

# What businesses want: Improved regulation that spurs investment

The successful growth and development of business relies heavily on policymakers making decisions that result in a fair and open economic environment, and encourages more foreign direct investment.



Image: Supplied

These decisions include the enforcement of regulations that support the growth of businesses, protect them and foster the development of new enterprises. At the same time, regulations offer businesses a roadmap on how to be compliant with best practices for their operations, employees and customers.

In the last month, the South African Reserve Bank's prudential authority has gazetted notice of a [new mutual bank](#), reportedly one of [four new banks](#) set to launch in the next few years. Recently, the Financial Sector Conduct Authority (FSCA) has also just granted [licences to 59 new cryptocurrency businesses](#), giving them the green light to operate in the country.

In this article, experts from a variety of sectors comment on the value of a favourable regulatory environment, how it has helped various industries and what they'd like to see more of from the government.

## A fair and just ombuds industry

South Africa's regulatory environment leads in its protection of the consumer. This can be observed in the introduction of new regulations such as the PoPIA Act as well as the recent decision to amalgamate the banking, credit and insurance ombudsman into one.

Commenting on this, Saskia Stemmett, head of legal and compliance, Everything.Insure, says that “customers in the financial services industry can now take their complaints to the newly formed National Financial Ombud Scheme (NFO).”

“The establishment of the NFO removes the confusion created by having four separate ombudsmen. Customers no longer need to try to figure out which ombudsman is correct. They now just go to the NFO, with their complaints and the NFO will deal with it accordingly,” she continues.

This will also assist the industry with greater efficiency and pooling of resources when it comes to handling complaints in the financial services industry. The formation of the NFO is part of the ever increasing approach towards driving customer satisfaction and improving customer service and experience in the financial services industry.

## **Supporting the country's biggest industries: IT, finance and real estate**

Some of the country's larger industries are still undergoing periods of transformation around their labour practices and the implementation of technology tools that will improve their business processes.

One of the most pressing of these labour industry changes includes finding a balance between hybrid and in-person work. Technology related changes include finding and introducing new programs such as collaboration and productivity tools to foster greater employee engagement, enhanced efficiencies and improved communication.

“The information and communication technologies (ICT), finance, and real estate sectors, while not the largest industries in South Africa, are still heavyweights in their own right. In 2021, the country's ICT sector recorded R243.6bn in revenue, while the finance, real estate, and business services sectors contributed an estimated R1.09tn to the country's GDP in 2022. In the coming years, these industries will have a pivotal role to play in South Africa's economic development and growth, as well as the country's ability to compete at a global level,” says Andrew Bourne, regional manager, Africa, Zoho.

He adds that “businesses must ensure that their own internal policies and regulations match the needs of how organisations need to change and keep up to date with technology. This is because a major technological bottleneck that businesses in these sectors are facing today includes modern collaboration and productivity issues that are emerging due to remote work environments maturing and turning into a permanent work option.”

## **Stricter regulation needed in some areas**

In light of South Africa's [recent greylisting](#) by the Financial Action Task Force (FATF), which resulted from inadequate anti-money laundering processes, there's a pressing need for strict regulations from the government when it comes to foreign exchange transactions.

The recent introduction of Advance Payment Notifications (APNs), for example, has been a great step in the right direction. These require importers to notify SARS of any advance import payments exceeding R50,000 to overseas suppliers. Shifting the responsibility to business owners and individuals to ensure transparency and traceability of their cross-border transactions makes it more challenging for illicit funds to flow through unnoticed.

But as Harry Scherzer, CEO of Future Forex, comments, “Ultimately, these regulatory enhancements aren't just beneficial for individuals and businesses, they're crucial for the country to be removed from the greylist. By cracking down on tighter

regulations and improving transparency, we can attract more investment, bolster our currency, and foster a more robust economy.”

## Opportunities to address global risks with the right regulation

It's been proven that localised strategies leveraging investment and regulation can reduce the impact of inevitable risks that we can prepare for, and both the public and private sectors can play a key role in extending these benefits to all. This is according to the 19th edition of the [World Economic Forum Global Risk Report 2024](#) published by Marsh McLennan in partnership with Zurich Insurance Group.

The collective actions of individual citizens, companies and countries may seem insignificant on their own, but at critical mass, they can move the needle on global risk reduction.

Global treaties and agreements have the most potential for driving action, according to the findings in the report. More credible emissions reductions remain the fastest and most effective means to avoid or mitigate the likelihood of climate tipping points. However, with evidence suggesting that some of these tipping points are already locked in, the ratio of adaptation to mitigation efforts will need to be rebalanced through national and local regulation, as complementary objectives.

Expanding access to existing adaptation solutions will be essential, including early-warning systems. States and development banks will need to work closely together to de-risk investment for the private sector in priority areas and markets.

## Enhanced crypto regulation key to improved FATF rating

Regulations are especially necessary when it comes to combating money laundering and financial crimes associated with cryptocurrencies. This is the view of Andre van den Berg, director - Banking and Finance at CMS South Africa, who believes enhanced crypto regulations are key to improving South Africa's FATF ratings.

But he cautions that “introducing regulations alone may not suffice to combat money laundering and financial crimes associated with cryptocurrencies. Addressing these issues demands a collaborative effort involving various institutions and stakeholders, including banks, financial institutions, and government agencies.”



### Can crypto regulation help SA shake off FATF greylisting?

Andre van den Berg, Zanrie Linstrom and Pooja Pu 16 Feb 2024



To this end, initiatives like the Rapid Payments Programme, now known as PayShap, [launched](#) by the South African Reserve Bank in 2023, exemplify such cooperation, aiming to modernise payment systems and reduce the number of unbanked individuals in the country.

Zaakir Mohamed, Director, head of Corporate Investigations & Forensics at CMS South Africa, adds that the greylisting of South Africa by the FATF has not only called into question the country's ability in combating financial crimes, but also caused reputational damage and highlighted its failure to regulate flows of money through both traditional financial institutions and alternative financial forms such as cryptocurrencies.

The FATF greylisting serves as a stark reminder that the nation must implement more robust measures to combat money laundering and various financial crimes, including those associated with cryptocurrencies, with President Cyril Ramaphosa saying it has caused “much concern about the state of our financial institutions, law enforcement agencies and investment environment.”

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