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## KPMG in South Africa

*Regulatory Updates for the week ended 6 August, 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

#### Treasury Considers Limited Withdrawals from Retirement Funds

National Treasury, is in talks with the National Economic Development and Labour Council (NEDLAC) about the proposal of setting a limit on the withdrawals from a retirement fund in an attempt to assist those who lost parts of their income during the Covid-19 pandemic. [Link](#)

#### **Publication of the proposed amendments to the Policyholder Protection Rules made under section 62 (1) of the Long-term Insurance Act, 1998 (Act No. 52 of 1998) and under section 55 of the Short-term Insurance Act, 1998 for public comment**

The Financial Sector Conduct Authority (FSCA) has published the proposed amendments to the Policyholder Protection Rules (PPRs) which have been made under section 62 (1) of the Long-term Insurance Act , and under section 55 of the Short-term Insurance Act,1998 for public comments. These proposed amendments are expected to enhance the protection of customers through more targeted disclosures around excess structures (in the non-life insurance space), bundled products, and loyalty benefits, which have all in the past proven to be complex and not well understood by policyholders. [Link](#)

#### International

#### **Letter from the PRA ‘Insurance Stress Test 2022 (IST 2022)’**

The Bank of England and the Prudential Regulation Authority (PRA) ordered local regulated insurance companies to perform the ‘Insurance Stress Test 2022’ for assessing their current financial performances, as a part of their risk management evaluation process. [Link](#)

### **Third consultation on new prudential regime for UK investment firms**

The Financial Conduct Authority (FCA) has asked UK based investment firms to provide feedback on the Investment Firm Prudential Regime (IFPR), which will introduce a single, proportionate regime reflecting the size and business of MiFID investment firms regulated by the FCA. It expects to help improve competition between firms and simplify matters for new entrants. The window for feedback will remain open until 17<sup>th</sup> September, 2021. [Link](#)

### **Humans keeping AI in check – emerging regulatory expectations in the financial sector**

The Financial Stability Institute (FSI) of the Bank of International Settlements (BIS), released a publication to guide financial regulators in developing various standards for promoting the usage of Artificial Intelligence (AI)-based models to enhance the operations and risk management processes of global financial services. [Link](#)

### **Committee on Payments and Market Infrastructures publishes work programme for 2021-22**

The Committee on Payments and Market Infrastructure has published its work programme which outlines the strategic priorities for its monitoring and analysis, policy, and standard-setting and implementation activities, under its two focus points - shaping the future of payments and addressing risk in financial market infrastructures. The programme has been published with the purpose of improving transparency in its working. [Link](#)

### **Compensation for financial advice related misconduct as at 30 June 2021**

Under the remediation payments by financial institutions set up by the Australian Securities and Investment Commission (ASIC), six of Australia's largest banking and financial services institutions will pay or offer a total of ZAR26.61 billion in compensation, as at 30 June 2021, to customers who suffered loss or detriment because of *fees for no service* misconduct or *non-compliant advice*. ASIC's prior review looked into the extent of failure by the institutions to deliver ongoing advice services to financial advice customers who were paying fees to receive those services; and how effectively the institutions supervised their financial advisers to identify and deal with 'non-compliant advice' – that is personal advice provided to a retail client by an adviser who did not comply with the relevant conduct obligations in the Corporations Act, such as the obligations to give appropriate advice or to act in the best interests of the clients, at the time the advice was given. [Link](#)

### **ASIC finds gaps remain despite progress to repair the TPD 'safety net'**

ASIC has released a report on how nine life insurers are addressing the harms of the consumers identified in ASIC's 2019 Report 633 *Holes in the safety net: A review of Total and Permanent Disability (TPD) insurance claims* (REP 633). The REP 696, as outlined in the report, provides an update on insurers' progress and outlines the key changes made and are planning to make to address consumer harm. [Link](#)

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## **Market Development**

### **World Bank ranks SA's Auditor-General as one of two in the world that has 'full independence'**

The Auditor-General (AG) of South Africa is one of two national audit offices recognised by the World Bank for having full independence to carry out their mandates. The independence is based on international standards and practices and include financial, mandate, coverage,

and operational dimensions. [Link](#)

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