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## KPMG in South Africa

*Regulatory Updates for the week ended 19 February, 2021*

### 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

#### **Invitation from the SARB to comment on CoDI data and reporting discussion document**

The South African Reserve Bank (SARB) has published a discussion document titled 'Data definition and the reporting requirements for deposit insurance in South Africa', for public comment. The document defines the data requirements and operational proposals for the Corporation for Deposit Insurance (CoDI), which will be established in terms of the Financial Sector Laws Amendment Bill (FSLAB). The proposals take into account country-specific characteristics and applicable international standards, comments are invited till 16 April 2021. [Link Link](#)

#### **Transfer of assets and liabilities relating to insurance business**

The Prudential Authority (PA) released communication for all licensed insurers, providing clarity on the application of section 50(1) and (2) of the Insurance Act, 2017 (Act No.18 of 2017) within the context of the transfer of assets and liabilities relating to the insurance business of an insurer and related matters. [Link](#)

#### **Proposed Directive - Capital framework for South Africa based on the Basel III framework**

The PA proposed a Directive on the capital framework issued in terms of section 6(6) of the Banks Act 94 of 1990. The proposed directive helps to inform all relevant persons of matters related to the prescribed minimum required capital ratios along with the application of various components of the said capital requirements such as the systemic risk capital requirement, the domestic systemically important bank (D-SIB) capital requirement and the capital

conservation buffer range. This proposed directive replaces Directive 2/2020, issued in April 2020 and Directive 4/2020, issued in August 2020. [Link](#)

### **Investec quietly tests ‘digital vault’, which may signal its crypto entry**

Recently in an interview, the lead of Investec’s blockchain, Chris Becker explained what’s inside the new digital vault the bank recently piloted and if it is preparing to enter the crypto space. [Link](#)

### **Jenitha John resigns as IRBA CEO**

The chief executive of the Independent Regulatory Board for Auditors (IRBA), Jenitha John tendered her resignation, amid concerns around the non-executive dictatorship at Tongaat Hulett. Further, the process for a call for nominations to the board has begun and advertising for nominations is expected to take place in the next 10 days. The nominations committee will consist of Gobodo, Andersen and acting accountant-general Karen Maree. [Link](#)

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## **Market Developments**

### **International**

#### **Implementation of Basel standards**

Bank of England published a Consultation Paper (CP), which sets out the Prudential Regulation Authority’s (PRA’s) proposed rules in respect of the implementation of international standards through a new PRA Capital Requirements Regulation (CRR) rule instrument. The aim of these rules is to implement part of the set of international standards that remain to be implemented in the UK. This CP also sets out the proposed new PRA CRR rules in full, including parts of the onshored CRR that are not changing but are being transferred into PRA rules. [Link](#)

#### **Payments innovation beyond the pandemic**

BIS published a speech by Mr. Timothy Lane, Deputy Governor of the Bank of Canada, at the Institute for Data Valorisation. In his speech he highlighted how COVID-19 has accelerated the digitalisation of everyone’s personal and professional lives. Further, he highlighted how the developments have affected the world of payments and the changes it has brought in the way Canadian consumers and businesses pay for goods, services and financial assets. [Link](#)

#### **BNP Paribas will not lend to firms farming deforested land in the Amazon**

Europe-based bank, BNP Paribas announced that it will stop financing firms producing or buying either beef or soybeans cultivated on land in the Amazon cleared or converted after 2008. The lender also said it would encourage clients not to buy or produce beef or soy farmed in the Cerrado, a vast tropical savanna eco-region covering 20 percent of Brazil, only financing those that adopt a strategy of zero deforestation by 2025. [Link](#)

#### **Michelle W Bowman: My perspective on bank regulation and supervision**

BIS published a speech by Ms Michelle W Bowman, Member of the Board of Governors of the Federal Reserve System, at the Conference for Community Bankers. In his speech he discussed his approach to supervision and regulation, which helped guide the Fed’s efforts to improve oversight of community banks over the past few years and shaped the priorities for 2021. [Link](#)

#### **Compensation for financial advice related misconduct as at 31 December 2020**

Six of Australia's banking and financial services institutions have paid or offered a total of ZAR13.8 billion in compensation, as at 31 December 2020, to customers who suffered loss or detriment because of fees for no service misconduct or non-compliant advice. AMP, ANZ, CBA, Macquarie, NAB and Westpac undertook the review and remediation programs to compensate affected customers as a result of two major ASIC reviews. [Link](#)

### Conversation with ASIC: AFIA Risk Summit

ASIC published a speech by ASIC Commissioner, Sean Hughes, to the Australian Finance Industry Association (AFIA) Risk Summit. In her speech she discussed the following three issues:

- ASIC's work in the Buy Now Pay Later sector and the outcomes that are being looked for from the industry's Code of Practice
- The role of design and distribution obligations and ASIC's product intervention powers
- ASIC's agenda for 2021, this includes responsible lending, Royal Commission reforms, consumer remediation cyber security and technology infrastructure. [Link](#)

### CBA liable for overcharged interest – Royal Commission case study

The Federal Court made declarations that the Commonwealth Bank of Australia (CBA) made false or misleading representations and engaged in misleading and deceptive conduct on 12,119 occasions when charging a rate of interest on business overdraft accounts substantially higher than what its customers were advised. The total overcharged interest exceeded ZAR24.7 million. ASIC considers that CBA's conduct in this matter, examined in detail during the Financial Services Royal Commission, resulted from inadequate systems and processes. [Link](#)

### APRA announces aggregate Committed Liquidity Facility available to ADIs from 1 April

The Australian Prudential Regulation Authority (APRA) issued a letter to authorised deposit-taking institutions (ADIs) announcing updated aggregate amounts for the 2021 Committed Liquidity Facility (CLF) established between the Reserve Bank of Australia (RBA) and certain locally incorporated ADIs that are subject to the Liquidity Coverage Ratio (LCR). [Link](#) [Link](#)

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## Accounting standards update

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