



Media release

3 September 2018

Publication of the draft report “Protecting the integrity and effectiveness of South African wholesale financial markets” for consultation

The South Africa’s financial sector authorities (National Treasury, the South African Reserve Bank (SARB) and the Financial Sector Conduct Authority (FSCA)) are pleased to release for public comment a draft report titled ‘Protecting the integrity and effectiveness of South African wholesale financial markets’. The report reviews South African over-the-counter fixed income, currency, commodities and derivatives markets.

In February 2017 the then Minister of Finance announced that a review focusing on conduct practices in wholesale financial markets would be undertaken in 2017. South Africa’s financial sector authorities established the Financial Markets Review Committee (FMRC) under the leadership of former SARB Senior Deputy Governor James Cross to conduct this review.

The International Organization of Securities Commissions (IOSCO) defines wholesale markets as ‘markets that predominantly consist of professional counterparties where both counterparties are persons or firms that are considered more sophisticated than typical retail customers or participants’¹.

The mandate of the FMRC was to consider the following in relation to market conduct:

- review the standards and practices in South Africa’s wholesale financial markets, both regulated and unregulated.

¹ <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD563.pdf>

- review governance, accountability and incentives in wholesale financial markets.
- develop overarching principles for conduct and integrity to provide a consistent framework for specific reforms in wholesale financial markets.
- identify any gaps in the legislation, regulation and/or supervision of conduct in wholesale financial markets, to be addressed through the market conduct policy framework under the Twin Peaks model of regulation.
- identify and incorporate the role of global standards and good practice in South Africa's regulatory approach to wholesale financial markets.
- develop recommendations for regulators on a pre-emptive, outcomes-focused and risk-based approach to conduct and integrity in wholesale financial markets.
- facilitate the establishment of a market-led Financial Markets Standards Group.

To assist with its technical work and to ensure wide consultation during the review process, the FMRC set up a Financial Markets Panel (FMP) consisting of market participants to provide information and input on market structures, practices and governance. The members of the FMP were nominated by relevant financial market associations, namely the Association of Corporate Treasurers of Southern Africa, Association for Savings and Investment South Africa, Banking Association South Africa, South African Institute of Chartered Accountants, South African Institute of Stockbrokers, International Bankers Association, Financial Markets Liaison Group, and the Association of Black Securities and Investment Professionals. The first meeting of the FMP was held during August 2017 where a number of working groups were set up. The working groups produced several discussion papers that provided input into the report.

The draft report is divided into seven chapters: an introductory chapter and six chapters addressing the various themes, namely governance, market conduct, market structure, trading venues and technology, regulatory framework, and finalisation of the 2015 Foreign Exchange (FX) Review. The report contains 43 recommendations for consideration by policy makers that will assist financial sector authorities to enhance the integrity and conduct regulatory framework of wholesale financial markets in South Africa.

Stakeholders are invited to provide comments and suggestions on the recommendations contained in the draft report by 1 October 2018. All comments, suggestions and general queries should be sent to the SARB at SARB-FMRC@resbank.co.za.

(Joint statement by National Treasury, SARB Media Relations and FSCA)