

Twin Peaks Prudential Authority to come onboard on 1 April

One of the two pillars of the new architecture to regulate the financial sector, the Prudential Authority (PA), will take effect on 1 April 2018.



South African Reserve Bank

The PA will be a juristic person operating within the administration of the South African Reserve Bank (Sarb). It will consist of the following four departments:

- Financial Conglomerate Supervision Department;
- Banking, Insurance and Financial Market Infrastructure Supervision Department;
- Risk Support Department; and
- Policy, Statistics and Industry Support Department.

The final planning stages to establish the PA will be completed in March. The dedicated PA [website](#), goes live on 1 April 2018, with the full PA team on hand to ensure the effective regulation of South Africa's financial sector.

Twin Peaks

The Twin Peaks model for financial sector regulation was proposed as a means to reform the regulatory and supervisory system insofar as it relates to financial institutions. In June 2011, cabinet approved the move towards the model which resulted in the drafting of the Financial Sector Regulation (FSR) Act, which was signed into law on 21 August 2017.

The FSR Act gives effect to three important changes to the regulation of the financial sector. First, it gives the Sarb an explicit mandate to maintain and enhance financial stability. Second, it creates a prudential regulator, which will be known as the PA, located within the Sarb. The PA will be responsible for regulating banks, insurers, cooperative financial institutions, financial conglomerates and certain market infrastructures. Third, the FSR Act establishes what is called a market conduct regulator, which will be located outside of the Sarb.

"The passing of the FSR Act is the culmination of collaboration on financial sector reform by the Sarb, National Treasury and the Financial Services Board over the past decade, and marks an important milestone on the journey towards a safer and fairer financial system that is able to serve all citizens," a statement from the central bank said.

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