

Parliament passes Financial Sector Law Amendment Bill

The National Council of Provinces (NCOP) has passed the Financial Sector Law Amendment Bill at its plenary sitting.



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The news comes on the back of the simultaneous passing of three additional bills: the National Forests Amendment Bill, the National Environmental Management Laws Amendment Bill and the Civil Aviation Amendment Bill.

The Financial Sector Laws Amendment Bill forms part of the Financial Sector Regulation Act (FSRA) of 2017, or “Twin Peaks”, regulatory reforms introduced in 2011, which covers the conduct and transformation of the financial sector.

The major purpose of this Bill is to address banking risks, failures and weaknesses and mitigate impacts of financial crisis. More importantly, it seeks to address the shortcomings of the current financial legislation, partly necessitated by the lessons learnt from the 2008/09 global financial crisis and domestic experiences, and to enhance the South African Reserve Bank’s (SARB) financial-stability mandate and to expand its objective for depositor protection.

Framework for resolution

Among other things, the Bill proposes the introduction of a new Chapter 12A to the FSRA, which will establish a framework for resolution of designated institutions and a deposit insurance scheme. This is aimed at creating a resolution framework to ensure that the impact of a failure by a bank, or systemically important financial institution, is managed in an orderly manner.

The Bill also proposes that the process of resolution takes place under the management and control of the SARB, which will be the resolution authority. It further proposes the establishment of a deposit insurance scheme, which includes a corporation for deposit insurance and a deposit insurance fund, as well as the creation of a creditor hierarchy to ensure depositor protection in an event of liquidation and adherence to the “no creditor worse off” principle.



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The Select Committee on Finance facilitated an extensive public consultation process on the Bill and concluded that it supports the objectives of the FSRA, under which the current FSLAB falls. The report states that these objectives seek to maintain stability of the financial system; maintain soundness of regulated financial institutions; protect consumers of financial products and services; increase access to financial products and services; and combat market abuse and financial crime.

The report further states that the outcomes of these objectives are expected to benefit society in general, including retail financial customers; financial institutions and their shareholders; poorest households; small medium and micro enterprises (SMMEs) and rural development programmes. A copy of the report is available [here](#)

The NCOP also passed the [National Forests, National Environmental Management Laws](#), and the [Civil Aviation Amendment Bills](#). These three pieces of legislation are among the Bills that were initially introduced during the fifth Parliament and were revived by the National Council of Provinces in the sixth Parliament.

All four Bills including the Financial Sector Laws Amendment Bill will now be sent to President Cyril Ramaphosa for assent.

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