

Newsletter 1

Taking a look at what to expect in 2018

Looking back on 2017, it is safe to say that it was quite an interesting eventful year on all levels. It also seems like 2018 has kicked off with the same vigour and excitement. The same holds true for our industry – already a lot of changes and more coming.

Hosted towards the end of 2017, the Insurance Conduct Workshops provided us with a good view of the current and future regulatory landscape for the financial services industry.

First let's see what happened over December 2017 and January 2018, after that we will look at what to expect for the rest of 2018.

- The planned effective date for **Equivalence of Reward**, which was published on 10 November last year (with an original implementation date of 1 January 2018), has been postponed.
 - o It aims to level the playing field with regard to remuneration and incentives for tied agents and independent financial advisers.
- The amended **Financial Sector Code** was published on 1 December 2017.
 - o Aimed at actively promoting a transformed and globally competitive financial sector, it contributes to the establishment of an equitable society by providing more inclusive financial services and directing investment into targeted sectors of the economy.
- **Phase 1** of the Retail Distribution Review (RDR)
 - o The new Fit and Proper Requirements for Financial Services Providers (under the FAIS Act) was published on 15 December 2017 with an effective date of 1 April 2018. Some of the most significant changes include a definition of "execution of sale", new product license categories, requirements for class of business training and the implementation of Continuous Professional Development (CPD) from 1 June 2018.
 - o Amendments to the **Long Term Insurance Act – Policy Protection Rules (PPR)** were published on 15 December 2017 with an effective date of 1 January 2018. Its aim is to align legislation with proposed business reforms, which includes the codification of Treating Customers Fairly (TCF) principles into the PPR rules and confirming insurers' responsibilities to policy holders.
 - o Amendments to the **Long Term Insurance Act – Regulations under section 72** were published on 15 December 2017 with an effective date of 1 January 2018. The aim of these amendments is to, inter alia, align legislation with proposed remuneration models.
 - o Amendments to the **Short Term Insurance Act – Regulations under section 70** were published on 15 December 2017 with an effective date of 1 January 2018. The aim of these amendments is to, inter alia, align legislation with proposed remuneration models, e.g. binder agreements.
 - o Comments on proposed amendments to the General Code of Conduct for Authorised FSPs and Representatives and the Specific Code of Conduct for Authorised FSPs and Representatives conducting Short term Deposit Business are due on 28 February



- **Phase II** commences immediately - the proposed Financial Sector Regulation Act (FSRA) has been promulgated, but not enacted yet. The majority of the RDR Phase 2 proposals will be implemented by using powers under existing financial sector laws – for example further changes to various subordinate instruments under the FAIS Act, Long-term or Short-term Insurance Acts, Pension Funds Act, Collective Investments Schemes Control Act, etc. Still as part of Phase II, additional PPR and insurance regulations amendments will be published in 2018 for comments and implementation during 2018.
- A report on a Short-term Insurance Intermediary Activity Analysis will be released early in 2018.
- Initially scheduled for 15 December 2017, the Third Party Cell Captive Insurance Position Paper is now expected early in 2018.
- Feedback and further comments on Adviser Categorisation and the “Two Tiers” product distinction are also expected early in 2018.
- The Insurance Bill was passed by the National Assembly with a planned effective date of July 2018.
- **Financial Sector Conduct Authority:** If everything stays on track, the Financial Services Board (FSB) will officially become the Financial Sector Conduct Authority (FSCA) around April 2018.
- The **Conduct of Financial Institutions Bill** will be published in 2018 for comments in view of tabling it in Parliament around the second half of 2018.

Considering the above (and aspects that we are not yet aware of), we can expect a very busy year with many changes. We will keep you up to date with these as and when more information becomes available.

Looking at our industry, I can only echo these words: “*The only constant is change...*”