

Financial Markets Act to come into effect in June

A new law meant to regulate financial markets and curb trading misconduct will come into operation from 3 June.

By [Amukelani Chauke](#) 30 May 2013

President Jacob Zuma has promulgated the Financial Markets Act (No. 19 of 2012), which automatically revokes the existing Securities Services Act, 2004 (No. 36 of 2004), and will seek to regulate financial markets and over-the-counter (OTC) derivatives.

The introduction of the new law is, according to National Treasury, meant to bring South Africa in line with international norms and standards.

"The Act seeks to ensure that financial markets in South Africa operate fairly, efficiently and transparently to promote investor confidence.

"[It will also ensure] that the legislative and regulatory framework is brought in line with the recommendation of international standard setting bodies such as the G20, Financial Stability Board, Basel Committee on Banking Supervision and the International Organisation of Securities Commissions.

The Act's primary focus

"The Act primarily focuses on the licensing and regulation of exchanges, central securities depositories, clearing houses, trade repositories and market infrastructure, as well as the prohibition of insider trading and other market abuses," National Treasury said in a statement.

The tightening of financial markets laws, according to recent media reports, is also intended to ensure that the 2008 financial crisis, which saw the collapse of major banks, does not happen again.

While those market abuses that created the global meltdown did not happen in South Africa, the Act is set to close loopholes, enhance transparency and promote good governance practices.

The Act will also improve OTC trading in derivatives and do away with misleading and conflict of interest trading. This is one of several commitments made by the G20 countries.

"In the National Treasury document, Reducing the risks of over-the-counter derivatives in South Africa, the Treasury had announced and adopted a phased approach to the implementation of OTC derivatives regulatory reform after an extensive consultation process.

"To ensure that the market has adequate time to adapt to and comply with the new requirements, the regulations and rules that will give substance to the Financial Markets Act will become fully operational following a transitional period.

"Further details on these rules are available from the Financial Services Board," Treasury said.

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