



# KPMG Regulatory Centre of Excellence

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## KPMG in South Africa

*Regulatory Updates for the week ended 24 June 2022*

### 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

### South Africa

#### **Tax residency is what determines the tax regime applicable in SA**

The Covid epidemic has resulted in several adjustments in how staff provide their services. Employees working remotely has grown increasingly common, and there has been an increase of South Africans working for overseas firms while remaining residing in their home country. Employees may be taxed by both the South African Revenue Service (Sars) and the nation where their employer is based because of the aforementioned considerations. [Link](#)

#### **Harith and Anergi Group have launched a new fund to support the rollout of renewables in Africa**

A ZAR4.8 billion fund has been formed to help Africa speed its use of renewable energy. The fund will be managed by Harith, an infrastructure investment organisation, with project development experience provided by Anergi Group, a power company. Over the following six weeks, Harith will engage with possible investors to secure funding for the fund. [Link](#)

#### **Opening remarks by the Competition Commissioner**

Competition Commissioner, Mr Tembinkosi Bonakele, gave the opening comments at a stakeholder breakfast meeting with industry captains hosted at the Houghton hotel in Johannesburg on 20 June 2022. [Link](#)

### **South African banking sector trends April 2022**

The South African Reserve Bank has released the Selected South African banking sector trends report for April 2022. [Link](#)

### **South African insurance sector data March 2022**

The South African Reserve Bank has released the Selected South African insurance sector data report for March 2022. [Link](#)

### **Negotiations get under way OF the US\$8.5bn climate finance deal**

The negotiations for South Africa's COP26 climate financing agreement, in which five major nations promised ZAR12.3 billion to promote the energy transition, will be more difficult than initially anticipated because each nation has its own set of political and legal constraints. [Link](#)

### **SCA orders Capitec to pay Sars ZAR71.5m over failed VAT claim**

Capitec to pay the South Africa Revenue Service (Sars) ZAR71.5m as well as the cost of two legal counsel, in relation to a disputed VAT claim, as ordered by the Supreme Court of Appeal (SCA). [Link](#)

## **International**

### **Consolidated worldwide claims - 2022 Q1**

The Bank of England released the Consolidated worldwide claims report for the first quarter of 2022. It covers the aggregated global external claims and unused obligations of UK-owned monetary financial institutions (excluding central banks) and their branches and subsidiaries abroad. [Link](#)

### **Withdrawal of mortgage market affordability test**

The Financial Policy Committee has confirmed that it would retract its affordability test recommendation following its most recent evaluation of the mortgage market. This will take effect on 1 August 2022. [Link](#)

### **Central banks battle inflation-recession tightrope**

The fight against out-of-control inflation has intensified at the central bank level. Following Russia's invasion of Ukraine, energy and food costs have risen dramatically. Consumers would have to wait a while before seeing the effects of the rate rises on costs. [Link](#)

### **ASIC reduces administrative burden for authorised representatives**

The Australian Securities and Investment Commission's (ASIC) has given relief to relieve general insurance sector participants of the administrative cost of alerting ASIC of significant numbers of employees who handle and settle claims on their behalf. [Link](#)

### **CP6/22 – Model risk management principles for banks**

The Prudential Regulation Authority's (PRA) suggested expectations on banks' management of model risk are outlined in the Consultation Paper (CP). The PRA has established a set of principles that it believes are critical to the development of an effective model risk management (MRM) framework. [Link](#)

### **Paper £20 and £50 banknotes will no longer be legal tender**

The Bank of England will be withdrawing legal tender status of paper £20 and £50 banknotes after 30 September 2022. [Link](#)

## **ASIC calls for better disclosure of business risks and asset values following financial reports review**

Following the Australian Securities and Investment Commission's (ASIC) most recent review of the financial reports of 70 listed entities for the year ended 31 December 2021, 18 entities have been contacted regarding 31 matters, most of which are connected to the underreporting of business risks in the operating and financial review and the asset impairment. [Link](#)

## **ASIC releases new and updated guidance for corporate collective investment vehicles**

The Australian Securities and Investment Commission (ASIC) has released a range of documents to support the licensing and other requirements for corporate collective investment vehicles (CCIVs). The requirements come into effect on 1 July 2022, when the CCIVs regime commences. [Link](#)

## **Emerging Issues Task Force (EITF) meet**

The Emerging Issues Task Force (EITF) convened and discussed the following subject: Issue No. 21-A, "Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method." A consensus-for-exposure was established by the Task Force to use the proportionate amortisation method of accounting to all tax credit investments that satisfy the requirements. [Link](#)

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## **Market developments**

### **South Africa**

#### **Discovery hits one million accounts**

Discovery Bank has experienced strong deposit expansion and significant traction of its shared-value banking model among its client base over the last year. The attraction of a full-service, shared-value, digital bank is reflected by Discovery Bank's strong growth to over one million accounts since its public launch in 2020. [Link](#)

#### **Triple win for Discovery**

Discovery won three awards at this year's Efma-Accenture Innovation in Insurance Awards. Discovery Health won gold in the Product and Service Innovation category for its Hospital at Home service, while Discovery Life received silver in the Social, Sustainable and Responsible category for its Vaccination Max Payback product. Discovery was also named a Gold winner in the Global Innovator category, which honors the world's top innovators in the insurance industry. [Link](#)

#### **Discovery continues innovative measures**

Discovery Bank is on track to accomplish its objective of 600,000 to 700,000 total customers by 2024 by adding 750 new customers every day, considerably ahead of schedule. The digital bank has hit the one-million-account mark and announced a raft of new products, including a "pay-as-you-gym" option. [Link](#)

#### **Absa expects double-digit H1 revenue growth**

Absa, a JSE-listed banking firm, anticipates revenue to expand by more than 10 percent in the six months ending 30 June 2022, owing to robust growth in non-interest income as life insurance revenue increases up and higher interest rates boost net interest income growth. [Link](#)

### **Absa's sustainable energy initiative**

Absa plans to install solar panels in 128 of its branches across South Africa over the next three years, reducing its dependency on Eskom's failing power system in the face of growing load-shedding and a global drive for firms to embrace more sustainable business practices.

[Link](#)

### **Absa customer loans grow despite higher interest rates**

Absa anticipates credit impairments to climb year on year but maintains its loan coverage remains "solid" regardless macroeconomic uncertainty. Despite the South African Reserve Bank raising interest rates to combat rising inflation, more individuals are taking out loans from Absa, with gross customer loans climbing in the high single digits. [Link](#)

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