the role of the financial sector in addressing climate change and sustainability goals. The program enunciates key pillars for change including taxonomy, disclosure and reporting, market development, active ownership, and empowering retail investors. The FSCA also identified several risks that could impact the functioning of a sustainable finance market. [Link](#)

Complaints data for long term insurers in 2022

The Ombudsman for Long Term Insurance (OLTI) has released the annual complaints data for the year ending December 2022. Of the 454 complaints, the nature of complaints responsible for the highest number of complaints was "poor communication/documents or information not supplied" and "claims declined" accounting for 165 and 155 complaints respectively. [Link](#)

SARB implements contingency plan for grid collapse risk

The South Africa Reserve Bank (SARB) is developing a contingency plan to ensure the continuity of the country's payment system in case of a collapse in the electricity grid. Deputy Governor Naidoo stated that the central bank, along with financial market regulators and other stakeholders, is collaborating to ensure the orderly closure and reopening of markets. The goal is to enhance the resilience of the financial sector by working with telecommunications, diesel suppliers, banks, payment industry, and retailers. While the total system collapses is unlikely, preparations are being made to prevent chaos and maintain some functionality in the system during a potential grid shutdown. [Link](#)

Prudential Communication 5 of 2023

Prudential Authority (PA) released the Communication 5 that focuses on the transfer of assets and liabilities of designated institutions in resolution. The communication aims to provide guidelines and processes for effective transfers during resolutions. The Standard ensures compliance with international standards and safeguards the integrity of financial arrangements. [Link](#)

Directive on operational resilience

The Prudential Authority (PA) has released a directive, to banks and branches of foreign institutions emphasizing the need for operational resilience in the face of evolving risks such as natural disasters, pandemics, and cyber-attacks. The directive requires banks to assess

and enhance their current policies, processes, and practices based on the principles outlined by the Basel Committee on Banking Supervision (BCBS). Compliance with the directive must be achieved by 31 December 2024. Banks should also ensure harmonization with recovery and resolution plans and provide an acknowledgement of receipt to the PA with their external auditors' signature. [Link](#)

PA released Joint Communication 1 of 2023

The Financial Sector Conduct Authority and the Prudential Authority released a Joint Communication, which announced the publication of Amendments to Joint Standard 2 of 2020 regarding margin requirements for non-centrally cleared over-the-counter derivative transactions. The Amendments aim to refine the existing Joint Standard based on ongoing monitoring. Several areas have been identified that need to be addressed, including reporting provisions for providers and financial institutions, risk mitigation requirements for non-cash collateral, clarifications on quantitative portfolio margin models, phasing-in of initial margin requirements, and alignment of terminology with the FSR Act. [Link](#)

PA Annual Report 2022-23

The Prudential Authority (PA) has released its annual report for the period 2022-23. The report discusses the 8 key strategic priorities and 3 additional priorities for the period ending 2025. It also includes supervisory matters such as, Flavour of the Year (FOTY), thematic reviews, and industry trends. [Link](#)

SARB Annual Report and financial statements 2022-23

The South African Reserve Bank (SARB) published its Annual Report 2022-23, outlining updates from the financial services industry, highlighted the 5 Strategic Focus Area (SFA) and its respective objectives, implementation and impact of monetary policy on the domestic market, and climate-change related regulatory landscape and prevailing conditions. [Link](#) [Link](#)

PA released statistics for insurance sector

The Prudential Authority (PA) released the sectorial data of insurance for the period ending in March 2023, revealing key numbers related to life and non-life insurers and re-insurers. According to the report, the total gross premium amounts for the life insurance industry amounted to ZAR140 billion: a 3 percent growth year-on-year. On the other hand, the gross premiums for the non-life insurance industry amounted at ZAR39.8 million: registering a double-digit growth rate of 13.5 percent. [Link](#)

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Botswana

The Policyholder Protection Rules introduced

The Policyholder Protection Rules (PPR) is a regulatory framework introduced by the Non-bank Financial Institutions Regulatory Authority in Botswana to safeguard policyholders in the insurance industry. [Link](#)

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Mauritius

Public consultation paper on the CBDC

The Bank of Mauritius is seeking public feedback on the potential issuance of a Central Bank Digital Currency called the Digital Rupee. The CBDC will be a digital form of the country's currency and will complement physical cash. The Bank is considering a distribution model through commercial bank and aims to integrate the CBDC with existing payment systems. The public is invited to provide feedback and suggestions on the issuance of the Digital Rupee through an online survey. [Link](#)

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Namibia

Bank of Namibia releases Annual Report 2022

The Bank of Namibia 2022 Annual Report focuses on the theme of "Global Economic Shocks: Rewiring Namibia to bolster resilience". The Bank of Namibia is committed to protecting the stability and integrity of the financial system and its expected that it will continue working with local and international stakeholders in bringing reforms aligning with the overall theme of building resilience. [Link](#)

NAMFISA calls on innovators to register for the second edition of the Fintech Square

The Namibia Financial Institutions Supervisory Authority (NAMFISA) is calling on innovators to register for the second edition of the Fintech Square which will take place on 10-11 May 2023. The event aims to bring together local and international experts and innovators in the non-banking financial services sector to explore concepts, insights, and best practices on driving transformation and financial inclusion. The theme of the year will be – "Innovate, Collaborate, Elevate: Towards digital transformation in the financial services sector". [Link](#)

Bank of Namibia's Financial Stability Report 2023

The Bank of Namibia (BON) and the Namibia Financial Institutions Supervisory Authority (NAMFISA) have jointly released the Annual Namibia Financial Stability Report. The report concludes that the Namibian financial system remains, sound and resilient in 2022 despite prevailing risks. [Link](#)

Cabinet Committee revised laws to meet Mutual Evaluation outcomes

The Cabinet Committee on Legislation for Namibia has approved 11 amendments and 2 new bills to align Namibia's legal framework with global anti-money laundering, terrorist financing, and proliferation financing standards. This is part of a national action plan to address mutual evaluation findings related to Namibia's AML/CFT/CPF framework and mitigate the risk of a targeted review or grey listing by the Financial Action Task Force (FATF). [Link](#)

NAMFISA consults on Consumer Credit Bill

The Namibia Financial Institutions Supervisory Authority (NAMFISA) will be conducting a formal consultation on the proposed draft Consumer Credit Bill. The bill aims to enhance regulatory oversight on consumer credit transactions in Namibia. The public is invited to provide input and comments on the draft bill before 31 December 2023. [Link](#)

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United Kingdom

Critical third parties to the UK financial sector

The Bank of England, the Prudential Authority, and the Financial Conduct Authority (FCA) have proposed measures to strengthen the resilience of services provided by the Critical Third Parties (CTPs) to the UK financial sector. They have issued a survey to assess the costs and benefits of a potential critical third-party regime in the UK requesting cost estimates for implementing minimum resilience standards. The survey is intended for service providers to the UK financial service sector and the information provided will be shared across supervisory authorities for analysis while maintaining anonymity. [Link](#)

BoE launches Prudential Regulation Authority Business Plan 2023/24

The Bank of England (BoE) has published its Prudential Regulation Authority Business Plan for 2023-24 which outlines the work plan and budget for the PRA to achieve its strategic priorities in supporting their overall strategy. These priorities include maintaining and enhancing the safety and soundness of the banking and insurance industries, identifying new risks, supporting competitive markets and being an inclusive, efficient, and modern regulator within the Central Bank. [Link](#)

JROC sets recommendation for next phase of open banking

The Joint Regulatory Oversight Committee (JROC) has published recommendations for the next phase of open banking in the UK. The report contains a road map of priorities over the next two years, covering five key themes, including leveling up availability and performance and mitigating the risks of financial crime. The JROC will continue to work with industry participants, consumer and business representatives, and stakeholders to deliver the plans, and will monitor progress against all activities in the road map. [Link](#)

FCA's new rules for marketing crypto assets

The Financial Conduct Authority (FCA) has announced new advertising rules for marketing crypto assets to protect consumers. From October 2023, a cooling off period for first time investors and referral bonuses will be introduced. Crypto firms must ensure investors have the necessary knowledge and avoid misleading advertisements. The FCA's move follows government legislation to regulate crypto promotions. The FCA is also seeking feedback on additional guidance for the same. [Link](#)

BoE launches first system-wide exploratory scenario exercise

The Bank of England has launched its first system-wide exploratory scenario exercise to examine the behaviour of banks and non-banks institutions in stressed financial market conditions. The exercise aims to understand how their actions may amplify shocks in UK financial markets. [Link](#)

FCA welcomes launch of ISSB standards

The Financial Conduct Authority (FCA) has announced that it welcomes the launch of the International Sustainability Standards Board's (ISSB) first two sustainability-related reporting standards (S1 and S2). These standards address the market's demand for comprehensive, consistent, and comparable sustainability disclosures. [Link](#)

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Australia

APRA updated on the implementation of new operational risk standard

The Australian Prudential Regulation Authority (APRA) has announced a revised implementation timeline for the new Prudential Standard 'CPS 230 Operational Risk Management', designed to enhance operational risk management in the banking, insurance, and superannuation industries. The standard will take effect from 01 July 2025, with transitional arrangements provided for existing contractual agreements. APRA intends to release the final version of CPS 230, along with supporting guidance in mid-2023. [Link](#)

ASIC invites Australian entities to assess their cyber resilience

The Australian Securities and Investments Commission (ASIC) has called on Australian entities to participate in a survey that assesses cyber resilience in the country's corporate and financial markets. The survey, ASIC cyber pulse survey, aims to measure entities' current cybersecurity measures, governance arrangements, and incident preparedness. The findings are expected to provide valuable insights into entities' cyber resilience compared to industry peers. [Link](#)

ASIC released report on managing non-financial risks

The Australian Securities and Investments Commission (ASIC) has published a report that outlines the pricing misconduct and failures by general insurers, which creates a cautionary tale and methods to manage non-financial risks. ASIC also highlights the governing principles, legal obligations, and best practices for the general insurers. It enunciates the significance of designing and promoting pricing promises that can ensure consumers get benefits promised. [Link](#)

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Zambia

SEC Zambia joined SBFN

The Securities and Exchange Commission of Zambia (SEC) has joined the Sustainable Banking and Finance Network (SBFN). [Link](#)

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Zimbabwe

RBZ climate risk management guidelines

In April 2023, the Reserve Bank of Zimbabwe (RBZ) has published the guidelines to enhance the banking sector's resilience by promoting the development and implementing of robust climate risk management practices. [Link](#)

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Kind regards



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