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## KPMG in South Africa

*Regulatory Updates for the week ended 29 January, 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

#### **The Independent Regulatory Board for Auditors Board of Directors dissolved**

The Minister of Finance, Mr. Tito Mboweni, after taking into account the resignation of a number of board members and challenges in the functioning of the Board, dissolved the BoD, in line with section 12(5) of the Auditing Profession Act (APA). [Link Link](#)

#### **Exemption for direct collection of premiums: substitution of FSCA INS notices 19 and 20 of 2020**

The FSCA published a notice which substitutes FSCA INS Notice 19 of 2020 - exemption for direct collection of premiums by certain independent intermediaries and short-term insurers, 2020 and FSCA INS Notice 20 of 2020 - Exemption for direct collection of premiums by certain independent intermediaries and long-term insurers, 2020. The aim of the Exemption Notices is to accommodate the payment of additional remuneration over and above commission for activities where direct collections are being done. [Link Link Link](#)

#### **Notice: Amendments to the domestic market operations**

In March 2020, the South African Reserve Bank (SARB) introduced various amendments to its money market liquidity management strategy. The SARB replaced the discretionary end of day Supplementary Repurchase Operations, with Intraday Overnight Supplementary Repurchase Operations (IOSROs). As part of the review of the appropriateness and effectiveness of its open market operations (OMOs), the SARB has decided to revert to the end-of-day Supplementary Repurchase Operations conducted at the discretion of the SARB. The rate applicable to the Supplementary Repurchase Operations will remain the repo rate. [Link Link](#)

## **Proposed Directive Auditors' reports in terms of regulation 46**

The Prudential Authority proposed the directive to specify detailed references to the regulatory returns that have to be audited or reviewed in part in fulfilment of the auditors' respective reporting requirements in relation to regulation 46 of the Regulations. [Link](#)

## **How the pandemic affected African Bank**

In an interview with Business Day TV, African Bank's interim CEO Gustav Raubenheimer discussed how the pandemic has weighed on the bank's annual earnings. Further he highlighted how the Bank incurred an annual loss of ZAR27 million in its year to end-September 2020 as the effects of the COVID-19 pandemic weighed on the SA economy and put strain on households. [Link](#)

## **Discovery expands into UK insurance market with VitalityCAR**

South Africa-based insurance company, Discovery entered into a partnership with French mutual insurance group Covea to launch motor vehicle insurance in the UK. Discovery is expected to announce many similar partnerships in other markets soon. [Link](#)

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## **Market Developments**

### **International**

#### **Update on mortgages, consumer credit, banking and payments during coronavirus**

The FCA released an update on matters relating to mortgages, consumer credit, banking and payments during the pandemic. It released the final guidance on repossessions for mortgages and consumer credit, as well as the FCA's intention to consult on an increase in the limit for contactless payments. The FCA also expressed its support for finance staff who are continuing to carry out frontline roles. [Link](#)

#### **Financial Services Compensation Scheme – management expenses levy limit**

FCA and the Prudential Regulation Authority (PRA) have set out proposals for the Management Expenses Levy Limit (MELL) for the Financial Services Compensation Scheme (FSCS) for 2021/22. The consultation paper (CP) is supported by the FSCS's proposed plan and budget for 2021/22. The FSCS is a fund of last resort to provide compensation for consumers when financial services firms fail. The CP is relevant to all FCA and PRA authorised firms. [Link](#)

#### **LIBOR – are you ready for life without LIBOR from end-2021?**

The FCA published a speech by Edwin Schooling Latter, Director Markets and Wholesale Policy at the FCA, delivered at City and Financial's Managing LIBOR transition event. Following are a few highlights from his speech:

- 85 percent of uncleared UK derivatives market is ready for the end of LIBOR as 12,500 firms sign the ISDA protocol
- IBA consultation on proposed end-dates for LIBOR has now closed, opening the way to determine and announce the future path for all 5 LIBOR currencies simultaneously
- users of LIBOR are advised to press ahead with transition plans – in their new business and their legacy LIBOR books. [Link](#)

## Christian Sewing being asked to step back at Deutsche unit

The article highlights, how regulators are pressing Deutsche Bank's CEO, Christian Sewing, to relinquish day-to-day oversight of its investment bank. Regulators fear that Mr. Sewing has too much on his plate, leaving the investment bank open to operational hazards. They want Sewing to hand over day-to-day oversight to another manager so he can retain ultimate responsibility as group CEO under their proposals. [Link](#)

## JPMorgan enters UK with digital-only launch of retail bank

According to the article, US-based bank, JPMorgan Chase is planning to expand its consumer business beyond the US, beginning with a digital-only retail bank in the UK. The bank is expected to start with a mobile checking account for UK customers in 2021, followed by a full slate of products potentially including credit cards, mortgages and vehicle loans. [Link](#)

## Digital currencies and the future of the monetary system

BIS published a speech delivered by Agustín Carstens, General Manager, Bank for International Settlements wherein he discussed new forms of digital currencies that have been in the news lately, including central bank digital currencies, or CBDCs. He further discussed the implications of digital currencies for the monetary system. [Link](#)

## BIS launches second green bond fund for central banks

The Bank for International Settlements (BIS) has launched a euro-denominated, open-ended fund for green bond investments by central banks and official institutions. The launch follows the successful introduction of a first BIS green bond fund denominated in US dollars in September 2019. Together, the two BIS green bond funds are expected to manage around ZAR30.3 billion in green bonds for central banks with the expectation that the funds will continue to grow considerably. [Link](#)

## Optimal bank leverage and recapitalization in crowded markets

The working paper published by BIS focuses on situations where banks need to rapidly recapitalise and analyse implications for banks' leverage and recapitalisation strategies. It also provides the example of COVID-19 crisis, in which financial regulators appealed to banks worldwide to manage their capital buffers wisely. [Link](#)

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