

## **Twin Peaks Implementation Proposal Summaries**

### **2. Governance and accountability framework**

- The prudential regulator's internal governance arrangements will be based on the current South African Reserve Bank's governance model, and will operate within the Bank, reporting to a Deputy Governor.
- The market conduct regulator will be governed by a full-time Commissioner and executive management team appointed by the Minister of Finance. Various independent governance committees — including an audit committee, a remuneration committee and a risk committee — will exercise administrative oversight over the executive team.
- The two regulators will be funded according to international best practice, including retaining the current levy-based system of funding for the market conduct regulator and considering options, including a formula-based levy model, for the prudential regulator.

### **3. Strengthening financial stability oversight**

- The South African Reserve Bank has been explicitly mandated to oversee and maintain financial stability, working closely with the market conduct regulator.
- The mandate will be carried out by expanding the Bank's functions to include macro prudential supervision of financial institutions, systemic supervision and oversight of conglomerate institutions and key financial markets infrastructure, and establishing the Bank as the resolution authority.
- The Financial Stability Oversight Committee will be formalised and given legislative backing.

### **4. Prudential regulation and supervision**

- The prudential regulator's strategic objective will be to maintain and enhance the safety and soundness of regulated financial institutions.
- The prudential regulator will be responsible for the prudential regulation and supervision of banks, cooperative banks and insurers.
- The prudential regulator will adopt a risk-based approach to supervision.
- The supervisory objectives, principles and methods will be harmonised across the various types of regulated financial institutions.

## **5. Market conduct regulation and supervision**

The market conduct regulator's objective will be to protect consumers of financial services and promote confidence in the South African financial system, with specific supporting mandates, including:

- Promoting the fair treatment of financial services customers
- Protecting and enhancing the efficiency and integrity of South Africa's financial markets
- Promoting financial awareness and financial literacy among South Africans
- Contributing to the policy objectives of financial stability, financial inclusion and combating financial crime.
- The market conduct regulator will adhere to the eight overarching regulatory and supervisory principles set out in Chapter 1.
- Using the abovementioned principles, the market conduct regulator will rely on a mix of traditional supervisory tools and newer, more innovative tools — including enhanced public and non-public reporting requirements, and an appropriate set of product suitability powers — to fulfil its mandates. These tools will be designed to enable pre-emptive mitigation of market conduct risks.

## **6. Crisis management and resolution**

- The South African Reserve Bank is established as a resolution authority as part of its financial stability mandate.
- The resolution framework is based on systemic significance and financial stability considerations, rather than institutional soundness. It includes the resolution of various types of systemically significant financial institutions, financial market infrastructure and financial groups.
- The resolution authority is granted a wide range of powers to enable prompt corrective action, including bail-in powers.
- Safeguards are provided to protect stakeholders and ensure that the resolution authority remains accountable.

## **7. Enforcement**

- The prudential regulator will have the necessary enforcement powers and regulatory tools to act quickly, and will remain cognisant of the effect any significant regulatory action will have on confidence in the financial system's stability.

- To pose a credible deterrent, the market conduct regulator will have visible legal authority to enforce compliance within its regulatory framework, including the ability to impose meaningful redress and sanctions for material non-compliance.
- The prudential regulator will be responsible for AMUCFT\* supervision of institutions that fall under its jurisdiction, while the market conduct regulator will carry out AMUCFT supervision of those entities that do not fall under the prudential regulator.

\*Legislation aimed at Combating Money Laundering and the Financing of Terrorism and Proliferation.