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KPMG in South Africa

Regulatory Updates for the week ended 10 November 2017

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

Insurance

Insurance Prudential Seminar 2017

The Insurance Division of the Financial Services Board will be hosting the Insurance Prudential Seminar. The aim of the Seminar is to share information on the most recent and on-going prudential regulatory and supervisory developments and the development and implementation of the SAM project. The Seminar is targeted at senior management and employees within insurers with an interest in prudential regulatory and supervisory developments. [FSB](#)

Please contact [Joana Abrahams](#) for more information.

Insurance Conduct of Business Seminar

The Insurance Division of the Financial Services Board will be hosting the Insurance Conduct of Business Seminar. Some of the topics to be discussed at the seminar include;

Update on Twin Peaks

Overview of recent and pending conduct of business regulatory reforms

Tranche 1 regulatory reforms: 2017 amendments to the Insurance Regulations and PPR's

Tranche 2 regulatory reforms: 2018 amendments to the Insurance Regulations and PPR, alignment to the Insurance Bill and microinsurance product standards.

Update on the Retail Distribution Review (RDR)

Trends and challenges in Assistance and Funeral business from a supervisory perspective

Enforcement update

General Conduct of Business Supervisory Update

Conduct of Business Supervision: Key supervisory focus areas and industry trends

Conduct of Business Supervision: Overview of Claims Thematic Review

Conduct of Business Supervision: Conduct of Business Return (CBRs). [FSB](#)

For more information please contact [Nicky Kingwill](#).

Others

Guidelines for the submission of credit information are in place

The guidelines set out the manner and form in which a credit or data provider must submit credit information to a credit bureau. The guidelines provide detail on the reporting of credit information by credit providers, the form and manner of reporting credit information and timeframes for reporting credit information. All new credit agreements entered into with consumers must be reported within 48 hours to a credit bureau. For more information, please contact [Finn Elliot](#).

Financial inclusion is more than just access to credit

This comment piece focuses on unpacking the meaning of financial inclusion, and outlines its benefits, progress and challenges made in recent years. It also include some discussion points on a perspective on the possible priorities for South Africa going forward. According to the article, a discussion of the structure of the SA financial sector should look at issues relating to ownership, barriers to entry, loans for low-income housing, agriculture and black SMMEs, empowerment financing and BEE transaction financing. South Africa needs to ensure that the new technologies and communications infrastructure afforded to the financial sector do not simply build on past inequalities especially by income, race, age, gender among others. These new developments and innovation must be used to reduce the gaps and inequalities. [MG](#)

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Market Developments

Other African Countries

Guidelines for application and authorisation of payment service provider (Malawi)

The objective of the guideline is to provide a procedural framework and guidance for the application and authorisation process of payment service providers. They stipulate the procedures, key information and other requirements necessary for assessment of applications. The guidelines are issued in pursuant of the Payment System Act. [RBM](#)

International

China and Australia to cooperate on fintech (Australia)

The China Securities Regulatory Commission (CSRC) and Australian Securities and Investments Commission (ASIC) have entered into an agreement to promote innovation in financial services in their respective markets. This agreement represents an exciting opportunity for ASIC to learn more about the Chinese fintech sector. The agreement provides a framework for information sharing between the two regulators on emerging market trends and developments, as well as regulatory developments pertaining to innovation in financial services. [ASIC](#)

Consultation on LPS on reinsurance (Australia)

APRA has proposed to amend the requirements of Prudential Standard (LPS) on Reinsurance to align the approach to financial reinsurance with the approach taken in the general insurance industry, under the prudential standard on reinsurance management. Specifically, the proposed draft standard takes a principles-based approach to determining when approval is required, rather than the current prescriptive criteria. APRA expects that this approach will:

- Allow for clearer focus on the economic substance of reinsurance arrangements;
- Support better quality discussions between life insurers and APRA supervisors regarding the key issues in reinsurance arrangements; and

- Be more responsive to developments in the reinsurance market.

The new approach is intended to reduce the burden on both APRA and life insurers, by minimising instances in which contracts which are not of prudential concern are required to be submitted to APRA for approval. It will create greater consistency between the general insurance and life insurance prudential frameworks. [APRA](#)

APRA and ASIC publish key industry data on life insurance claims (Australia)

APRA and ASIC have released initial industry-aggregate results from round one of a new data collection pilot on life insurance claims. The agencies have also released an information paper about their ongoing work to implement the reporting regime. The release of the data and Information Paper about round one of the pilot will be followed by the round two collection outlining refinements to the data template and definitions for insurers. [ASIC](#)

FCA launches Wholesale Insurance Brokers Market Study (UK)

The Financial Conduct Authority (FCA) has launched a market study to assess how competition is working in the wholesale insurance broker sector. The FCA wants to ensure that the sector is working well, and fosters innovation and competition in the interests of its diverse range of clients. According to the FCA brokers play an important part in the wholesale insurance sector ensuring clients get appropriate coverage at good value. However, following significant changes in the sector, the FCA is looking at the dynamics to ensure competition is working well. [FCA](#); [Terms of Reference](#)

FCA response to Payment System Regulator's paper on authorised push payment scams (UK)

The Financial Conduct Authority (FCA) has pledged to identify if there are any firm-specific or sector-wide issues in the way banks handle authorised push payment scams. The FCA has engaged with a number of banks to understand their policies and procedures for handling push payment scams. The FCA will be actively monitoring the adoption, implementation and impact of the Standards. The FCA will be writing to members of UK Finance to ask them:

- If they have committed to adopt UK Finance's Standards, how they will incorporate them into their policies, procedures and target operating model.
- Whether the Senior Manager with responsibility for the firm's financial crime policies and procedures is ensuring that there are adequate measures to address payment services fraud (including push payment fraud). [FCA](#)

Financial management and planning by insurer (UK)

The Prudential Regulatory Authority (PRA) published a consultation paper which seeks views on a draft supervisory statement on effective financial management and planning by insurance firms and groups. According to the PRA, effective financial management and planning is especially important for those insurers with a high risk appetite, and for those insurers with capital levels that may fluctuate significantly. As mentioned in the consultation paper, the PRA expects to see proper board scrutiny and challenge at an insurer of the ongoing financial management of the insurer, including the sustainability of its capital management and dividend policies, in the context of its risk appetite. [PRA](#)

Solvency II: Internal models - modelling of the matching adjustment (UK)

This consultation paper seeks feedback on a draft supervisory statement (SS) setting out the Prudential Regulation Authority's (PRA) proposed expectations of firms regarding the application of the Solvency II matching adjustment (MA) within the calculation of the Solvency Capital Requirement (SCR). The CP is addressed to UK Solvency II firms and to the Society of Lloyd's and its managing agents. It is most relevant to firms with or seeking MA approval and which use a full or partial internal model to determine the SCR, together with UK Solvency II firms when making an assessment as to the appropriateness of the standard formula for their risk profile. [BoE](#)

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Accounting/ Auditing Updates

New revenue requirements may require additional investment to ensure compliance

The new revenue recognition requirements will come into effect on January 2018. The new revenue financial reporting standard has established a single comprehensive framework for determining when and how much revenue a company should recognise in the financial statements. The new standard removes inconsistencies and weaknesses in the previous revenue requirements, improve comparability amongst revenue recognition practices

across companies, industries, jurisdictions and capital markets and simplify the preparation of financial statements by reducing the number of requirements to which companies refer to. [SAICA](#)

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