



South African Reserve Bank

Prudential Authority

Ref.: 15/8/2

G6/2018

**To: All banks, controlling companies, branches of foreign institutions and auditors of banks or controlling companies**

**Guidance Note 6/2018 issued in terms of section 6(5) of the Banks Act 94 of 1990**

**Proposed implementation dates in respect of specified regulatory reforms**

### **Executive summary**

Following the global financial crisis that commenced in 2007, various international standard-setting bodies have agreed to put in place, among others, comprehensive measures, policies, regulations and reforms to promote financial stability as well as the safety and soundness of individual financial institutions.

In this regard, the Basel Committee on Banking Supervision (Basel Committee) has issued various new or amended frameworks, standards or requirement for implementation by member jurisdictions.

Based on, among others, industry comments, quantitative impact studies, progress by member jurisdictions of the Basel Committee to implement the reforms and matters related to implementation complexity, the Prudential Authority (PA) proposes to implement the outstanding regulatory reforms in South Africa on the dates set out in this Guidance Note.

**This Guidance Note replaces Guidance Note 3 of 2018.**

## **1. Background**

1.1 Following the global financial crisis that commenced in 2007, various international standard-setting bodies have agreed to put in place, among others, comprehensive measures, policies, regulations and reforms to promote financial stability as well as the safety and soundness of individual financial institutions.

1.2 In this regard, the Basel Committee has issued, among others-

1.2.1 extensive enhancements to the Basel II framework in 2009, which have subsequently been implemented in South Africa with effect from 1 January 2012;

1.2.2 revisions to the Basel II market risk framework in 2009 and in 2011, which have subsequently been implemented in South Africa with effect from 1 January 2012;

- 1.2.3 the Basel III capital framework, originally published in December 2010 and updated in June 2011, which has subsequently been implemented in South Africa with effect from 1 January 2013;
- 1.2.4 the Basel III Liquidity Coverage Ratio framework, originally published in December 2010 and updated in January 2013, which has subsequently been implemented in South Africa with effect from 1 January 2015;
- 1.2.5 the Basel III Net Stable Funding Ratio framework, originally published in December 2010 and updated in October 2014, which has subsequently been implemented in South Africa with effect from 1 January 2018.
- 1.3 During December 2017, the Basel Committee published the outstanding components of the Basel III post-crisis reform package.

The revised Basel framework comprehensively addresses the shortcomings identified in the pre-crisis regulatory framework and provides a regulatory foundation for a resilient banking system that supports the real economy.

- 1.4 During the past few years, several member jurisdictions of the Basel Committee experienced ongoing challenges related to the implementation of the reforms, given the complex nature of several of the standards.
- 1.5 Based on, among others, industry comments, quantitative impact studies, progress by member jurisdictions of the Basel Committee to implement the reforms and matters related to implementation complexity, the PA proposes to implement the outstanding regulatory reforms in South Africa on the dates set out in paragraph 2 below.

## 2. Proposed implementation dates

- 2.1 The proposed implementation dates for specified regulatory reforms are as follows:

<b>Regulatory reform</b>	<b>Proposed implementation date</b>
Capital requirements for equity investments in funds	1 October 2019
Capital requirements for bank exposures to central counterparties	1 October 2019
Standardised approach for measuring counterparty credit risk exposures	1 October 2019
Revisions to the securitisation framework	1 April 2020
Total loss absorbing capacity holdings	1 April 2020
Large exposures framework	1 April 2020
Interest rate risk in the banking book	1 June 2021
Interest rate risk in the banking book: Disclosure requirements	1 January 2022

<b>Regulatory reform</b>	<b>Proposed implementation date</b>
Minimum capital requirements for market risk	1 January 2022
Revised standardised approach for credit risk framework	1 January 2022
Revised internal ratings based approach framework	1 January 2022
Revised credit valuation adjustment framework	1 January 2022
Revised operational risk framework	1 January 2022
Leverage ratio – revised exposure definition	1 January 2022
Output floor	1 January 2022: 50% 1 January 2023: 55% 1 January 2024: 60% 1 January 2025: 65% 1 January 2026: 70% 1 January 2027: 72.5%

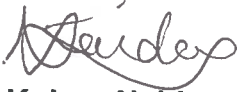
- 2.2 Should any of the aforementioned proposed implementation dates need to be amended, the PA will accordingly communicate the relevant revised proposed implementation dates.
- 2.3 Where applicable, parallel runs will commence at least three months prior to the relevant proposed implementation date, the relevant details of which will also be communicated by the PA in due course.

### **3. Statement of expected impact**

- 3.1 In order to ensure adequate engagement and that the potential impact, costs and benefits of proposed amendments to the Regulations relating to Banks (Regulations) are duly considered and measured, a statement of expected impact will in future be issued by the PA together with the proposed amendments to the Regulations, with an invitation for all interested persons to submit their comments.
- 3.2 As part of the abovementioned process, the PA shall be engaging with banks and other relevant persons on each of the reform areas outlined in paragraph 2.1 in order to gather the necessary qualitative and quantitative information that the PA requires to determine or assess the potential impact of the proposed amendments to the Regulations, as well in the drafting of the statement of expected impact.
- 3.3 All comments received related to the potential impact, costs and benefits of the proposed amendments to the Regulations as well as the comments received related to the actual proposed amendments to the Regulations will in future be published on the website of the PA, unless a respondent specifically requests confidential treatment of such comments.

#### 4. Acknowledgement of receipt

- 4.1 Kindly ensure that a copy of this guidance note is made available to your institution's external auditors. The attached acknowledgement of receipt, duly completed and signed by both the Chief Executive Officer of the institution and the said auditors, should be returned to the PA at the earliest convenience of the aforementioned signatories.



**Kuben Naidoo**  
**Deputy Governor and CEO: Prudential Authority**

**Date:** 29 NOVEMBER 2018

The previous guidance note issued was Guidance Note 5/2018, dated 5 September 2018.