

## FMRC: Reward whistle-blowers

The South African government should consider setting up a programme that will reward persons who blow the whistle on alleged corruption in the financial sphere, a draft report on financial market conduct has recommended.



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This is one of a number of recommendations contained in the 2018 *Financial Markets Review* (FMR) compiled by a regulator committee appointed in May 2017.

Last year, National Treasury, the South African Reserve Bank (Sarb) and the Financial Sector Conduct Authority (FSCA) established the FMRC to develop recommendations to reinforce conduct standards in wholesale financial markets. This was in the wake of international financial misconduct scandals which meant, according to the report, South Africa could not afford to be complacent.

Former Finance Minister, Pravin Gordhan, announced the review during his final budget speech in February last year.

In the report, released on Monday, the FMR committee contends that although in South Africa whistle-blowers are defended by the Protected Disclosures Act, more needs to be done.

The Act provides protection for disclosures made in good faith by an employee who believes that the information disclosed is substantially true, “and who does not make the disclosure for purposes of personal gain, excluding any reward payable in

terms of any law”.

“It is recommended that the regulators consider implementing a programme that rewards whistle-blowers for providing information about substantial misconduct in financial markets that leads to a successful enforcement action with monetary sanctions,” reads the report.

The report notes whistle-blowing is an important mechanism to prevent and detect improper conduct, fraud and corruption.

The FMRC, in the report, said it had received responses from market participants indicating that whistle-blowing arrangements were in place. However, implementation varied with government and individual businesses participants.

## **Vital source of information**

Should the recommendations get the thumbs up, South Africa will join the likes of the United States and the United Kingdom who reward whistle-blowers.

“In more opaque markets, whistle-blowers who inform regulators of suspected instances of misconduct can be a vital source of information to support regulation against misconduct.

“Market regulators can incentivise market participants to provide such information by ensuring that necessary protections are in place so that no retaliation is taken against a whistle-blower for disclosure of information and, in certain circumstances, monetary rewards are provided,” the report states.

The public now has four weeks to comment on the recommendations contained in the draft report.

The final report is expected to be published in early 2019.

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