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KPMG in South Africa

Regulatory Updates for the week ended 24 June 2016

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.

- [Regulatory Developments](#)
- [Market Developments](#)
- [Accounting Changes](#)
- [The Inside Edge](#)

Regulatory Developments

Others

Parliament of South Africa appoints a ‘High Level Panel’ to investigate the impact of legislation

The Parliament of South Africa appointed a ‘High Level Panel’. The Panel aims to review legislation, assess implementation, identify gaps and propose action steps that impact on specific areas. Its mandate is to investigate the impact of legislation with respect to the following areas:

- The Triple Challenges of Poverty, Unemployment and Inequality
- The creation of and equitable distribution of wealth
- Land reform, restitution, redistribution and security of tenure
- Nation building and social cohesion

Submissions are invited with respect to undertaking the mandate. The closing date for submissions is 20 July 2016. [Parliament](#)

[To Top](#)

Market Developments

International

Financial Advice Working Group established in response to the FAMR report (UK)

The Financial Advice Working Group has been established in response to the recommendations of the Financial Advice Market Review (FAMR) report that was published by the Financial Conduct Authority in March 2016. The report recommended a package of measures in order to improve access to advice and guidance. FAMR focused primarily on advice in relation to investing, saving into a pension and taking an income in

retirement. A number of the FAMR recommendations sought to address barriers to consumers accessing advice and guidance on life insurance and protection. The Working Group will be responsible for taking forward the three recommendations assigned to it by FAMR. [FCA](#)

FCA fines against individuals more than double (UK)

According to a law firm, the Financial Conduct Authority (FCA) fines against companies have fallen by a third in 2016, while the value of fines against individuals more than doubled to £17m. The fines against companies fell to £880m in 2015/16 from £1,403m in 2014/15. However, the fines against individuals rose to £17m this year from £7m. The increase is believed to be due to the introduction of the senior manager's regime, which placed the responsibility on managers for their own actions and those of their staff. The new rules came into effect in March 2016, under which senior managers and non-executive directors risk fines or bans if they fail to prove they took all reasonable steps to prevent wrongdoing. [Economia](#)

APRA proposes revisions to the role of the 'Appointed Actuary' and actuarial advice for insurers (Australia)

The Australian Prudential Regulation Authority (APRA) released a discussion paper for consultation. The paper proposes to streamline the role of the 'Appointed Actuary' within general and life insurers. The 'Appointed Actuary' provides expert advice to boards and senior management on the key financial risks facing an insurer. The main proposals in the discussion paper cover the following areas:

- introducing a purpose statement for Appointed Actuaries;
- implementing a clear actuarial advice framework;
- managing potential conflicts of interest;
- improving reporting requirements; and
- simplifying prudential standards

Written submissions on the proposals are invited by 21 September 2016. [APRA Press Release Discussion Paper](#)

OECD Council approves incorporation of BEPS amendments into the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (International)

On 23 May 2016, the Organization for Economic Co-operation and Development (OECD) Council approved the amendments to the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations. These amendments provide clarity and legal certainty about the status of the Base Erosion Profit Sharing (BEPS) changes to the Transfer Pricing Guidelines, which were endorsed by the Council on 1 October 2015, by the G20 Finance Ministers on 8 October 2015, and by the G20 Leaders on 15-16 November 2015. The specific changes introduced in the Transfer Pricing Guidelines by these Reports are as follows:

- The current provisions of Chapter I, Section D of the Transfer Pricing Guidelines are deleted in their entirety and replaced by new guidance.
- Paragraphs are added to Chapter II of the Transfer Pricing Guidelines, immediately following paragraph 2.16.
- A new paragraph is inserted following paragraph 2.9.
- The current provisions of Chapter V of the Transfer Pricing Guidelines are deleted in their entirety and replaced by new guidance and annexes.
- The current provisions of Chapter VI of the Transfer Pricing Guidelines and the annex to this Chapter are deleted in their entirety and replaced by new guidance and annex.
- The current provisions of Chapter VII of the Transfer Pricing Guidelines are deleted in their entirety and replaced by new guidance.
- The current provisions of Chapter VIII of the Transfer Pricing Guidelines are deleted in their entirety and replaced by new guidance. [OECD](#)

ECB publishes SSM supervisory statement on governance and risk appetite (International)

On 21 June 2016, the European Central Bank (ECB) published the Single Supervisory Mechanism (SSM) supervisory statement on governance and risk appetite. The report conveys the lessons from the thematic review of banks' management bodies and their

Risk Appetite Frameworks (RAF) and describes some good practices observed across the significant institutions (SIs). It also sets out supervisory expectations regarding a bank's Board and RAF, acknowledging all existing governance structures. The report aims to support and guide institutions towards the implementation of international best practices. [Banking Supervision](#)

[To Top](#)

Accounting Changes

IASB issues narrow-scope amendments to IFRS 2 Share-based Payment

The International Accounting Standards Board (IASB) issued amendments to IFRS 2 Share-based Payment, developed through the IFRS Interpretations Committee. The amendments clarify how to account for certain types of share-based payment transactions, and provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled

Companies are required to apply the amendments for annual periods beginning on or after 1 January 2018. [IFRS](#)

IRBA approves Engagements to Report on Summary Financial Statements

On 30 May 2016, the Board of the Independent Regulatory Board for Auditors (IRBA) approved International Standard on Auditing 810 (ISA 810 (Revised)), '*Engagements to Report on Summary Financial Statements*', for use by registered auditors in South Africa. The ISA 810 (Revised) deals with the auditor's responsibilities relating to an engagement to report on summary financial statements derived from financial statements audited in accordance with International Standards on Auditing (ISAs) by that same auditor. This standard was issued by the International Audit and Assurance Standards Board (IAASB) in March 2016. [IRBA](#)

FASB publishes an exposure draft named 'Proposed Accounting Standards Update'

The Financial Accounting Standards Board (FASB) published an exposure draft named 'Proposed Accounting Standards Update. The purpose is to amend the consolidation guidance on how a reporting entity that is the single decision maker of a variable interest entity (VIE) would treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that VIE. The Board invited comments on the Exposure Draft until July 25, 2016. [FASB](#)

[To Top](#)

The Inside Edge

The Twin Peaks regulatory model: A roadmap

In 2007 the National Treasury launched a formal review of the financial regulatory system. The scope of this review was expanded in 2008 after the financial crisis and resulted in the proposal of a Twin Peaks regulatory model. This model of regulation proposes the establishment of a Prudential Authority which will be responsible for supervising the safety and soundness of banks, insurance companies and other financial institutions, while the Financial Sector Conduct Authority will oversee financial services firms' business conduct and treatment of customers. The Financial Sector Regulation (FSR) Bill gives effect to these reforms and has been tabled in Parliament. Please [click here](#) for the roadmap document, which provides an overview of the move to the Twin Peaks model.

[To Top](#)

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