



MEDIA STATEMENT

REQUEST FOR PUBLIC COMMENT: DRAFT FINANCIAL SERVICES LAWS GENERAL AMENDMENT BILL, 2012

The National Treasury today publishes for public comment the draft Financial Services Laws General Amendment Bill, 2012 (“the Bill”), as approved by Cabinet at its meeting of 22 February 2012.

The Bill amends eleven financial sector laws to address legislative gaps highlighted after the 2008 financial crisis and to align these laws with the new Companies Act, 2008 and other legislation. Many of these gaps were noted in the policy paper, “*A safer financial sector to serve South Africa better*”, published by the National Treasury with the 2011 Budget. The paper outlined 15 principles that will guide the reform of South Africa’s financial regulatory architecture. However, it should be noted that the proposed amendments do not cover the more fundamental reforms envisaged in the shift towards a twin peaks model of financial regulation, but rather address the more urgent legislative gaps as well as remove inconsistencies in current legislation. Amendments to legislation to introduce the twin peaks model are expected to be published in 2013.

The eleven financial sector Acts amended in this bill include the Financial Services Board Act, 1990; the Inspection of Financial Institutions Act, 1998; Financial Institutions (Protection of Funds) Act, 2001; the Short-term and Long-term Insurance Acts, 1998; the Pension Funds Act, 1956; the Financial Advisory and Intermediary Services Act, 2002 and the South African Reserve Bank Act, 1989.

The primary objective of the Bill is to ensure that even during the transition to twin peaks system, South Africa has a sounder and better regulated financial services industry which promotes financial stability by:

- strengthening the financial sector regulatory framework;
- enhancing the supervisory powers of the regulators; and
- enhancing the powers of the Minister and South African Reserve Bank to address potential risks to the financial system.

The Bill addresses several urgent areas:

- closes gaps identified by the Financial Sector Assessment Program conducted by the IMF and World Bank regarding South Africa’s adherence to international standards for financial regulation;
- aligns financial sector legislation with the new Companies Act, 2008;
- eliminates overlaps caused by the Consumer Protection Act, 2008, Companies Act, 2008 and Competition Commission Act, 2009;
- makes the Financial Services Board the lead regulator where there is concurrent jurisdiction;
- gives the Minister of Finance appropriate emergency powers to deal with systemic risks to the financial system; and

- strengthens the South African Reserve Bank's powers to intervene in the event of a banking crisis.

The Bill also provides for:

- the repeal of numerous advisory committees as part of the process to rationalise and improve the quality of consultation processes as we move towards the twin peaks model of regulation;
- an amendment of the Co-operatives Banks Act to transfer the supervisory function of the Co-operatives Banks Development Agency to the Reserve Bank; and
- an amendment of the definition of "business of a medical scheme" in the Medical Schemes Act, 1998, which is required to support Demarcation Regulations which were released last week by the National Treasury and the Department of Health.

The Bill and accompanying documents are available on the National Treasury (www.treasury.gov.za) and Financial Services Board (www.fsb.co.za) websites. Comments on the Bill are invited from all interested stakeholders. Written comments should be sent to Dr. Reshma Sheoraj at omnibusbill@treasury.gov.za or faxed to 012 315 5206 by 13 April 2012.

To improve the quality of public consultations, the National Treasury will convene meetings and workshops with key stakeholders. After reviewing public comments, the Bill is expected to be tabled in Parliament later this year.

Issued by: National Treasury

Date: 9 March 2012