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CONTENTS • INHOUD

<i>No.</i>	<i>Page No.</i>	<i>Gazette No.</i>
------------	---------------------	------------------------

GOVERNMENT NOTICES**National Treasury, Department of***Government Notices*

652	Draft Credit Rating Services Bill, 2011: Invitation for public comments	3	34515
653	Draft Financial Markets Bill, 2011: Invitation for public comments	4	34515

GOVERNMENT NOTICES

NATIONAL TREASURY

No. 652

5 August 2011

INVITATION FOR PUBLIC COMMENTS ON THE DRAFT CREDIT RATING SERVICES BILL, 2011

The National Treasury hereby invites public comments on the draft Credit Rating Services Bill, 2011 ("the Bill").

Credit ratings agencies are important actors in financial markets, and are designed to play a critical role in providing independent advice to investors, including on sovereign debt, equities and other investment products. By providing the market with independent, consistent and easy-to-use measures of credit risk, credit ratings agencies reduce the costs of investment and enhance market efficiency.

During the global financial crisis, however, weaknesses in the way these agencies rated particularly "sub-prime" securitised instruments highlighted the need to re-examine the way in which such agencies operate, especially given that such agencies were not appropriately regulated. In particular, given that globally financial institutions and institutional investors rely heavily (possibly too heavily) on external ratings, such ratings should be constructed in an independent, transparent and rigorous way. Any weaknesses in this respect can generate uncertainty and exacerbate volatile markets, which in extreme cases can trigger general financial instability.

As these agencies operate at a global level, it became clear a global response was required. As a result, the G-20 jointly committed to regulating these agencies. The implication is that introducing a regulatory framework for credit ratings agencies is one of South Africa's G-20 commitments. Against this background, the Bill seeks to align the South African regulation of CRAs with international best standards and practice, including the International Organisation of Securities Commissions Principles, G-20 countries' regulation and particularly the European Union's equivalency requirement.

The Bill aims to:

- ensure that South African authorities can work with their international counterparts to ensure responsible and accountable credit rating agencies at a global level;
- protect the independence, integrity, transparency and reliability of the credit rating process and credit ratings;
- improve investor protection;
- improve the efficiency and transparency of financial markets; and
- reduce systemic risk.

National Treasury and the Financial Services Board have finalised the accompanying notices and regulations, and the Bill and all accompanying documents are available on the National Treasury (www.treasury.gov.za) and Financial Services Board (www.fsb.co.za) websites.

Comments on the Credit Rating Services Bill are invited from all interested stakeholders. A workshop will also be held in the course of August.

Written comments should be sent to Roy Havemann at financial_policy@treasury.gov.za or faxed to 012 315 5206 on or before 5 September 2011. Participants for the workshop should send their details to the same address by 12 August 2011.

INVITATION FOR PUBLIC COMMENTS ON THE DRAFT FINANCIAL MARKETS BILL, 2011

The National Treasury hereby invites public comments on the draft Financial Markets Bill, 2011 ("the Bill").

The Bill builds on existing policy for the financial markets as defined through the Securities Services Act of 2004, No 36 of 2004. This Act will be repealed and replaced.

The Securities Services Act took effect on 1 February 2005. It governs the regulation of securities services in South Africa to include securities exchanges, central securities depositories, clearing houses, and their respective members. It consolidated the South African regulatory framework for capital markets and aligned the regulation and supervision of South African financial markets with the prevailing international developments and regulatory standards.

In recognition of the need for financial regulatory reform following the recent financial crisis, President Jacob Zuma has committed South Africa to a global regulatory reform agenda, which for the financial sector – including financial markets - includes a stronger regulatory framework, more effective supervision, improved crisis resolution, and enhanced accountability through international assessments and peer reviews.

The Financial Markets Bill gives effect to this agenda by:

- ❖ Strengthening the Self Regulatory Organisation model of supervision (which has proven efficient and effective in delivering on the objectives of securities regulation).
- ❖ Aligning financial markets regulation with international best practice.
- ❖ Giving effect to recommendations made by the 2008 World Bank and International Monetary Fund Financial Sector Assessment Programme.
- ❖ Implementing South Africa's commitment to the UNIDROIT Convention to improve investor protection in cross-border transactions.
- ❖ Ensuring alignment between legislation that governs financial markets and the wider legislative framework, including the new Companies Act and the Consumer Protection Act.

Comments on the Financial Markets Bill are invited from all interested stakeholders. After due consideration of submissions made on the Bill, it will be tabled to parliament. Implementation is expected to take place in 2012.

The Bill and accompanying documents are available on the National Treasury (www.treasury.gov.za) and Financial Services Board (www.fsb.co.za) websites. Draft subordinate regulation to be issued in terms of the Bill will also shortly be released for public comment.

Written comments should be sent to Linda van Zyl at Linda.vanzyl@treasury.gov.za, or faxed to 012 315 5206 on or before 5 September 2011.