

# Financial Sector Regulation Act 9 of 2017 – “Twin Peaks”

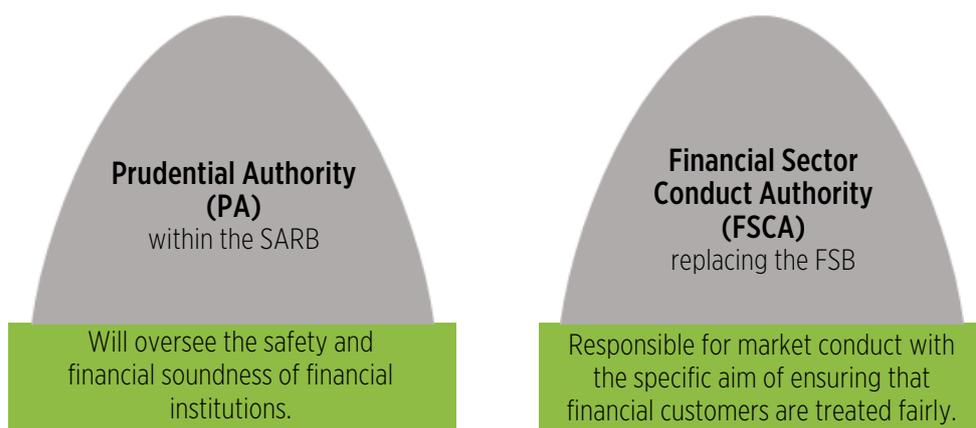
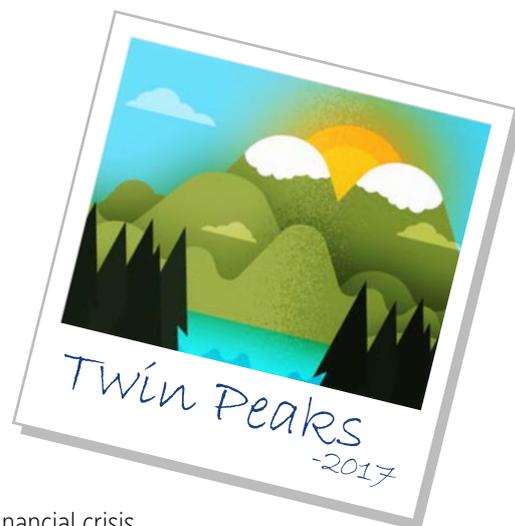
The Financial Sector Regulation Act 9 of 2017 (“the Act”) was signed into law during August 2017. However, the Act only come into effect from 2018.

## Before “Twin Peaks”

The South African banks are regulated by the Banking Supervision Department of the South African Reserve Bank (SARB). Non-banking financial institutions such as insurers and pension funds are regulated by the Financial Services Board (FSB). Each institution complies with its own industry-specific pieces of legislation.

## So what will change?

This Act introduces the “Twin Peaks” model of financial regulation in response to the global financial crisis. What this means is that two separate regulators will be established, namely:



Regulations will be issued to regulate transitional arrangements for the existing regulatory bodies to the Prudential Authority (PA) and the Financial Sector Conduct Authority (FSCA), respectively.

The Act aims to achieve a financial system that works in the interests of financial customers. It also supports balanced and sustainable economic growth in the country and establishing, in conjunction with other financial sector laws, a regulatory and supervisory framework that promotes:

- Financial stability
- The safety and soundness of financial institutions
- The fair treatment and protection of financial customers
- The efficiency and integrity of the financial system
- The prevention of financial crime
- Financial inclusion of all citizens
- Transformation of the financial sector
- Confidence in the financial system.

## After “Twin Peaks”

The new set-up will see the Banking Supervision Department of the SARB become the PA. The PA will be responsible for regulating the prudential aspects of banks and all non-bank financial institutions. The PA will also act as the relevant authority that oversees the rules and regulations that all financial institutions are supervised under, including their participation in the financial markets.

The FSB has transitioned into the FSCA with effect from 1 April 2018. The FSCA will be responsible for regulating market conduct, fair treatment of financial consumers and the promotion of customer financial education.