

Creating a framework for an inclusive financial sector

South Africa needs a financial sector that serves all and not just a privileged few, and therefore it is vital that there is a strong oversight framework in place, Finance Minister, Nhlanhla Nene said at the launch of the Financial Sector Conduct Authority (FSCA).



Finance Minister, Nhlanhla Nene

The launch comes two months after the official birth of the FSCA and the Prudential Authority (PA), the two pillars of the so-called Twin Peaks regulation

The gestation period for creating this new regulatory regime has been long starting in 2007 with the review of financial regulation. The review's scope was expanded after the global financial crisis in 2008 and its outcome was the publication in 2011 of the *Red Book*.



Explainer: who will be doing what under South Africa's new 'Twin Peaks' model

Andrew Schmulow 21 May 2018



The Red Book proposed the shift to a Twin Peaks model of regulation, a shift which was informed by the need to ensure that the financial sector remained not only world class but that it served the interests of the people of South Africa.

“The new model recognised that to truly serve the interests of the people of South Africa, regulation must go beyond prudential supervision to include how financial services firms treat their customers. South Africa’s financial sector is well-capitalised and stable.

“That’s why it weathered the 2008 global financial crisis. However, it is common knowledge that the financial sector can do much more to serve the needs of South Africans better.”

The minister said the financial sector can better serve the needs of South Africans by making financial products less complex if not just plain simple, among others.

He added that the sector can create fee structures simple to understand so that customers can assess the real value and the total cost of the products and services they are buying.

In addition, the sector can create products and services appropriate to the needs of customers and therefore provide real benefits to customers and also make the financial sector safer for customers by weeding out unscrupulous characters who siphon off the monies of customers and other beneficiaries.

Diagnostic study into banking sector

Nene highlighted that the FSCA, which has been created as a market conduct regulator, will also regulate the conduct of retail banks and payment services.

“In this regard, National Treasury has commissioned a diagnostic study into the retail banking sector. The recommendations from this exercise will inform the development of a comprehensive strategy for regulating retail banks and addressing identified poor customer outcomes,” he said.

“The FSCA also has a mandate to ensure the efficiency and integrity of financial markets. To better address financial market abuses, a comprehensive Financial Markets Review is already underway under the leadership of former senior deputy governor of the South African Reserve Bank, James Cross,” Nene said.

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