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KPMG in South Africa

Regulatory Updates for the week ended 28 July 2017

FinWatch – A Weekly Newsletter

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- [Regulatory Developments](#)
- [Market Developments](#)
- [Accounting / Auditing Update](#)
- [The Inside Edge](#)

Regulatory Developments

Market Developments

Other African countries

Regulatory challenges in a fast-evolving banking system (Mauritius)

In his speech, the Governor of the Bank of Mauritius spoke about the changes that have compelled the regulatory authorities to construct new regulatory structures and introduce new regulatory and supervisory toolkits. The Governor spoke about the topics that are leading to regulatory and supervisory implications due to banking sector changes such as:

- Financial engineering and complex risk transfer mechanism;
- Complexity and opacity resulting from banks operating under the aegis of banking groups or conglomerates;
- Role of financial technology in morphing the nature of the banking business; and
- Enhanced macroeconomic sensitivity of banking activities.

The Bank of Mauritius have undertaken projects aimed at containing build-up of vulnerabilities and enhance resilience of the financial system, such as:

- Complete review of the banking legislation and the inclusion of a crisis management and resolution framework within the revamped legislation;
- Deposit insurance scheme;
- Setting up of an Asset Management Company to strengthen the balance sheet of banks; and
- A national payments system legislation. [BOM](#)

International

The FCA outlines proposals to extend the Senior Managers and Certification Regime (SM&CR) to all financial services firms (UK)

The Financial Conduct Authority (FCA) proposed to extend the SM&CR to all regulated firms. The new regime will replace the Approved Persons Regime and aims to:

- Encourage a culture of staff that takes personal responsibility for their actions; and
- Ensure that the firms and staff understand and are able to demonstrate their areas of responsibility.

The FCA has proposed three parts to the SM&CR:

- Five Conduct Rules: These rules will apply to all financial services staff at firms authorized by the FCA. The individuals must act with integrity, due care, skill and diligence. The staff is expected to be open and cooperative with regulators, pay due regard to the interests of customers, treat them fairly, and observe proper standards of market conduct;
- The responsibilities of Senior Managers will be set out and the managers will be personally held accountable in event of mishap. The Senior Managers will be approved by the FCA and appear on the FCA Register; and
- Under the Certification Regime, firms will certify individuals for their fitness, skill and propriety at least once a year. [FCA](#)

Strengthening accountability: extension of the Senior Managers & Certification Regime to insurers (UK)

The Prudential Regulatory Authority (PRA) published proposals to extend the Senior Managers and Certification Regime (SM&CR) to insurers. A consistent but proportionate regulatory framework will be implemented which will be able to strengthen individual accountability and promote effective corporate governance for all PRA-regulated firms.

[PRA](#)

The PRA also published a consultation paper (CP) in which it has set out its proposals for the extension of the Senior Managers & Certification Regime to all insurers. A key objective set out in the proposals is to strengthen the PRA's regulatory regime for insurers to ensure that the governance system is effective and has clearly allocated the responsibilities. The proposals aim to ensure the individual accountability of senior managers and directors for:

- Conduct with respect to responsibilities within the firm;
- Overseeing the business conduct of key reporting individuals; and
- Ongoing safety and soundness of the firms, and adequate protection of the firm's policyholders.

The regime is also intended to facilitate the recommendations in the Fair and Effective Markets Review (FEMR) by contributing to the fair and effective operation of markets.

[Consultation Paper](#)

FCA seeks views regarding the Office for Professional Body Anti-Money Laundering Supervision (UK)

The Financial Conduct Authority (FCA) published a consultation paper regarding the government-proposed Office for Professional Body AML Supervision (OPBAS). The consultation paper set out draft expectation on how professional body supervisors can meet their obligations in relation to AML supervision. OPBAS's approach will:

- Develop a sound understanding of how different bodies work and the sectors under supervision;
- Adopt a risk-based approach concentrated towards supervisory resources in areas of greatest risk; and
- Share good practice and avoid supervisory conflicts. [FCA](#)

FCA to consult on new rules for current account providers to publish information on service and performance (UK)

The Financial Conduct Authority (FCA) launched proposals which will help customers make effective comparisons of the service levels available for personal current accounts and business current accounts. The FCA has proposed that firms who offer personal current accounts and business current accounts should publish service information about:

- Duration it takes to open an account and have features of the account working, including overdraft facilities;
- Duration it takes to replace a lost, stolen or stopped debit card;
- Duration it takes to give someone access to a personal current account under a

- power of attorney;
- Procedure and time the customers can carry out various transactions, including making payments or cancelling a cheque, availability of 24-hour help; and
- Number and type of major operational or security incidents. [FCA](#)

Speech by the chairman of ASIC on conduct risk (Australia)

The Chairman of the Australian Securities and Investments Commission (ASIC) in his speech spoke about the meaning of conduct risk and the reason why ASIC is concerned about conduct risk, and its relationship with culture. ASIC is currently running two pilot projects to implement their approach to culture. One is in relation to the sale of direct life insurance, and the second relates to breach reporting practices. However, ASIC plans to look over the following areas for conduct risk:

- Reward and incentive structures, including promotions;
- Recruitment and training policies;
- Whistleblower policies;
- Conflicts of interest and how they are managed;
- Nature and level of complaints within firms and complaints handling;
- Remediation policies and procedures; and
- Corporate governance frameworks to support a customer-centric culture. [ASIC](#)

Review of the private health insurance prudential framework: Building resilient insurers (Australia)

In his speech at the Health Insurance Summit the Senior Manager of Policy Development spoke about the importance of building resilient insurers and the work the Australian Prudential Regulatory Authority (APRA) is doing to support this through the policy Roadmap. In his opinion it is APRA's key responsibility to make sure that the insurers it supervises are resilient, and are able to keep the promises made to their policyholders, so that private health insurance can continue to play its important role in the Australian health care system. APRA seeks to fulfil this through three key capabilities:

- Developing policy: that is, setting the minimum prudential standards that all insurers must meet;
- Supervision of entities – day-to-day oversight of insurers to check they are not at risk of breaching minimum prudential standards; and
- Resolution and enforcement – which provides means for APRA to intervene in the affairs of an insurer should it be at material risk of breach or failure. [APRA](#)

Update on ASIC's priorities (Australia)

The Chairman of Australian Securities and Investments Commission (ASIC) spoke about the ASIC's vision to allow markets to fund the economy, and in turn, economic growth. However, this vision of the ASIC can be influenced by the following challenges:

- Culture and conduct – aligning conduct in a market based system with investor and consumer trust and confidence;
- Digital disruption and cyber resilience in financial services and markets;
- Globalisation of financial markets, products and services;
- Structural and demographic change in our financial system; and
- Building financial capability.

ASIC will set out ways to tackle the following challenges in their four-year corporate plan. [ASIC](#)

FTC announces “Stick with Security” initiative for data security protection (US)

The Federal Trade Commission (FTC) announced the launch of its “Stick with Security” initiative on July 21, 2017, which will include a series of ten weekly blog posts on protecting

and securing consumer data. The initiative is intended to reinforce guidance from the FTC's earlier "Start with Security" publication that presents ten best practices and lessons learned from closed FTC data security investigations. [ETC](#)

[To Top](#)

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