

FSCA Communication 5 of 2020 (BANKS)

UPDATE ON RECOMMENDATIONS FROM THE WORLD BANK RETAIL BANKING DIAGNOSTIC REPORT

14 February 2020

1. PURPOSE

The purpose of this Communication is to update stakeholders on the progress that the Financial Sector Conduct Authority (FSCA) has made with the consideration of the recommendations made in the Retail Banking Diagnostic report. Annexure A to this Communication provides a detailed update on the progress made by the FSCA with regards to the individual recommendations made in the Retail Banking Diagnostic report.

2. BACKGROUND

- 2.1 In 2017, National Treasury commissioned the Retail Banking Diagnostic report, a study to provide independent research on the extent to which banks in South Africa treat their retail customers fairly in relation to transactional and fixed deposit accounts.
- 2.2 During 2018, the Retail Banking Diagnostic report was issued, and the report provided recommendations for regulatory improvements and related measures for consideration by the South African authorities.
- 2.3 In 2019, the FSCA created three workstreams, namely the Unfair Terms and Conditions, Fees and Penalties workstream, the Disclosures workstream and the Account Closures and Switching workstream, with representatives from industry and other regulatory

authorities, with the intention of reviewing and making recommendations based on the diagnostic report. Concurrently, the FSCA also consulted on the Conduct Standard for Banks which was developed as part of the roll out of its regulatory and supervisory frameworks for banks.

- 2.4 The FSCA has since undertaken an assessment of the status of the Retail Banking Diagnostic report recommendations, taking into account the requirements on banks which will become effective with the finalisation of the Conduct Standard for Banks. Whilst a number of the recommendations from the Retail Banking Diagnostic report have been addressed in the Conduct Standard at a high level, several outstanding recommendations remain. Market practices will be monitored following implementation of the Conduct Standard to identify where additional targeted regulatory interventions may be required. The assessment is attached to this communication as Annexure A.
- 2.5 Towards the end of 2019 the FSCA requested each bank to evaluate its performance against the Diagnostic recommendations; this self-assessment is due to be submitted to the FSCA this month. Through the Banking Association of South Africa, banks have also been requested to support the FSCA's work into unclaimed assets, for example to examine current practices relating to account dormancy and closure, and to propose ways that such unclaimed assets can be systematically identified.
- 2.5 During 2020, workstream meetings may continue, where relevant, for some of the workstreams in order to take stock of progress made, unpack those recommendations where industry input is required, and to ensure regulatory consistency and alignment.

3. CONTACT

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