

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER 2339**

**DATE OF PUBLICATION: 30 AUGUST 2010**

**Dr D T George (DA) to ask the Minister of Finance:**

Whether, with regard to the world financial crisis, any changes will be made to the local financial regulatory environment; if not, why not; if so, what are the relevant details?

NW2907E

**REPLY:**

I have already dealt with this issue in my response to the Honourable Member's similar question last month (Parliamentary Question Number 2192). As noted in that response, we have conducted a review, and continue to do so, on an on-going basis, on the global financial crisis and the lessons we need to learn from it. We are also following closely the changes being made in countries at the heart of this crisis, like the USA (Dodd-Frank Bill), UK and in the EU.

To repeat my response to the earlier parliamentary question, several changes have already been made to the local financial regulatory environment in light of the global financial crisis. The 2010 Budget Review noted some of the changes made to the local financial regulatory environment including reaffirming the important role of the SA Reserve Bank in overseeing and maintaining financial stability. It also noted the shift towards a more prudential approach on foreign exposure and a macroprudential approach to financial stability.

Further, as a member of the G-20, the President has fully committed the government to international efforts to address financial regulatory reforms. South Africa participates actively in both the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision, where global financial regulatory reforms are being proposed. This includes the agreement early this month (12 September 2010) at the Basel Committee on Banking Supervision on changes to the Basel II framework, on measures to raise the quality and quantity of capital, steps to reduce the pro-cyclicality of current rules, a new risk framework, and liquidity and leverage ratios. Implementation of the relevant proposals is planned from 2011/12.

The 2010 Budget Review indicated that although South Africa did not itself experience a financial crisis, the following steps have already been taken:

- The establishment of the regulators roundtable, which brings together all relevant financial regulators for purposes of increased coordination and information sharing, and which has already begun work on areas of financial stability, enforcement, market conduct and legislative alignment. We are in the process of formalising this roundtable. It is envisaged that many more proposals for changes to the regulatory environment will emanate from this forum, as and when weaknesses or vulnerabilities are identified. It is thus not yet possible to provide precise details of all the reforms that will be taking place in response to the global financial crisis.
- We are also considering proposals to improve the performance, governance and accountability of the financial regulatory agencies.
- Increasing the scope of regulation to cover previously unregulated activities, such as hedge funds and private equity firms. We are considering measures to improve the regulations governing over-the-counter derivative products. We are also considering measures to regulate credit rating agencies, which play an important role in global investment.