South African Reserve Bank

Media release

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SARB publishes Bank Supervision Annual Report

The South African Reserve Bank (SARB) has today published its last *Bank Supervision Annual Report*, which covers the period January–December 2017. Going forward the Prudential Authority will produce a report that covers its wider mandate.

The year under review is significant for BSD for two reasons. First, BSD issued two new commercial banking licences and one cooperative banking licence. Second, BSD worked tirelessly to prepare for the launch of the Prudential Authority (PA) on 1 April 2018.

During the review period, the growth rate in banking sector assets remained in an upward trajectory. Banks remained adequately capitalised, with capital adequacy ratios (CARs) well above the minimum statutory requirements. While the minimum liquidity coverage ratio (LCR) requirement increased to 80% with effect from 1 January 2017, banks were able to comply, mainly due to an increase in high-quality liquid assets.

Progress was made in placing the ‘new’ African Bank on a sustainable footing. The new bank has made headway with the execution and delivery of its strategy, which includes diversifying its product offering to become a retail bank, widening its customer base and broadening its distribution channels. Under the curatorship of Residual Debt Services (RDS) (which houses the bad loans removed from the bank at the time of curatorship), RDS has continued to recover amounts due in respect of the residual book.

During 2017, the Registrar of Banks (Registrar) approved two institutions’ applications for registration as a bank. Commonwealth Bank of South Africa Limited, trading as TymeDigital by Commonwealth Bank SA, and Discovery Bank Limited were registered as banks in terms of section 17 of the Banks Act 94 of 1990. The Registrar also registered Ziphakamise Savings and Credit Cooperative Bank in terms of section 8 of the Cooperative Banks Act 40 of 2007.

In the period under review, administrative sanctions imposed by BSD for anti-money laundering and combating the financing of terrorism (AML/CFT) non-compliance totalled R77.5 million. Going forward, the PA will be the designated supervisory body responsible for supervising and enforcing compliance with the Financial Intelligence Centre Act 38 of 2001 (FIC Act).

There have been significant developments on the regulatory front, with a milestone being reached in the process of ushering in a new financial system regulatory architecture, the so-called Twin Peaks model. The Twin Peaks reform process is a journey that was long in the making. While, in general, South Africa has a modern and prudent financial sector that has the interests of all customers and citizens at heart, there are too many cases of abuse and exploitation in the sector, and the risks that the sector poses to the economy is still immense. Effective regulation will help make the financial sector more responsive to the needs of all South Africans.

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