

Twin Peaks legislation expected to reach Parly in May

CAPE TOWN: A draft bill aimed at reforming South Africa's financial regulatory system is expected to be tabled in May 2015, the National Treasury said on Tuesday, 25 November.



© North Gallery – za.fotolia.com

This comes after Cabinet first approved the proposal in 2011 that would allow the National Treasury to have enhanced regulation over the financial services sector to also protect it from the events of 2008 when a global meltdown had domino effects on several developed states.

Briefing Parliament's Standing Committee on Finance, Ismail Momoniat, the Deputy Director-General for Tax and Financial Sector Policy at National Treasury, said a draft bill would soon be published for public comment.

"Now we are hoping to publish the second draft of the bill... I am hoping in the next month. I am hoping the committee will be able to prioritise the bill because we do need to get the system going," he said.

National Treasury had appeared before the committee to make a presentation on the progress of the financial services reform known as Twin Peaks.

Following the 2011 proposal, Cabinet subsequently approved Twin Peaks, which means that National Treasury would improve its regulation of the finance sector through focused regulation split into two forms - prudent authority and market conduct authority.

Prudent authority would enable National Treasury to have increased regulation for banks, insurers, financial markets and also have a special focus on conglomerates.

Market conduct would also see the National Treasury putting a microscope on all laws that are complete, including the 2013 Banks Amendment Act.

It would also allow the department to ensure that customers are treated fairly with an increased focus on contract terms and costs.

"Twin Peaks as a single system presents a decisive shift away from a fragmented regulatory approach in order to reduce and eliminate the possibility of regulatory arbitrage or forum shopping," Momoniat said.

He said it was important to be tough on financial services institutions to ensure that consumer savings are also protected.

"We are quite excited about the market conduct regulation because in South Africa we do believe that we have not battled strongly enough for financial customers.

"If we want to hold the financial sector to the highest standards, then [this legislation needs to be passed]," he said.

Momoniat said in some instances, the financial sector always acted in the interest of making profits for themselves that they often overcharged customers on their pensions and sold inappropriate insurance products to consumers.

"Payday" lenders also needed to be monitored much closer, he said.

"These guys need to be regulated very harshly. In fact, we even need to ask whether we even want some of these institutions in South Africa. You will find that they just get registered easily and over-the-internet loans are being paid and it drives you into indebtedness, which is a huge crisis that I think we have in South Africa," he said.

He said Twin Peaks was a comprehensive system that would not only deal with financial sector stability, but one that would also set up regulators that would focus on, among others, licensing, supervision, enforcement, customer complaints - including ombuds, improved appeal mechanism like tribunals and consumer education.

"Twin Peaks is the most significant financial sector reform in 25 years," Momoniat said.

For more, visit: <https://www.bizcommunity.com>