

Comments received during the informal industry consultation held from March to June 2020

COMMENTS ON PRUDENTIAL STANDARD FC02 - INTRAGROUP TRANSACTIONS AND LARGE EXPOSURES

	No		Paragraph of the Standard	Comment	Response
D				1. COMMENTS ON STANDARD	
D				1. Commencement	
D	1)			No comments.	Noted.
D	2)		1.1	Member A A commencement date of 1 January 2021 is provided, whereas the other draft Standards provide a commencement date of 1 January 2022. We suspect this is a drafting error but if not, propose that it be amended to align with the 2022 date as it is an otherwise overly ambitious if not unrealistic date given that we are in the course of an informal consultation process and these Standards still have to go through the formal consultation process.	Amended.
D	3)			No comment	Noted.
D	4)		1.1	The commencement dates are conflicting (2020 and 2021) – also don't align with the papers on capital. Assume this should be 1 January 2022?	Amended
D	5)			No comments	Noted.
D	6)			No comments	Noted.
D	7)			No comments – not applicable to this company	Noted.
D	8)		1.1	At this point in time it is not clear if a 1 January 2022 implementation is feasible. This is due to the number of items that still require clarification.	Chapter 12 of the Financial Sector Regulation Act, 2017 (FSR Act) became operational on 1 March 2019. The financial sector was consulted on the draft financial conglomerate standards in August 2018 and again in March 2020. It is expected that the standard will be finalised in early 2021 and only effective in 2022 to provide financial conglomerates with time to prepare. The challenges faced by financial institutions as a result of COVID-19 will be taken into consideration when deciding on the date of implementation. The exact date of implementation will be communicated after the standard has been through the formal consultation process as required in terms of the FSR Act. The Financial Conglomerate Intragroup Standard implementation date will align to the other PA Financial conglomerate standards.
	9)		1.1 (160(3)(a) and (b))	The Basel Committee has announced that all regulatory reforms will be postponed by 12 months (1 Year). Is there a possibility that the Prudential Authority will consider the same in the light of challenges faced by the finance sector at the back of Covid-19?	The Financial Conglomerate Intragroup Standard implementation date will align to the other PA Financial conglomerate standards.
	10)			The date for this Standard is different from the Technical and Principle approach papers.	Amended
	11)			The final requirements and forms and formats required for disclosure also impacts this date.	The Financial Conglomerate Intragroup Standard implementation date will align to the other PA Financial conglomerate standards.

	No		Paragraph of the Standard	Comment	Response
	12)			A Holding company is to be invited to make a submission on the proposed designation by the Prudential Authority and given reasonable period to do so.	Comment relates to designation of a Financial Conglomerate and not Intragroup exposures.
	13)			No comments	Noted.
	14)			No comments	Noted.
D				2. Legislative authority	
D	15)			No comments.	Noted.
D	16)			No comments	Noted.
D	17)			No comments	Noted.
D	18)			No comments	Noted.
D	19)			No comments	Noted.
D	20)			No comments	Noted.
D	21)			No comments – not applicable to this company	Noted.
D	22)		Preamble and 2.1	This standards preamble starts stating that the objectives and key requirements are made in terms of Sections 105 and 164 in the Act. Section 164 in turn refers to sections 105 as well as Section 108, that is not referenced. FCO2 is the only draft standard whose paragraph 2.1 refers to Sections 105 and 164. It is proposed that only Section 164 be referenced in both sections for simplicity and lack of any ambiguity that may arise with respect to Section 108 of the FSR Act.	Amended as per recommendation.
	23)		2.1	Will separate Regulations be published regarding more specific disclosure requirements or will the Standard leverage off Financial reporting Regulations already promulgated/published?	Standards to be issued in terms of section 105 of the Financial Sector Regulation Act, 2017 and regulations issued in terms of the financial sector laws applicable to the specific institution type.
	24)			No comments	None
	25)			No comments	None
D	26)			3. Application	
D	27)			No comments.	Noted.
D	28)			No comments	None
D	29)			No comments	None
D	30)			No comments	None
D	31)			No comments	None
D	32)			No comments	None
D	33)			No comments – not applicable to this company	None
D	34)		3.1 (160(7) to (9))	The Prudential Authority may designate members of a group of companies to a conglomerate without fully complying with subsections (3) & (4) under certain conditions. The impact of this designation and the structural reporting requirements of such a group of companies may create delays or may not have been set up in that manner as yet. What is the timeframe envisaged in such a scenario of company to comply?	This comment is relevant to financial conglomerates in general, and not an Intra-group specific issue.
D	35)		3.1 (160(8)(b))	Does the written submission here refer to the entity possibly providing reasons why this is not feasible (disagreement) or does this merely refer to the entity noting the designation and providing a specific timeline from when such a disclosure is feasible?	Refers to a PA designated financial conglomerate entity. Reporting and disclosure in terms of this standard only applicable to the aforementioned.
D	36)		3.1 (161)	Notification implies that the controlling entity has the sole discretion of the structure of the Conglomerate post the designation as long as it notifies the Prudential Authority within 30 days. Is this interpretation correct?	This comment is relevant to financial conglomerates in general, and is not an Intra-group specific issue.
D	37)		3.1 (161)	If the reading of section 161 above is correct, at what point (should entities be reduced) would the Prudential Authority reconsider any designation?	This comment is relevant to financial conglomerates in general, and is not an Intra-group specific issue.

	No		Paragraph of the Standard	Comment	Response
D	38)		3.2	This is repeated in paragraph 5.1 together with 5.2	Deleted paragraph 3.2 in order to address duplication.
D	39)		3.3	We suggest adding: "This Standard applies in addition to the financial sector laws which may be specific to institution type." See FC04 section 3 as well as Section 2 of the proposed guidance note "Guidance on criteria to be followed by the Prudential Authority when designating financial conglomerates".	Agreed. Paragraph 3.2 added to state the following "This Standard applies in addition to the financial sector laws which may be specific to institution type".
D	40)			No comments	Noted.
D	41)			No comments	Noted.
D				4. Definition and interpretation	
D	42)			No comments.	Noted.
D	43)			No comments	Noted.
D	44)		4.2	The meaning of "entities" should be defined - is this significant entities as defined only or wider?	Disagree, in this paragraph reference is made to definition of intragroup transactions and not to materiality levels.
D	45)			No comments	Noted.
D	46)			No comments	Noted.
D	47)			No comments	Noted.
D	48)			No comments – not applicable to this company	Noted.
D	49)		4.2	Further clarification around direct and especially indirect claims between entities is required (BS & OBS?).	Indirect shareholding is an example of indirect claims.
	50)			No comments	Noted.
	51)			No comments	Noted.
D				5. Roles and responsibilities	
D	52)			No comments.	Noted.
D	53)			No comments	Noted.
D	54)			No comments	Noted.
D	55)			No comments	Noted.
D	56)			No comments	Noted.
D	57)			No comments – not applicable to this company	Noted.
D	58)			Repeat of 3.2.	Noted.
	59)			No comment	Noted.
D				6. Principles and requirements for intragroup transactions and exposures	
D	60)			No comments.	Noted.
D	61)			No comments	Noted.
D	62)		6.2	It should be clarified that disclosure of material intragroup transactions and exposures to the Prudential Authority should be subsequent to the transaction occurring and linked to the semi-annual requirement per 9.1.	Agreed, cross reference to paragraph 9.
D	63)		6.2	There is requirement for the disclosure of intragroup exposures to the Prudential Authority – will there be some alignment to current IFRS and regulatory disclosures for intragroup exposures/transaction (where all transactions greater than 1% of CET1 must be reported)? Currently the Regulations relating to Banks (BA210), reference is made to the CET1 capital. For the banking holding company/solo entities, will this result in different reporting for banking regulations (referencing CET1) and financial conglomerates (referencing eligible capital).	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	64)			No comments	Noted.
D	65)			No comments	Noted.
D	66)			No comments – not applicable to this company	Noted.

	No		Paragraph of the Standard	Comment	Response
D	67)		6.1	Cross reference to section 7 for definition of material / significant.	Cross reference included in paragraph 4.6.
D	68)		6.1	Please provide a definition for contagion risk.	
D	69)		6.2	Is this necessary if there is a reporting requirement in terms of the standard and the standard already designates this the responsibility of the Board?	Deleted paragraph 3.2 in order to address duplication.
D	70)			There is requirement for the disclosure of intragroup exposures to the Prudential Authority – will there be some alignment to current IFRS and regulatory disclosures for intragroup exposures/transaction (where all transactions greater than 1% of CET1 must be reported)? Currently the Regulations relating to Banks (BA210), reference is made to the CET1 capital. For the banking holding company/solo entities, will this result in different reporting for banking regulations (referencing CET1) and financial conglomerates (referencing eligible capital)?	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	71)		6.3	“through 1” – is the 1 meant to be a superscript linking this section to the footnote?	Agreed, amended.
D	72)		6.3 (a to l)	This will need to be fully unpacked and further questions may arise in this regard.	Noted.
D	73)			Each designation within the Group would be able to eliminate exposures within the designation/conglomerate to avoid double counting within that group and exposures between designations/conglomerates be seen as a third-party exposure.	There will only be one designation of a group of companies that meet the definition of a financial conglomerate. The PA will not designate financial conglomerates within financial conglomerates.
D	74)		6.3 (f)	As per the above, we would appreciate clarity as regards what is considered to be a major shareholder for purposes of the Standard. We would also appreciate guidance as regards what details of the major shareholders will be required.	Please refer to paragraph 4.1 “The terms used in this Standard, unless indicated otherwise, are defined in the FSR Act and the financial sector laws, and have the same meaning in this Standard.” Major shareholders are defined in the FSR Act. Reporting template covers the requirement detail.
D	75)		6.3 (g)	Does this mean cash assets held at bank are affected, since we are placing assets with another group company?	Yes, agreed.
D	76)		6.3 (k)	What would the implications be for group scheme and cell captive arrangements? Would these need to be removed from calculations?	There shouldn't be any implications for group schemes and cell captives as these are not legal entities
D	77)			No comment	Noted.
D	78)			No comment	Noted.
D				7. Material or significant intragroup transactions	
D	79)			No comments.	Noted.
D	80)		7.1	Member B Comments are requested on both the Technical Capital Requirements (FC01) and Principle Based Capital Requirements (FC01) however this section bases materiality of an intragroup transaction on eligible capital calculated in accordance with the technical provisions. Does this mean that the technical capital calculation will be implemented?	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	81)		7.1, 7.2	These definitions and principles should be aligned to FC01 Capital Technical – comment at 4.11.	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	82)		7.1	Refers to a single intragroup transaction above 1% of eligible capital. It refers to due consideration where cumulative transactions increase the amount. Are these transactions that start below 1% and cumulatively exceed 1% or is it where the cumulative amount is well in excess of 1%.	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	83)			No comments	Noted.
D	84)			No comments	Noted.
D	85)			No comments – not applicable to this company	Noted.

	No		Paragraph of the Standard	Comment	Response
D	86)			We suggest removing the intragroup liquidity exposures from this paragraph. Liquidity and funding are listed in the concentration standard and are in existing prudential treatment not normally related to capital, but to liabilities.	Disagree, there is only reference made to the liquidity position of the financial conglomerate.
D	87)		7.1	Elaboration is required regarding the 'Sequential transactions' principle put forward as part of a reporting entity's process for determining the material of such intragroup transactions.	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	88)			Threshold/Material is =>1% of QCR of the conglomerate with consideration for structure, complexity and location. Does this mean exposures below the threshold may also be required to be reported? If so, would the consideration be prescriptive or provide guidelines in line with specific requirements? Would this assessment be based on a prior period's QCR, and if so, which prior period would be used (prior month or prior submission)?	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	89)			Refers to a single intragroup transaction above 1% of eligible capital. It refers to due consideration where cumulative transactions increase the amount. Are these transactions that start below 1% and cumulatively exceed 1% or is it where the cumulative amount is well in excess of 1%?	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	90)		7.1 and 7.2	Regarding the determination of intragroup transactions as material – is 7.2 meant to be read as a non-exhaustive list of qualitative factors that may indicate the materiality of a transaction? If so, is the Standard allowing for judgement to be applied in broadening the classification further than merely 7.1 (quantitative assessment)?	Portions of Paragraph 7.2 was deleted and the remainder of the paragraph moved to section 6 as paragraph 6.4.
D	91)		7.2	Requires consideration for structure, complexity, location and the possibility of other factors. Does this mean exposures below the threshold may also be required to be reported? If so, would the consideration be prescriptive in nature or provide guidelines in line with specific requirements?	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	92)			We propose moving this paragraph to section 6, to create a paragraph 6.4.	Agreed. Portions of paragraph 7.2 deleted and the remainder of the paragraph moved to section 6 as paragraph 6.4.
D	93)			What informs the 1% hurdle? The concern is that this hurdle could result in transactions being deemed significant when indeed the underlying transaction does not pose significant risk to the conglomerate.	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	94)			Clarity required on the period in terms of sequential transactions is (e.g. calendar year, financial year or longer).	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	95)			It is noted that the holding company of a financial conglomerate must identify material intragroup transactions, but as this is dependent on interpretation, the outcome may be that there is inconsistent treatment across the industry or from one conglomerate to the next. Will the PA review these assessments?	Portions of Paragraph 7.2 was deleted and the remainder of the paragraph moved to section 6 as paragraph 6.4.
D	96)		7.1	The approach to the supervision of intra-group transactions is sound. We however respectfully submit that the threshold set for identifying is too low and will possibly lead to over-reporting of transactions and balances that could arise in the ordinary course of business such a central services. For on balance sheet exposures, we suggest a threshold of 3% of eligible capital. The low materiality threshold can create more onerous processes in the origination for operational transactional balances arising out of the ordinary course of business. The low materiality threshold can	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.

	No		Paragraph of the Standard	Comment	Response
				also lead to over-reporting, more extensive auditing and therefore introduces further cost to the organisation.	
D	97)			No comments	Noted.
D				8. Intragroup transactions and exposures policy	
D	98)			No comments.	Noted.
D	99)			No comments	Noted.
D	100)			No comments	Noted.
D	101)		8.1a	Refers to material intragroup exposures – does this align to the 1% rule or is there another definition for ‘material’? How will this align to existing large exposure frameworks that are already in place – will it reference the eligible capital of the block or the standalone entity? As it may differ from, e.g., the Bank Regulations.	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	102)			No comments	Noted.
D	103)			No comments	Noted.
D	104)			No comments – not applicable to this company	Noted.
D	105)		8.1 (a)	Refers to material intragroup exposures – does this align to the 1% rule or is there another definition for ‘material’? How will this align to existing large exposure frameworks that are already in place? Will it reference the eligible capital of the block or the standalone entity? As it may differ from, e.g., the Bank Regulations.	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
	106)		8.1(d)	Would there be a specific requirement to provide specific treatment of Intergroup exposures outside the scope of consolidation (Solo & Consolidation) of a conglomerate or would a group policy regarding the treatment of any Intergroup exposures suffice?	Group policy should suffice as long it is at the Financial Conglomerate level.
	107)			Further clarification of exposures outside the scope of consolidation is required. Is this over and above the definitions provided in Regulation 36 of the Regulations relating to the Banks Act?	Group policy should suffice as long it is at the Financial Conglomerate level.
	108)			How would contravention of limits be dealt with from a Board and PA perspective, particularly where an unforeseen circumstance requires intervention from the Holding Company?	The limits referred to are the FCs own limits. The breach of a FC's own limits will be dealt with on a case by case basis.
	109)		8.1	<p>The standard recognizes the benefits of intra-group arrangements. This is especially true in a well diversified group and can free up capital to enable growth and expansion of services which ultimately benefits consumers in the form of increased competition and the reduced cost of financial services products.</p> <p>The principles governing intra-group transactions should not be different for financial conglomerates versus Level 2 insurance groups. For this reason, the existence of material intra-group transactions should in itself not be a material driving factor to determine whether a group is a financial conglomerate.</p> <p>We further suggest that the PA remove from the scope, intra-group creditor and debtor balances which arise out of the ordinary course of business and which is document by service level agreements, including where such balances are expected to be settled within 30 days.</p>	Disagree. No need to remove such ITEs. Let them be reported so that their risks be understood.
	110)		8.1	Remove from the scope, intra-group creditor and debtor balances which arise out of the ordinary course of business and which is document by service level agreements, including where such balances are expected to be settled within 30 days.	Disagree. No need to remove such ITEs. Let them be reported so that their risks be understood.

	No		Paragraph of the Standard	Comment	Response
	111)			No comment	Noted.
D				9. Reporting requirements	
D	112)			No comments.	Noted.
D	113)			No comments	Noted.
D	114)		9.1	It should be clarified that reporting of material intragroup transactions and exposures to the Prudential Authority on a semi-annual basis should be based on past transactions which have been concluded during the reporting period (i.e. 6 months prior to the report).	Reportable ITEs are those that exist at the time of reporting. No need to report ITEs over a six-month period even those that have been settled.
D	115)		9.1	All material intragroup exposures must be reported on a six-monthly basis. Must any new exposures be reported immediately with a summary on the six-monthly basis? Would there be any hard limit that may trigger non-compliance?	ITEs to be reported at a point in time. No need for continued reporting on new exposures.
D	116)			No comments	Noted.
D	117)			No comments	Noted.
D	118)		9.1	The insurance annual return submitted 120 days after the year-end. Actuarial valuations for insurance returns take a long time to complete given the complexity and the assumptions used in the valuations, therefore how will 60-day submission work?	The reporting period has been change to semi-annually in June and December.
D	119)		9.1	All material intragroup exposures must be reported on a six-monthly basis. Must any new exposures be reported immediately with a summary on the six-monthly basis? Would there be any hard limit that may trigger non-compliance?	ITEs to be reported at a point in time. No need for continued reporting on new exposures.
D	120)			No comment	Noted.
D	121)			If the material exposures are to be audited, then it would make sense for the date of submission of the reports to be aligned to the submission of the audited financial statements.	Reporting requirement is semi-annually in June and December.
D				10. Additional required capital and reserved funds	
D	122)			No comments.	Noted.
D	123)			No comments	Noted.
D	124)			No comments	Noted.
D	125)			No comments	Noted.
D	126)			No comments	Noted.
D	127)			No comments	Noted.
D	128)			No comments – not applicable to this company	Noted.
D	129)		10.1	Would these requirements be in line with Regulatory Framework changes under Basel III and based on the thresholds specified under Section 73 of the Banks Act and Regulation 24?	Paragraph 10.1 was revised such that reference to holding of additional capital is removed. This was also raised before the standards went out for consultation.
D	130)			Will action be taken retrospectively, or would there be a guide as to the extent of any additional Capital an entity may be required to hold should it breach a limit? This influences the capital requirements and planning of entities.	Paragraph 10.1 was revised such that reference to holding of additional capital is removed. This was also raised before the standards went out for consultation.
D	131)			No comment	Noted.
D	132)			Heading: Regulatory Action: If in the view of the Prudential Authority, that intragroup transaction and exposure risks are not adequately covered or taken into account by the financial conglomerate, the Prudential Authority may take any regulatory action including requiring the financial conglomerate to hold or maintain additional capital. It seems that this stipulation makes provision for a subjective opinion which may result in regulatory action and a requirement for holding of additional capital. It is recommended that guidance is set out for how it	Paragraph 10.1 was revised such that reference to holding of additional capital is removed. This was also raised before the standards went out for consultation.

	No		Paragraph of the Standard	Comment	Response
				will be determined that the intragroup transaction and exposure risks are not adequately covered or taken into account.	
D	133)			No comment	Noted.
D				11. GENERAL COMMENTS	
D	134)			It is requested that all definitions and terms of reference that are contained in the Standard be aligned in financial sector laws, specifically those that apply to eligible financial institutions.	Agreed
D	135)			No comments	Noted.
D	136)			No comments	Noted.
D	137)			No comments	Noted.
D	138)			No comments	Noted.
D	139)			No comments	Noted.
D	140)			No comments – not applicable to this company	Noted.
D	141)			No comments	Noted.
D	142)			No comments	Noted.
D	143)			No comments	Noted.

COMMENTS ON PRUDENTIAL STANDARD FC03 – AUDITOR REQUIREMENTS

No	SOURCE	Paragraph of the Standard	Comment	Response
E			1. COMMENTS ON STANDARD	
E			1. Commencement	
E 1)			No comments.	Noted
E 2)			No comments	Noted
E 3)			No comments	Noted
E 4)			No comments	Noted
E 5)			No comments	Noted
E 6)			No comments	Noted
E 7)			No comments – not applicable to this company	Noted
E 8)		1.1	At this point in time it is not clear if a 1 January 2022 implementation is feasible. This is due to the number of items that still require clarification.	Chapter 12 of the Financial Sector Regulation Act, 2017 (FSR Act) became operational on 1 March 2019. The financial sector was consulted on the draft financial conglomerate standards in August 2018 and again in March 2020.. It is expected that the standard will be finalised in early 2021 and only effective in 2022 to provide financial conglomerates with time to prepare. The challenges faced by financial institutions as a result of COVID-19 will be taken into consideration when deciding on the date of implementation. The exact date of implementation will be communicated after the standard has been through the formal consultation process as required in terms of the FSR Act.
E 9)			The Basel Committee has announced that all regulatory reforms will be postponed by 12 months (1 Year). Is there a possibility that the Prudential Authority will consider the same in the light of challenges faced by the finance sector at the back of Covid-19?	See response provided above.
E 10)			No comments	Noted
E 11)			No comments	Noted
E 12)			Commencement date of 1 January 2022 would be dependent on other considerations set out below specifically the approval of auditors by the PA as well as the potential requirement of dual auditors.	Noted, please also see response provided for comment 8 above
E			2. Legislative authority	
E 13)			No comments.	Noted
E 14)			No comments	Noted
E 15)			No comments	Noted
E 16)			No comments	Noted
E 17)			No comments	Noted
E 18)			No comments	Noted
E 19)			No comments – not applicable to this company	Noted
E 20)		Preamble and 2.1	This standard's preamble starts by stating the objectives and key requirements are made in terms of Sections 105 and 164 in the Act. Section 164 in turn refers to Section 105 as well as Section 108 that are	Noted, the standard will be amended to reflect the suggestion.

No	SOURCE	Paragraph of the Standard	Comment	Response
			not referenced. Paragraph 2.1 in the standard then only refers to Section 164. It is proposed that only Section 164 be referenced in both sections for simplicity and lack of any ambiguity that may arise with respect to Section 108 of the FSR Act.	
21)			No comment	Noted
22)			No comments	Noted
23)			No comments	Noted
E 24)			3. Application	
E 25)			No comments.	Noted
E 26)			No comments	Noted
E 27)			No comments	Noted
E 28)			No comments	Noted
E 29)			No comments	Noted
E 30)			No comments	Noted
E 31)			No comments – not applicable to this company	Noted
E 32)		3.1	The requirements are more onerous for the external auditors of financial conglomerates as opposed to the financial conglomerate itself. This can however result in increased audit fees as external auditors are taking on more risk. Audit firms should also be given the opportunity to comment on this Standard.	Do not agree that the requirements are more onerous than for the financial conglomerate itself. The requirement states that the PA must approve the auditor which is currently also required for banks and insurers under the respective financial sector laws. Noted, the standards were distributed by the SAICA Banking Project Group (BPG) which includes audit firms. According to our records the BPG did not submit a comments. Another opportunity will be provided for comments in terms of the formal consultation period.
E 33)		3.2	This is repeated in paragraph 5.2.	Do not agree. 3.2 describes the extent of the application of the standard.
E 34)		3.3	We suggest adding: “This Standard applies in addition to the financial sector laws which may be specific to institution type.” See FC04 section 3 as well as Section 2 of the proposed guidance note “Guidance on criteria to be followed by the Prudential Authority when designating financial conglomerates”.	Agreed. Standard has been amended accordingly.
E 35)			No comment	Noted
E 36)			No comments	Noted
37)			No comments	Noted
E 38)			4. Definition and interpretation	
E 39)			No comments.	Noted
E 40)			No comments	Noted
E 41)			No comments	Noted
E 42)			No comments	Noted
E 43)			No comments	Noted
E 44)			No comments	Noted
E 45)			No comments – not applicable to this company	Noted
E 46)		4.2	This paragraph is a repeat of paragraph 4.1 above it.	Agreed, the repetition has been removed.
E 47)			No comment	Noted
E 48)			No comments	Noted

No	SOURCE	Paragraph of the Standard	Comment	Response
49)			No comments	Noted
E			5. Roles and responsibilities	
E 50)		5.1	The phrase ' <i>information provided to the Prudential Authority for regulatory purposes</i> ' is wide. Accordingly, clarity is required as to whether all information provided to the PA by or on behalf of a designated holding company must be verified by the auditor.	This will be done as part of a separate process where the PA will determine which supervisory information will be audited and at what level of assurance. We will also engage with the IRBA on audit reports to be issued. Added the word "specified" to the paragraph.
E 51)		5.1	Member C The term 'information provided to the PA for regulatory purposes' is wide and requires clarity as to whether all information provided to the PA by or on behalf of a designated holding company must be verified by the auditor. Recommend clarifying the information to be verified by the auditor.	See response above.
E 52)			No comments	Noted
E 53)			No comments	Noted
E 54)			No comments	Noted
E 55)			No comments	Noted
E 56)			No comments – not applicable to this company	Noted
E 57)			No comment	Noted
E 58)			No comment	Noted
E 59)			No comments	Noted
60)			No comments	Noted
E			6. Principles and requirements	
E 61)			No comments.	Noted
E 62)		6.2	Member A In the vast majority if not all cases, the holding companies of designated financial conglomerates will already have engaged and are being audited by an auditor. We propose that recognition be provided to avoid a scenario where an existing auditor needs to be approved i.e. a deeming provision that all existing audit arrangements are deemed to be approved as at the Commencement Date of the Standard. Our comment in relation to the auditor applies to the engagement partner of the auditor.	Disagree, The financial conglomerate framework is set over and above existing frameworks and it is important for the PA to be satisfied with the competence, independence etc. of the auditor of the holding company of financial conglomerates. Audit firms don't change often and audit partners are only required rotate after 5 years therefore it may be a long time before the PA has the opportunity to evaluate the audit firm/partner.
E 63)		6.5	Member A As the PA is aware, in June 2017, the Independent Regulatory Board for Auditors (IRBA) issued a rule prescribing that auditors of public interest entities (PIEs) in South Africa must comply with mandatory audit firm rotation (MAFR) with effect from 1 April 2023. In many cases, entities that become subject to these (Financial Conglomerate) standards will be PIEs, and will, from time to time, be required to rotate their audit firms. The proposed requirement that an auditor to be appointed by the 'holding company of the financial conglomerate must have sufficient understanding and experience of the business of the financial conglomerate' is impractical and unreasonable in that, for example, a new auditor will not have experience of the business of the financial conglomerate itself. We accept that it is reasonable to expect a new auditor to have a good	Noted, the paragraph has been reworded to take into consideration the proposal.

No	SOURCE	Paragraph of the Standard	Comment	Response
			understanding of the industry and the nature of business conducted by financial institutions and assume this is the key intention of this provision. We propose it be amended to make this clearer failing which compliance with this provision will be extremely difficult if not impossible and, in addition, be contrary to one of the objectives of MAFR.	
E 64)		6.6	Member A As the PA is aware, the conducting of an audit occurs for a number of sound reasons, and is both a costly and intensive exercise. This is more so for groups of companies. The proposal that the PA can require the holding company of a financial conglomerate to appoint two audit firms to jointly conduct an audit of the financial conglomerate is problematic. This includes in relation to costs, but also in respect of how a joint audit would be conducted or required to be conducted, such as in relation to co-ordination, confidentiality, methodologies, consistency etc. [I am not an auditor and suspect this is something that would be really troublesome for auditors if not the entity being audited]	This noted, however, joint audits is common practice for large banks and will be applied on the insurance side as well. The IRBA is in the process of issuing guidance on joint audit engagements.
E 65)		6	Member B In terms of the Governance of Insurers Standards (GOI) an insurer is required to apply to the Prudential Authority for the approval of its appointed auditor, which in most cases is the same auditor for the group. Will this be an additional application to the PA for the approval of the same auditor? If so, it will result in duplication of process.	The application for the approval of an auditor for an insurer is conducted in terms of the Insurance Act, 2017 whilst the application for the approval of an auditor for a financial conglomerate is effected in terms of the Financial Sector Regulation Act, 2017. The processes are separate. The evaluation of the auditor (firm/engagement partner) for the financial conglomerate is different from the evaluation of the auditor for an insurer.
E 66)		6.2 – 6.4	It is recommended that the standard be amended to confirm that the relevant REGULATOR (in our case JSE) may be notified of the change in auditor but clearly noting that it is subject to Prudential Authority approval. JSE Listing Requirement 3.75 requires that by no later than the end of the business day following the decision to appoint an auditor, the JSE must be notified. Guidance is required regarding the practicalities surrounding this i.e. at what point should the JSE be notified – would it be following the approval obtained from the Prudential Authority or would we still be required to notify the JSE, but note that it is subject to approval of the Prudential Authority.	Disagree, that the standard should be amended. The JSE should be informed as required by the listing requirements but noting that the appointment is subject to the approval of the PA
E 67)			No comments	Noted
E 68)			No comments	Noted
E 69)			No comments	Noted
E 70)			No comments – not applicable to this company	Noted
E 71)		6.4	We suggest splitting into 2 paragraphs to match the separate actions required.	Agreed. The amendments have been made to the standard.
72)		6.4	6.4 What are the turnaround times for approval from a PA perspective? Delays in approval could impact audit timelines and upfront planning.	We have an internal process that covers auditor applications and provides for efficient turnaround times. It is a valid concern that delays in the PA approval process could be disruptive. Regulated entities are advised to apply well in advance of financial year-ends.
73)		6.6	6.6 To what extent will the conglomerate be involved in the decision making, and to what extent will the conglomerate have an opportunity to address the nature, scale, complexity and other factors contributing towards its risk profile that potentially gives rise to the inclusion of a second audit firm?	The appointment of joint auditors is not mandatory but rather at the discretion of the PA based on the risk profile of the financial conglomerate. The PA will engage with the financial conglomerate on the appointment of a joint auditor.

No	SOURCE	Paragraph of the Standard	Comment	Response
74)		6.6	Any requirement for a financial conglomerate to appoint two auditors will place a high cost burden on groups which are traditionally insurance groups. The increased auditing time and associated management cost of the engagement will lead to a material increase in audit costs which will ultimately flow to policyholders impacting the cost of insurance. The mandatory audit-firm rotation requirement by IRBA should sufficiently mitigate independence related risks and dilute the need for dual auditors.	The appointment of joint auditors is not mandatory but rather at the discretion of the PA based on the risk profile of the financial conglomerate. The PA will engage with the financial conglomerate on the appointment of a joint auditor.
75)			No comments	Noted
76)		6.4	It would be appreciated if the PA can specific a specified turnaround time from when an application for approval of the auditor is submitted to the Prudential Authority and when approval is received. This will allow for better planning of audit transition, especially in a case where auditors may be changed unexpectedly due to unlikely events (e.g. force majeure). An extended delay of six months between submission and approval will lead to practical challenges – our current auditor transition experience has shown that it takes between 9 and 12 month to transition a new group auditor to be fully equipped for an effective and efficient audit of full year financial reports and/or statements.	We have an internal process that covers auditor applications and provides for efficient turnaround times. It is a valid concern that delays in the PA approval process could be disruptive. Regulated entities are advised to apply well in advance of financial year-ends.
77)		6.6	<p>It would appreciated that it could be more clearly specified in which cases two audit firms would be required to audit the financial conglomerate. This has significant complications including:</p> <ul style="list-style-type: none"> Auditors are already required to be mandatorily rotated every 10 years (effective 1 April 2023) Work would naturally be expected to be shared amongst the dual auditors and therefore from a continuity perspective the rotation appointments would be staggered in such a way to replace one auditor every 5 years. As noted in 6.4 above, auditors can only be rotated at the start of the financial year due to the length of time it takes to transition a new auditor into the company. Specifically for financial conglomerates with subsidiary insurance entities, the audit firm would be required to have sufficient actuarial resources to perform the audit, which (for practical purposes) limits insurance groups to the use of one of the big 4 audit firms (EY, PwC, KPMG or Deloitte). For continuity purposes described in bullet above, both audit firms will need to have actuarial teams. Similary, audit firms of larger insurance firms requires significant resources in terms of people, technical referral offices, processes etc. in order to effectively address all the relevant aspects of an audit. A smaller firm might not be able to adequately address this or it may be too costly for them to resource sufficiently. Should they be able to do the latter, they will be mandatorily rotated off after a few years, resulting in the audit firm having to reduce/increase capacity many times which could threaten the financial stability of the smaller firm. These challenges largely only leaves the big 4 audit firms to choose from. Taking into account mandatory rotation, need for 	The appointment of joint auditors is not mandatory but rather at the discretion of the PA based on the risk profile of the financial conglomerate. The PA will engage with the financial conglomerate on the appointment of a joint auditor.

No	SOURCE	Paragraph of the Standard	Comment	Response
			<p>actuarial practices in the audit firm, and sufficient capacity, it may leave only 2 firms to choose from which would make dual auditing as well as frequent rotation logistically challenging and costly.</p> <ul style="list-style-type: none"> Furthermore, many large financial services also use the big 4 audit firms for non-audit consulting services on projects, or outsourced functions including, internal audit. Depending on the size of the consulting appointment, some auditors may choose not to be included in the tender for audit services, which would limit the firms to choose from an even smaller universe. An audit of a financial conglomerate is inherently complex due to different systems and processes being used. To be able to not only understand these but also identify the risks would take significant time from new audit teams and having two teams would increase this complexity. This would also cause significant disruption to the business. <p>An audit carries a significant cost and the mandatory use of dual auditors would result in the cost potentially doubling, negatively impacting clients, shareholders and potentially employees.</p>	
E			7. Attachment 1	
E 78)			No comments.	Noted
E 79)			No comments	Noted
E 80)			No comments	Noted
E 81)			No comments	Noted
E 82)			No comments	Noted
E 83)			No comments	Noted
E 84)			No comments – not applicable to this company	Noted
E 85)		Part A (1)(c)	<p>Audit and consulting - these service types need to be clearly defined and consideration should be given to the independence of the proposed auditor – if they currently provide consulting services the auditor will not be viewed as independent. We propose that the engagements should be differentiated between:</p> <ul style="list-style-type: none"> Statutory audit of annual financial statements Non-audit services – audit-related (e.g. required by a regulator/law that the services be performed by the appointed statutory auditor) and permitted services (e.g. Attest and assurance services such as Comfort and consent letters in securities offerings) Other (which can include consulting work) <p>Active - need to be clearly defined – does this refer to work-in-progress/work approved to be done or work performed during the current financial year under review. We propose that it only includes work completed in the past year to the date of the application.</p>	Agreed. The attachment was amended in consideration of the comment.
86)		Part A(1)(d)	Audit and consulting - these service types need to be clearly defined and consideration should be given to the independence of the proposed auditor – if they currently provide consulting services the auditor will not	See response above.

No	SOURCE	Paragraph of the Standard	Comment	Response
			be viewed as independent. We propose that the engagements should be differentiated between: <ul style="list-style-type: none"> o Statutory audit of annual financial statements o Non-audit services – audit-related (e.g. required by a regulator/law that the services be performed by the appointed statutory auditor) and permitted services (e.g. Attest and assurance services such as Comfort and consent letters in securities offerings) Other (which can include consulting work)	
87)		Part(1)(c)	Completed during the past five years – past four years to be considered in this section as the past year/year-to-date will be covered in c. above	Noted and amended.
88)			No comment	Noted
89)			No comments	Noted
90)			No comments	Noted
E 91)			2. GENERAL COMMENTS	
E 92)			It is requested that all definitions and terms of reference that are contained in the Standard be aligned in financial sector laws, specifically those that apply to eligible financial institutions.	Noted and supported.
E 93)			Member D -We support a combined technical and principle-based approach.	Related to capital standard.
E 94)			No comments	Noted
E 95)			Will the auditors appointed be the same as those for the statutory and regulatory audits – continuity and understanding of the business to date should be considered when approving the appointment of the auditors.	Noted. Ideally the firms responsible for the entities within the conglomerate should also be responsible for the holding company of the conglomerate. That is why we included par 6.5 in the Prudential Standard.
E 96)			Part A – is the information required for the auditor the same as the information for the appointment by a banking entity? Is it a requirement that the current auditor of a banking group need to be reappointed by the financial conglomerate holding company if it is the same entity?	The application for the approval of an auditor for an insurer or a bank is conducted in terms of the Insurance Act, 2017 or the Banks Act, 1990 whilst the application for the approval of an auditor for a financial conglomerate is effected in terms of the Financial Sector Regulation Act, 2017. The processes are separate. The evaluation of the auditor (firm/engagement partner) for the financial conglomerate is different from the evaluation of the auditor for an insurer/bank.
E 97)			No comments	Noted
E 98)			No comments	Noted
E 99)			No comments – not applicable to this company	Noted
E 100)			Banks and Insurance entities already comply with the requirements of this standard.	Agreed, however this standard applies to the financial conglomerate.
E 101)			Will the auditors appointed be the same as those for the statutory and regulatory audits? Continuity and understanding of the business to date should be considered when approving the appointment of the auditors.	See response to 87 above.
E 102)			Part A – is the information required for the auditor the same as the information for the appointment by a banking entity? Is it a requirement that the current auditor of a banking group need to be reappointed by the financial conglomerate holding company if it is the same entity?	See response to 88 above.
E 103)			The PA, IRBA and SAICA would have to be aligned in terms of balancing skills and experience with the development of the audit profession. Skills and experience are concentrated in a few large firms and they naturally attract the top talent.	Noted, the PA is aware of this condition.
E 104)			The fact that there are a handful of audit firms that could perform complex audits means that a conflict of interest could arise, in the case where the	Noted, the PA is aware of this condition.

No	SOURCE	Paragraph of the Standard	Comment	Response
			PA disallows one particular audit firm and the remaining audit firms perform consultation services to the said conglomerate. This could potentially limit the available options to both the conglomerate and the PA.	
E 105)	■		A list of approved audit firms and partners is required to ensure that time and resources are not wasted on the engagement of an audit firm that would not meet the PA's requirements.	The PA is unable to provide a list of preferred auditors. It is the responsibility of the regulated entity to engage the services of an auditor that has experience in the relevant sector and other essential conditions.
E 106)	■		<p>The need for audit requirements for regulatory reporting at Level 3 is understood. It is however our submission that this framework should not be materially different to the requirement at an insurance group level (which is currently absent).</p> <p>These audit requirements will undoubtedly place a high cost burden on financial conglomerates which will impact the ultimate cost of insurance. The scope of such audits and therefore the scope of additional regulatory reporting should be practical and limited. The review of the consolidated group capital requirement and eligible capital should be the focus of the audit.</p> <p>Additional auditing requirements should be limited to the unique matters arising at a group level. Over-reporting and duplicative reporting (when compared to Level 1 and Level 2) should be strictly avoided.</p>	Agreed, the exact nature of what will have to be audited at conglomerate level is still to be determined and this comment will be considered at that point.
E 107)	■		No comments	Noted.
108)	■		No comments	Noted

COMMENTS ON PRUDENTIAL STANDARD FC04 – GOVERNANCE AND RISK MANAGEMENT

	No	SOURCE	Paragraph of the Standard	Comment	Response
				1. COMMENTS ON STANDARD	
				1. Commencement	
	1)			No comments.	Noted
	2)			No comments	Noted
	3)			No comments	Noted
	4)			No comments	Noted
	5)			No comments	Noted
	6)			No comments	Noted
	7)			No comments – not applicable to this company	Noted
	8)		1.1	At this point in time it is not clear if a 1 January 2022 implementation is feasible. This is due to the number of items that still require clarification.	Chapter 12 of the Financial Sector Regulation Act, 2017 (FSR Act) became operational on 1 March 2019. The financial sector was consulted on the draft financial conglomerate standards in August 2018 and again in April 2020. It is expected that the standard will be finalised in early 2021 and only effective in 2022 to provide financial conglomerates with time to prepare. The challenges faced by financial institutions as a result of COVID-19 will be taken into consideration when deciding on the date of implementation. The exact date of implementation will be communicated after the standard has been through the formal consultation process as required in terms of the FSR Act.
	9)		1.1	The Basel Committee has announced that all regulatory reforms will be postponed by 12 months (1 Year) is there a possibility that the Prudential Authority will consider the same in the light of challenges faced by the finance sector at the back of Covid-19.	See response to comment 9.
	10)			No comments	Noted
	11)			No comments	Noted
				2. Legislative authority	
	12)			No comments.	Noted
	13)			No comments	Noted
	14)			No comments	Noted
	15)			No comments	Noted
	16)			No comments	Noted
	17)			No comments	Noted
	18)			No comments – not applicable to this company	Noted
	19)		Preamble and 2.1	This standards preamble starts stating that the objectives and key requirements are made in terms of Sections 105 and 164 in the Act. Section 164 in turn refers to Section 105 as well as Section 108 that are not referenced. Paragraph 2.1 in the standard then only refers to Section 164.	Noted. Section 164(1) of the FSR Act states that the power of the PA to make prudential standards extends to making prudential standards that must be complied with by holding companies of financial conglomerates. Section 164(2)(a) and (d) states that such a prudential standard may include requirements with respect to governance and management for holding companies of financial conglomerates; and for reducing or

	No	SOURCE	Paragraph of the Standard	Comment	Response
				It is proposed that only Section 164 be referenced in both sections for simplicity and lack of any ambiguity that may arise with respect to Section 108 of the FSR Act.	managing risks to the safety and soundness of an eligible financial institution arising from the other members of the financial conglomerate. Section 164(2)(c) Section 105(2) provides that the prudential standard must be aimed at ensuring the safety and soundness of the financial institution. Section 108(a), (b), (c), (d), (g), (h), (i), (j), (k) of the FSR provides that a prudential standard can be in terms of fit and proper requirements, governance, risk management and internal control requirements, control functions, outsourcing, record keeping and data management. In this regard, the standard has been amended to refer to sections 164, 105 and 108 of the FSR Act.
F	20)			No comments	Noted
F	21)			No comments	Noted.
F				3. Application	
F	22)			No comments.	Noted.
F	23)		3.1	Member B We are an entity in a Group. The PA is currently in the process of determining which entities will be designated as the “insurance group” in terms of the Insurance Act 18 of 2017. Is it the PA's intention to designate us as a “financial conglomerate” in terms of the FSR Act in addition to an insurance group? If so, then this may result in duplication placing an additional regulatory burden on the holding company and its resources.	Financial conglomerate is in common terms referred to as Level 3 supervision. Group supervision is referred to Level 2 and solo supervision as level 1. The intention behind Level 3 supervision is to address risks to an eligible financial institution (s) that are not captured under Level 2 and solo supervision. The standard does not deal with the designation process.
F	24)		3.4	Member A Please refer to our General Comment regarding “Conflicts”.	Noted. See response to comment 280.
F	25)			No comments	Noted.
F	26)		3.3	Clarity around the type of entities that will be excluded from the financial conglomerate group (or wider group) will be appreciated. It is still difficult to assess the relevance any exclusion.	Exclusions may occur where it is in the view of the PA that the entity does not pose material risk to the eligible financial institution. An exclusion of an entity will be clearly communicate during the designation process.
F	27)			No comments	Noted.
F	28)			No comments	Noted.
F	29)			No comments – not applicable to this company	Noted.
F	30)		3.1	This is the only draft financial conglomerate standard that refers specifically to a paragraph in the FSR Act 164. We suggest alignment with other draft standards.	Noted. Paragraph 3.1 does not refer to section 164 but rather 160(1). Standards will be reviewed to ensure that there is alignment where appropriate.
F	31)		3.1	Criteria / guidance needs to be provided regarding the definition of a “holding company” in respect of the various scenarios. Reference is made to holding company of a financial conglomerate - will it ever be possible that a holding company of the Group is a different legal entity?	The holding company will be identified when the financial conglomerate is designated. A holding company of a financial conglomerate in certain cases can be the holding company of a Group (Level 2). It is possible that the holding company of the financial conglomerate is different from the holding company of the Group (Level 2). In this case the holding company of the group will be required to comply with standards or regulations pertaining to the Group. It may also be possible that the holding company of a financial conglomerate is not the ultimate holding company of a Group (not Level 2). These concepts will be clarified when a financial conglomerate is designated.
F	32)		3.2	There needs to be an appreciation for the fact that there are a range of entities (including unregulated entities within a Group structure). It may not be possible, practical or required in the circumstances for there to be full compliance by all group entities.	The compliance requirement rests with the holding company of the financial conglomerate. The PA is concerned with the risk that is posed by the unregulated entities to the eligible financial institution. The role of the

	No	SOURCE	Paragraph of the Standard	Comment	Response
					holding company is to ensure that it has prudent oversight of the entities within the financial conglomerate so that the risk does not materialise.
F	33)	████	3.3	We suggest that the explanation of “wider group” move to section 4 of this standard.	Noted, the explanation of the wider group has moved to the definition section of the standard.
F	34)	████		A reference to the ‘wider group’ shall be read as a reference to the companies that are within the group, but which have not been included as members of the group designated as a financial conglomerate. Clarity around the type of entities that will be excluded from the financial conglomerate group (or wider group) will be appreciated. It is still difficult to assess the relevance of any exclusion.	See response to comment 26.
F	35)	████	3.4	This explanation is only provided in FC 04, as well as the draft financial conglomerate identification guidance note. We suggest that this section be included in all of the draft standards FC 01 to FC 05 - “This Standard applies in addition to the financial sector laws which may be specific to institution type.”	Noted.
F	36)	████	3.4	We suggest deleting as follows: “This Standard applies in addition to the financial sector laws which may be specific to institution type. Therefore, this Standard may not cover all areas of corporate governance as such areas are sufficiently dealt with in financial sector laws. Therefore, this Standard applies in addition to other financial sector laws and good corporate governance prescripts for boards. The requirements of this Standard do not derogate from the existing corporate governance requirements of financial sector laws that apply to regulated entities whether at solo-entity or group level. ”	Noted. The standard has been amended accordingly.
F	37)	████	3.4	Clarity is requested on what happens in the event of a conflict. Where do the standards fit in in terms of priority of compliance? Where there is conflict between the Standards, Companies Act, JSE Listing Requirements and King IV, which one will prevail?	Examples of potential conflicts were not provided.
F	38)	████	3.6	Key person is defined in the FSR Act. Please provide clarity on the meaning in this context and whether there is a difference.	There is no difference in the definition.
F	39)	████	3.6	We suggest moving this item to section 4 of this standard.	Key person is defined in the FSR Act.
F	40)	████		No comment	Noted.
F	41)	████	3.1	Confirmation that the financial conglomerate standards will be applied at ██████████ level.	Unable to provide confirmation. The holding company will be determined based on the assessment of the group by the PA. The standards are drafted to ensure applicability across a financial conglomerate.
F	42)	████	3.3	Clarification required regarding definition of “wider group”.	A financial conglomerate may be designated without including all the companies in a group. The definition of wider group applies in this instance.
F	43)	████	3.4	Does the financial conglomerate comply with sector specific regulations / laws first and then with the financial conglomerate standards?	An eligible financial institution must comply with the regulations and legislation that applies to it whether at a group or solo level. The holding company will apply the standards that are applicable to it.
F	44)	████	3.6	Clarification required as to whether the head of control function of the holding company can also be the head of the control functions for the entities within the financial conglomerate.	This will depend on the requirements of the financial sector laws that applies to the eligible financial institutions.
F	45)	████		No comments	Noted.
F				4. Definition and interpretation	
F	46)	████	4	It is requested that the PA align the definition and requirements of independent directors with that which is stipulated in the Companies Act 71, 2008 (section 66), Banks Act 94, 1990 (section 60 and the Governance Directive), Insurance Act 18, 2017 (Governance and Operational Standards for Insurers) and King IV (Recommendation 28).	The requirement for an independent director aligns with the Banks Act – Directive 4 of 2018.

	No	SOURCE	Paragraph of the Standard	Comment	Response
				It is requested that the PA also apply the principle that any director who is regarded as independent at the holding company level, is also considered to be independent for any subsidiary within the group as is the case under the Insurance Act.	
F	47)	██████	4.6	Member B The threshold of 5% for a substantial shareholder is low – recommend that the threshold be increased to 10% which is consistent with the JSE's definition of “material shareholder”.	The thresholds align with Directive 4 of 2018 issued in terms of the Banks Act and is considered appropriate in terms of entities that provide financial services.
F	48)	██████	4.8	Member B Recommend that the 5% threshold for material funder be increased to 10% which is consistent with the JSE's view of materiality.	The thresholds align with Directive 4 of 2018 issued in terms of the Banks Act and is considered appropriate in terms of entities that provide financial services.
F	49)	██████		Member C It is requested that the PA align the definition and requirements of independent directors with that which is stipulated in the Companies Act 71, 2008 (section 66), Banks Act 94, 1990 (section 60 and the Governance Directive), Insurance Act 18, 2017 (Governance and Operational Standards for Insurers) and King IV (Recommendation 28). It is requested that the PA also apply the principle that any director who is regarded as independent at the holding company level, is also considered to be independent with respect to any subsidiary within the group as is the case under the Insurance Act.	See response to comment 46 .
F	50)	██████████	4.3	It is indicated that the term ‘material’ should be read in terms of the significance of the impact on the financial conglomerate. The meaning of “significant” and “material” should be elaborated on and should be consistently interpreted across the Standards.	The terms material and significant are used in different contexts across the standards. In this standard, the terms have been defined in relation to shareholder and provider of equity.
F	51)	██████████	4.6	The definition of “substantial shareholder” requires simplification / clarification. Is the intention that “significant” mean individuals that hold 5% shareholding, but also include shareholders holding less than 5%, but who have associates holding a percentage shareholding, which in total equals 5% or more? This will have a direct correlation on Director independence as well as Board composition, owing to the ability to attract and retain independent non-executive Directors. The meaning of “associate” should also be defined in this context.	Yes, this also include voting rights on issued shares. The requirements are clear that an independent non-executive director that has such shareholding will not be considered independent. Noted. The standard has been amended to define ‘Associate’
F	52)	██████████	4.6	The Term “ shareholder ” is not defined by the Insurance Act / Financial Sector Regulation Act, but rather refers to “ significant owners ” FC04 refers to “ major shareholders” which is not defined. (Clause 14.4 c & e) LTIA and STIA refers to Shareholder as shareholding not exceeding 15% The FSRA (Section 157) defines a Signification Owner as - (a) the person, directly or indirectly, alone or together with a related or inter-related person has the power to appoint 15% of the members of the governing body of the financial institution; (b) the consent of the person, alone or together with a related or inter-related person, is required for the appointment of 15% of the members of a governing body of the financial	It is not necessary to define ‘shareholder’ as the definition is clear as to the meaning. In this section, the PA is saying that a non-executive director is considered as non-independent because he/she has a significant shareholding or voting rights in the company on which board he/she sits. It is not concerned with significant owners of financial institutions which is triggered by a 15% threshold.

	No	SOURCE	Paragraph of the Standard	Comment	Response
				institution, or (c) the person, directly or indirectly, alone or together with a related or inter-related person, holds a qualifying stake in the financial institution. Alignment required to avoid misunderstanding	
F	53)		4.6	Is there a definition of ‘associates’ included in the ‘substantial shareholder’ definition Is the meaning of substantial shareholder the same as ‘significant owners’ dealt with in Chapter 11 of the FSR Act?	See response to comment 51. No the definition of substantial shareholder is used to assess the independence of a director. It is not the same as a significant owner.
F	54)			No comments	Noted.
F	55)			No comments	Noted
F	56)			No comments – not applicable to this company	Noted
F	57)		4.3	Significance should be defined – is it in terms of financial terms, reputation impact etc.?	See response to comment 50.
F	58)		4.6	Is there a definition of ‘associates’ included in the ‘substantial shareholder’ definition? Is the meaning of substantial shareholder the same as ‘significant owners’ dealt with in Chapter 11 of the FSR Act?	See response to comment 53.
F	59)		4.6 – 4.8	If the criteria is the same, then the wording/terms should be consistently applied.	The criteria is not the same as significant owners. Based on the limited information in the comment we are unable to understand the need for alignment.
F	60)			No comments	Noted
F	61)			No comments	Noted
F				5. Roles and responsibilities	
F	62)			No comments.	Noted
F	63)		5.2	Member A Please refer to our comment on 5.6 of FC01 regarding “Control Functions”. “..we propose that the Standard include provisions that are the same as those in other existing laws and recently issued Standards (for example under the Insurance Act)...” – extracted from FC-01.	This requirement is specific to financial conglomerate standards and has been amended.
F	64)			No comments	Noted
F	65)			No comments	Noted
F	66)			No comments	Noted
F	67)			No comments	Noted
F	68)			No comments – not applicable to this company	Noted
F	69)		5.3	“Auditor” to be clearly defined – does this make reference to the conglomerate’s externally appointed statutory auditor?	The standard has been amended to define ‘Auditor’.
F	70)			No comment	Noted.
F	71)		5.2	Banks Act regulation 39 report is produced at level. Additional reporting layer is introduced by the financial conglomerate standards.	Noted. Please refer to the impact assessment.
F	72)		5.3	Additional layer of reporting introduces possible additional audit fees.	Noted. Please refer to the impact assessment.
F	73)			No comments.	Noted.

	No	SOURCE	Paragraph of the Standard	Comment	Response
F				6. Principles underlying governance and risk management	
F	74)	█		No comments.	Noted
F	75)	█		No comments	Noted
F	76)	█	6.4c	The Application of a Combined Assurance Framework, is best closest to where there are operations. There are some challenges in aggregating granular information whilst making sure it still provides valuable insights.	This has been addressed in the standard and will now be referred to as part of the risk management framework.
F	77)	█	6.4	On risk aggregation, will BCBS239 be applied to non-bank (and hence, unregulated, entities).	Risk aggregation requirements in terms of BCBS239 will apply to entities registered in terms of the Banks Act.
F	78)	█		No comments	Noted.
F	79)	█		No comments	Noted.
F	80)	█		No comments – not applicable to this company	Noted.
F	81)	█	6.4	“Appropriate combined assurance framework” and “appropriate information flow framework” (the latter is dealt with in 11 as well) are vague and should be defined/clarified in terms of what is required.	<p>The requirement to have an appropriate combined assurance framework has been removed from the standard and will not be referred to as part of the risk management framework.</p> <p>The PA cannot be prescriptive in this regard, due to the varied nature, scaled and complexity of financial groups. The PA, through supervision will assess the framework and whether it is appropriate to the financial conglomerate. Should guidance be required based on supervisory evidence, then the PA will issue a guidance notice to provide clarity.</p>
F	82)	█	6.4	Guidance should be given on how each bank is expected to evidence these frameworks (as the interpretation might be quite different by each).	See response to comment 81
F	83)	█	6.4	“Key Persons” - the term should have a clear interpretation.	Key person is defined in the FSR Act.
F	84)	█	6.4	On risk aggregation, will BCBS 239 be applied to non-bank (and hence, unregulated, entities)?	See response to comment 77
F	85)	█	6.4 (e)	Clarity is required on the development of an appropriate information flow framework. Does the “information flow” mean a unique information flow architecture or expand the current governance structure to include information flows?	Current governance and risk management framework must cater for information flows from all members of the financial conglomerate, where legally possible.
F	86)	█		No comment	Noted.
F	87)	█		<p>Note: Several listed entities exist within the Group. All entities are not entitled to have access to the information of all entities within the Group at all times.</p> <p>Can you utilise a Group policy for █ purposes or should a separate policy be drafted for █?</p>	<p>Noted. Information must be collected where it is legally possible and after any embargoes on information.</p> <p>Group policies may be used – approved by the holding company of the financial conglomerate.</p>
F	88)	█		No comment	Noted
F				7. Board composition and governance framework	
F	89)	█		No comments.	Noted
F	90)	█	7.1	<p>Member A</p> <p>Please see below our important “General Comment” on this Standard. We propose that mention also be made of a governance code such as King IV. We appreciate that King IV is not law, but it is a code that is respected and applied quite broadly.</p>	The section was amended to delete the Companies Act.
F	91)	█	7.5	<p>Member B</p> <p>Does 7.5 envision an annual assessment of current directors/senior managers? Are there guidelines on what the PA determines as “appropriate” skills?</p>	Yes, an annual assessment is necessary. The standard has been amended to make this clear.

	No	SOURCE	Paragraph of the Standard	Comment	Response
					It is difficult to be prescriptive due to the varied nature, scale, complexity of entities within the financial sector to define what is appropriate for the entire sector. Guidelines may be issued once there a supervisory view on the guidance needed.
F	92)	██████	7.6	Member A Grammatical issue. We propose the following wording to replace the introductory section of this section: "The chairperson of the board and the chairpersons of sub-committees of the board must be independent non-executive directors..." i.e. so that the board chair doesn't also have to be the chair of all or any committees. Also see para 7.6.c.ii and ii) which could be read to imply that a board chair must chair all committees.	Noted. The standard has been amended to make this clear.
F	93)	██████	7.6	Member A We don't understand why the chairpersons of the board and of all sub-committees needs to be an independent non-executive director. We believe that the role of chair can be and is often well served by a non-executive who is not classified as "independent" according to an objective set of criteria, and that, for example, certain matters can or may need to be chaired by a lead-independent in certain instances (some of our existing financial sector laws already provide for this). We therefore propose that the chairperson should be non-executive, but need not be independent, and similarly for board committees. In any event, and as King IV expressly provides, all members of a board, regardless of how they are categorised, have as a matter of law, a duty to act with independence of mind in the best interests of the organisation, and that independence, as important as it is, is but one consideration in achieving a balanced governing body composition. King IV goes further to state that the overriding concern is whether the board (governing body) is knowledgeable, skilled, experienced, diverse and independent enough to discharge fully its governance role and responsibilities. To the extent that the chairperson must be an independent non-executive director, we still propose that this need not be required at committee level. Committees operate and are required to operate in such a way that the chairperson of the board is in any event ultimately responsible for the functioning of those committees, and which committees also report to the board. King IV does not provide for committee chairpersons to be independent.	Noted. The requirements are aligned to the requirements of Directive 4 of 2018, issued under the Banks Act.
F	94)	██████	7.6 c	Member A Please consider our comments regarding independence of the board chair and board committees. This section would need to be amended accordingly if our proposal is accepted that board committee chairs need not be independent.	See response to comment 93.
F	95)	██████	7.9 & 7.10 (and 7.8)	Member A The proposed criteria regarding the circumstances in which a director can't be classified as 'non-executive' are, if anything, appropriate for the inquiry of independence* as opposed to the classification of a person who holds a non-executive board position. Either way, if a person has served as an executive and then steps down to take on a non-executive role, that is a factual enquiry (which we believe 7.8 duly recognises) and we do not believe that for 12 months, that person must or can remain classified as an executive director when that person is not performing an executive role.	These requirements are aligned to the requirements of Directive 4 of 2018, issued under the Banks Act.

	No	SOURCE	Paragraph of the Standard	Comment	Response
				<p>If this clause were to remain as is, even with 7.10 which provides for dispensation in 'exceptional' cases, this would cause various unreasonable and/or practical problems for existing entities and structures. (*but please note our comments on "independence")</p> <p>We therefore propose that these clauses be deleted.</p> <p>In addition, King IV even recognises that non-executive members of a board can be classified as independent if the board concludes that there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making in the best interests of the company. King IV encourages substance over form.</p> <p>In addition, we do not understand why factors c and d (external auditor etc. and curator) should prevent such persons holding non-executive positions and being classified as such even if a and b were to remain.</p>	
F	96)	██████	7.9	<p>Member A</p> <p>Sentence structure issue. To the extent that this section were to remain, we propose the following wording to replace the introductory section of this section: "For the purposes of this Standard, a director cannot be classified as a non-executive director if he or she, in relation to the financial conglomerate, has at any time during the preceding twelve months..."</p>	Noted. Amendments made to the Standard.
F	97)	██████	7.9 b	<p>Member A</p> <p>To the extent that 7.9 remains (see our proposal for its deletion), we propose clarifying that the chief executive officer would be limited to the chief executive officer "of the holding company of the financial conglomerate".</p>	Noted. Amendments made to the Standard.
F	98)	██████	7.10	<p>Member A</p> <p>To the extent that 7.9 and 7.10 are not deleted as we have proposed above:</p> <ol style="list-style-type: none"> 1. The wording "after such a period shorter than twelve months" is confusing and we propose it be amended to read: "... where such person has held any such position specified in paragraph 7.9 during the 12 month period immediately preceding that person's appointment". 2. We also propose consistency should be maintained, and whereas 7.9 refers to 'classification', 7.10 refers to 'serve'. We again reiterate our comment that an enquiry as to whether a person holds an executive directorship is factual. 	The wording is aligned to Directive 4 of 2018 issued under the Banks Act.
F	99)	██████	7.11	<p>Member A</p> <p>We propose the requirement that the majority of non-executive directors "must" be independent, should be amended to "should" be independent, in line with King IV i.e. it should not be a mandatory requirement for the majority of non-executive directors to be independent. Please refer to our other comments regarding King IV and independence.</p>	Disagree. The requirement being prescribed is that a majority of the non-executive directors must be independent.
F	100)	██████	7.11	<p>Member A</p> <p>The list of factors that follow (particularly from factor (d)) do not flow from the opening sentence. It is suggested that the second sentence be amended to read "For the purposes of this Standard, <u>any of the following constitute prima facie evidence that a person lacks independence</u>" and that the listed factors then be amended accordingly.</p> <p>Some of the factors will still need to be amended but generally, this section does not currently read well.</p>	The wording is aligned to Directive 4 of 2018 issued under the Banks Act.

	No	SOURCE	Paragraph of the Standard	Comment	Response
F	101)	██████	7.11(i) 7.11 (o)	Member A We propose specificity be provided as to what constitutes “immediate family”. In any event, we note that this factor would apply to factors (a) to (h), while the factor “related” in (o) would apply to factors (a) to (n). With (o) being so much broader than (i), we seek to understand the need for (i).That being said, (o) is extremely broad and would unduly and unreasonably rule out a number of persons who should be able to hold non-executive “independent” board roles.	The wording is aligned to Directive 4 of 2018 issued under the Banks Act.
F	102)	██████	7.11(j)	Member A “CEO” is used as an abbreviation previously in the document without the full word. We propose defining “CEO” or always using the full term without abbreviation.	Noted. The standard was amended to reflect the full word.
F	103)	██████	7.11k	Member B We recommend that the PA adopt the approach of King IV whereby a director serving longer than 9 years can remain independent subject to an annual assessment by the board (alternatively an external assessment). We do not agree that tenure automatically inhibits a director’s ability to act independently. We are concerned that the automatic re-designation of long serving independent directors as non-executive will detrimentally impact the efficient operation of board committees who require an independent chair. It is vital to the continuity of these committee’s that long serving directors, who have the benefit of a wealth of knowledge about the company are permitted to continue in their capacity as independent members and/or chairs of these committees.	The requirements are aligned to Directive 4 of 2018 issued under the Banks Act.
F	104)	██████	7.12	Member A Please see paragraph 3.5: “board” refers to the board of the holding company. The wording in paragraph 7.12 makes it appear that the board of the holding company must ensure that the holding company’s holding company complies. We propose that the sentence reads “...the board must ensure that <u>the</u> holding company...” We also propose that “financial conglomerates” be amended to the singular, “financial conglomerate”. There are grammatical issues with the paragraph as a whole. Proposed wording: “The board must ensure that the holding company and its subsidiaries have appropriate board committees including but not limited to audit committee(s), social and ethics committee(s) and remuneration committee(s), as applicable”	Noted. The standard has been amended.
F	105)	██████	7.14	Member A In the 2 nd sentence, we propose amending “Board” to “board” for consistency and it is a defined term.	Noted. The standard was amended.
F	106)	██████	7.16	Member A We propose amending “Conflict of interest” to “Conflicts of interest” (plural).	Noted. The standard was amended.
F	107)	██████████	7.5	Guidance regarding the processes in place to effectively manage instances where the persons identified in 7.5 cease to be suitable i.e. are there minimum requirements for such processes?	In terms of the standard, it is not the intention to prescribe minimum requirements. Based on supervisory findings, the PA can at a later stage prescribe requirements or issue guidance on this area.
F	108)	██████████	7.8, 7.9, 7.10	“non-executive director” is defined as a director who is not a member of the financial conglomerate’s management and not an executive of any of	The requirements are applicable to the board of the holding company.

	No	SOURCE	Paragraph of the Standard	Comment	Response
				the entities within the financial conglomerate. Furthermore, 7.9 indicates instances where a director cannot be classified as non-executive. Are paragraphs 7.8 and 7.9 applicable to all subsidiaries within a financial conglomerate and if so, will provision be made for exceptions to be granted? i.e. the inclusion of criteria per paragraph 7.10.	
F	109)		7.11d & 7.11g	“substantial shareholder” to be defined and further “associated directly with a substantial shareholder”. This is important as due to BBBEE transactions and/or BBBEE share incentive schemes we might be excluding very competent individuals from serving as independent non executives and potentially non-executive directors.	It is defined in the standard. Associate has also been defined in the Standard. These requirements align with Directive 4 of 2018 issued under the Banks Act.
F	110)		7.11k	Guidance is to be provided regarding the rationale for automatic reclassification of a director from independent to non-executive following a period of nine years.	It is the view of the PA that after 9 years the independence classification of a non-executive director of a financial institution has lapsed.
F	111)		7.11o	“related” and “associated” and “immediate family” seems to be used frequently and in the normal interpretation all of them have different meanings. Single term usage across the Standards and clearer definitions are required.	Noted. The standard has been aligned to define the terms.
F	112)		7.1	Board composition and governance framework – how does this compare to existing requirements under the Companies Act and JSE listing requirements (where the holding company is listed)?	If the holding company is listed then it must comply with this standard and all other legislation that is applicable to it.
F	113)		7.5(b)	Based on the aforesaid, FirstRand seeks clear guidance and much more detail if there would be any specific occurrence's/cases which would dictate circumstances under which a director would cease to be suitable under this provision. We are fully cognisant of the requirements set out in the Companies Act No 71. of 2008 which would inter alia apply to directors (i.e. ineligibility and disqualification of directors, removal of directors).	Over and above the Companies Act requirements, the financial institution would need to assess the suitability of the director in terms of the nature of the requirements of the board for a specific institution.
F	114)			No comments	Noted
F	115)			No comments	Noted
F	116)			No comments – not applicable to this company	Noted
F	117)		7.1	Was consideration given to King IV report on corporate governance? Reference is made to Companies Act, 2008 (Act No. 71 of 2008) only.	Consideration was given to King IV. The standard has been amended to remove the Companies Act, 2008.
	118)		7.1	How does this compare to existing requirements under the Companies Act and JSE listing requirements (where the holding company is listed)?	If the holding company is listed then it must comply with this standard and all other legislation that is applicable to it.
	119)		7.4	“Incentive arrangements” - what does this mean/include?	Noted. The standard has been amended to refer to remuneration and incentives.
	120)		7.4	“Interface” - what does this mean? Does it refer to engagement/ communication/ interconnectedness?	Noted. The standard has been amended to make this clearer.
	121)		7.5	“Key Persons” - as mentioned above in section 6.4, the term should have a clear interpretation.	Key person is defined in the FSR Act.
	122)		7.5	“Senior Management and Key Persons” - guidance should be provided on the criteria for inclusion of individuals i.e. how wide should these terms be applied by the organisation?	Noted – to amend to make this clear.
	123)		7.5 (b)	Based on the aforesaid, we seek clear guidance and much more detail if there would be any specific occurrence's/cases which would dictate circumstances under which a director would cease to be suitable under this provision. We are fully cognisant of the requirements set out in the Companies Act No 71. of 2008 which would inter alia apply to directors (i.e. ineligibility and disqualification of directors, removal of directors).	See response to comment 113.

No	SOURCE	Paragraph of the Standard	Comment	Response
124)		7.6	Clarification is needed on the requirement that all sub-committees of the board need to be chaired by an independent non-executive director. There are certain committees that are non-statutory (such as a mergers and acquisitions; brand & marketing; transformation committee, etc.). Even an IT committee which is pursuant to King IV is non-statutory. In some cases, a non-executive director rather than an independent non-executive director is better suited to chair such committees.	Noted. The standard has been amended to specify statutory committees.
125)		7.8	In relation to the definition of “non-executive” the standard states a non-executive is “not a member of the financial conglomerate’s management and not an executive of any of the entities within the financial conglomerate”. In the case of a financial conglomerate, there may be executives who are employed by a member of the financial conglomerate who may also serve as a non-executive director on other boards within the financial conglomerate. The wording in the standard does not allow for this, but suggests that they would be classified as executive directors. This could impact the balance of executive vs non-executive directors on these boards. E.g. if an executive in our Wealth Division is appointed to sit on the board of the group’s insurance brokerage entity, would they now have to be classified as executive director even though they are not involved in the day-to-day running of the organisation and are independent from that entity?	The non-executive director status relates to the holding company We have amended the standard to make this clear.
126)		7.11	<p><i>The majority of non-executive directors on the board must be independent Independence generally means the capacity to exercise objective judgement, free from conflicts or biases. In terms of this Standard, an independent director shall be one <u>that</u> is not...</i></p> <p>Comments:</p> <ul style="list-style-type: none"> the word “<u>that</u>” in the last line above should be “who” and the start of each sub paragraph (a to o) should be checked grammatically so as to line up with the lead-in paragraph , e.g. the word “is” at the start of sub-paragraph (d) should be deleted Requires majority of non-executive directors to be independent. This is not a problem, unless the majority are also expected to have banking / insurance / financial services experience – generally banking skills are linked to those who may have recently worked in or been associated with the bank, so it is difficult for this person to be independent at the outset, so complying with this requirement at all times may be onerous. Some flexibility should therefore be considered. The clause should be reworded to differentiate between independence of mind and structural independence. Independence of mind is applicable to all directors whilst structural independence refers to the categorisation of directors as executive, non-executive or independent non-executive. <p>The definition of independence is too stringent/broad which will result in a tick-box approach without consideration given to the nature of the business/organisation. An individual might be disqualified based on a single or minor criterion. The King approach seems to be more holistic and more outcomes based, so may be better to be adopted in its entirety.</p>	<p>The standard has been amended to address grammatical issues.</p> <p>The requirements align with the requirements of Directive 4 of 2018.</p>
127)		7.11	This section states “In terms of this Standard, an independent director shall be one that is not:” then lists all the bullets relating to this statement, but some of the bullets do not flow properly (read correctly) with the above. Recommend amending the above wording to:	Noted. Amendments have been made to the Standard.

	No	SOURCE	Paragraph of the Standard	Comment	Response
				<p>"In terms of this Standard, an independent director shall be one that is not, or has not been:</p> <p>(d) is a material substantial shareholder of the....</p> <p>(e) has within the last three years, been a principal of a material professional adviser</p> <p>(f) is a significant provider of equity or other...</p> <p>(g) is the recipient of a form of remuneration other than...</p> <p>(h) is or has within the last three years, been a significant or ongoing professional advisor to or an internal auditor of...</p> <p>(i) is a member of the immediate family of an individual...</p> <p>(j) has been an executive director, the Chief Executive Officer....</p> <p>(k) has served as an independent non-executive director of the...</p> <p>(l) has been the designated external auditor...</p> <p>(n) has been the curator of the holding company..."</p>	
	128)	██████	7.12	<p>This section states "In line with the Companies Act, the board must ensure that its holding company and boards of subsidiaries of the financial conglomerates consist of appropriate board committees including but not limited to audit committee, social and ethics committee and remuneration committee." Are exemptions to this allowed, under the conditions stipulated in the Companies Act. Also, where smaller entities within the conglomerate do not have their own remuneration committee, can they nominate the holding company's remuneration committee to consider the entity's remuneration matters on its behalf?</p>	Noted. The Standard has been amended to address this comment.
	129)	██████	7.14	<p>Consideration should be given to the balance between compliance and execution of strategy. Management is under ever increasing pressure to deliver business results to investors and other stakeholders. The focus of regulators is on compliance; reporting; and risk considerations. There needs to be a balance struck. In the event that additional compliance related framework require more management time and attention, the pressure on business delivery goes up which can be counter-productive.</p>	This is noted – see impact assessment.
	130)	██████		No comment	Noted.
	131)	██████	7.11(k)	<p>We are concerned about the impact of this section which stipulates that a director is no longer an independent director if they have served as a director of the holding company for a period of 9 years. Generally, for an Independent Board Member to fully understand the Group and be able to challenge and ask relevant questions takes time. Therefore, to have a Board Member no longer be considered as independent after 9 years is not in the best interest of the Industry and ultimately the Conglomerate. A Board with experienced members is able to interrogate Board packs and Management on issues and provide great insight and guidance since they are aware of the challenges of the Conglomerate and in light thereof retaining their valuable knowledge, skills, experience and maintaining continuity is important. Care should be taken to simply impose a "one-size fits all" rule when it comes to suggesting a director loses independence after a 9 year tenure. It is suggested that a pragmatic and outcomes based approach be followed in line with King IV which does not lay down a fixed rule that no director can be considered independent after a 9 year tenure. This stipulation may result in significant unintended consequences with Boards requiring the replacement of many directors which were previously regarded as independent. We therefore suggest that this requirement be looked at, reworded, removed or the number of years that which a Board member may serve as an independent director with motivation as such be</p>	The requirements are aligned to Directive 4 of 2018 issued under the Banks Act.

	No	SOURCE	Paragraph of the Standard	Comment	Response
				increased. That would be in line with what is proposed by King IV in that independent directors may serve for longer than 9 years if a vigorous assessment is conducted annually to establish that the director continues to exercise objective judgement and that there is no interest, position, association or relationship, which when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision making. The contribution which a directors make to the board should be considered in determining independence and not just the tenure of service. Implementing a rule that a director will not be considered independent after 9 years may result in wholesale rotation of a board which risks losing institutional memory and which further in turn could compromise the boards ability to govern effectively.	
	132)		7.11	There is potential for these clauses to result in Financial Conglomerates needing to appoint excessively large Boards of Directors in order to meet the requirements.	Not necessarily. The composition of the board must be appropriate to the nature, scale and complexity of the financial conglomerate.
F				8. Organisational structure	
F	133)			No comments.	Noted
F	134)			No comments	Noted
F	135)			No comments	Noted
F	136)			No comments	Noted
F	137)			No comments	Noted
F	138)			No comments	Noted
F	139)			No comments – not applicable to this company	Noted
F	140)		8.1	“Inter-relationships” need to be clearly defined and guidance needs to be provided in terms of the extent it needs to be document i.e. how deep should it go in terms of the level.	The PA is of the view that the meaning of inter-relationships is clear – it means relationships with entities within the conglomerate. It covers the whole financial conglomerate.
F	141)		8.2	Please clarify the meaning of “transparent organisational and management structure” – be specific and categorise accordingly i.e. is there a sample template on how organisational structures are to be reported to the PA to ensure that the same information is provided to the same level of detail by similar organisations?	8.1 and 8.2 (these numbers have changed based on amendments to the standards) must be read together. Transparent organisational structure – means that the PA must have a full view of the organisation structure, the business dealings of the relevant entities within the financial conglomerates and the risks posed by the relevant entities to the eligible financial institution. A transparent management structure – the PA must have a view of how these entities are managed, what are the inter-relationships, who makes the decisions and what risk that this pose to the eligible financial institution.
F	142)			No comments	Noted
F	143)			No comments	Noted
F				9. Material acquisitions and disposals	
F	144)			No comments.	Noted
F	145)		9.3	Member A For improved flow, we propose amending the opening paragraph to “In terms of the abovementioned sections of the FSR Act, the acquisition or disposal of the following are considered material:”. Following from this item, “(a)” should then be amended to “an entity regulated by a financial sector regulator or organ of state”.	Noted. The standard has been amended.
F	146)		9.3(e)	Member A	Noted. The Standard has been amended.

	No	SOURCE	Paragraph of the Standard	Comment	Response
				<p>This clause does not flow from the existing or our proposed introductory paragraph. We propose using this as a closing paragraph in section 9, and not as part of the list.</p> <p>We also propose inserting “could” immediately after “aggregation” so that it would read “that on aggregation <u>could</u> become material to the”</p>	
F	147)		9.3b	Guidance is required regarding the rationale for 5% threshold indicated in respect of the acquisition and disposal of material assets. The percentage threshold should be increased. Furthermore, clarity is required regarding the scope of what is covered within the confines of this section – does it refer to everything that is not regulated by a financial sector regulator or organ of state?	The 5% threshold is based on prescriptions in GOI 7 and is applicable to insurance groups. The standard has been amended to provide clarity.
F	148)		9.3	Are the limits e.g. 5% of total assets of the financial conglomerate based on consolidated assets? Similarly, is it based on consolidated net income?	Yes. Standard has been amended to read total consolidated assets.
F	149)		9.3.a	Is the acquisition of a regulated entity in a jurisdiction (that is not considered to be equivalent) included in this requirement?	Yes. The standard has been amended to reflect this requirement.
F	150)			No comments	Noted
F	151)			No comments	Noted
F	152)			No comments – not applicable to this company	Noted
F	153)		9.3	Are the limits e.g. 5% of total assets of the financial conglomerate based on consolidated assets? Similarly, is it based on consolidated net income?	See response to comment 148.
F	154)		9.3. a	Is the acquisition of a regulated entity in a jurisdiction (that is not considered to be equivalent) included in this requirement?	See response to comment 149.
F	155)		9.3(d)	It is not clear what is meant by this sub-paragraph i.e. the reference to an “intra-group exposure” – this seems to refer to credit rather than acquisitions and disposals. Is this referring to an entirely internal transaction with one entity selling something to another and there being a debt owed as a result?	This requirements relates to the entity and the result of the acquisition of the entity.
F	156)		9.3 (e)	How would consideration of sequential acquisitions and disposals that on aggregation become material to the financial conglomerate? Would this be similar types of acquisitions by sector / license type, adding up to the materiality threshold over a period of X years?	Noted. 9.3 (e) has been deleted..
F	157)			The thresholds proposed (in b. and c.), in relation to the total assets and net income after tax of entities earmarked for acquisition relative to the financial conglomerate’s total assets and total net income after tax, appear to be too low and may potentially impede growth initiatives.	See response to comment 147
F	158)		9.1	Clarification required as to whether this refers to Section 52 of the Banks Act and if so, will banks be required to follow the guidelines in terms of “material asset / acquisition” in terms of the Banks Act.	This applies in addition to Section 52.
F	159)		9.3	<p>(d) and (e) are vaguely drafted. Material assets are defined as entities acquired by or disposed of by the financial conglomerate.</p> <p><i>This clause does not seem to seek to govern the acquisition or disposal of <u>assets</u> (based on the ordinary meaning of the word) from the financial conglomerate.</i></p> <p><i>If this is an oversight and the intention is indeed to govern the disposal of assets generally, then the thresholds set out could have unintended consequences. Clarity regarding acquisitions and disposals which occur simultaneously or contemporaneously would be required, specifically:</i></p>	Noted the standard has been amended to refer to assets.

	No	SOURCE	Paragraph of the Standard	Comment	Response
				<ul style="list-style-type: none"> with regard to intra-group transactions or transactions entered into with entities managed by the financial conglomerate or its subsidiaries; in the context of redemption of securitised structures and the refinance of the securitised assets. <p>For regular issuers of securitised assets, it will be possible for the thresholds to be frequently reached, necessitating frequent applications to the Prudential Authority.</p>	
F				10. Risk management system	
F	160)			No comments.	Noted.
F	161)		10.3	<p>Member A</p> <p>Please clarify – should “nature, scale and complexity of the risks and their associated risks” not read “nature, scale and complexity of <u>the respective entities</u> and their associated risks”?</p> <p>Our understanding is that in the Risk context, one would refer to the “nature, scale and complexity” of a business but not a risk. A risk would not be measured by its nature, scale and complexity, but would be referred to in terms of severity/impact. The words “and their associated risks” suggest this may be a typographical error, hence the request for clarification either way.</p>	Noted. The standard has been amended accordingly.
F	162)		10.4	<p>Member A</p> <p>The clause is confusing. It may be interpreted to require the financial conglomerate to always conduct an annual “full-scale” ORSA Report or ICAAP. We don’t believe that is the intention but propose this to be clarified either way. To the extent an annual ORSA Report is required, provisions should be inserted to address the requirements relating to an ORSA Policy.</p> <p>We also propose that provision be made to guide affected entities how they are to go about determining whether a group “ICAAP or ORSA” is necessary with reference to the provision that one may not be necessary if it is “not materially different” to the banking or insurance group ICAAP or ORSA i.e. how is the determination made on material differences if the two exercises (financial conglomerate level, and bank/insurance level) are not performed. Perhaps this provision could read along the lines of where the affected entity does not anticipate or expect a broader ICAAP or ORSA to materially differ etc.</p> <p>Further, what about the scenario where there is no banking or insurance group – or is the designation of a financial conglomerate dependant on their first being a banking or insurance group? Kindly advise.</p>	The standard has been amended to require an FC-CARA.
F	163)			No comments	Noted.
F	164)		10.4	<p>Given that the ICAAP for the banking group is deeply embedded – should this not be the starting point for the ICAAP for the financial conglomerate. Where the ICAAP for the banking group isn’t materially different to the ICAAP for the financial conglomerate, approval can be requested from the PA to not submit one for the financial conglomerate.</p> <p>The different metrics (CET1/eligible capital, RWA on a consolidated basis/aggregated basis) under the respective ICAAPs need to also be considered.</p> <p>Will there be a requirement then to assess economic capital (or internal assessment of risk) for unregulated entities? Will this be based on a materiality threshold?</p>	<p>The Standard has been amended to address this comment.</p> <p>This standard has been de-linked from the capital standard.</p>

	No	SOURCE	Paragraph of the Standard	Comment	Response
				If the assessment is required on an annual basis, how will the entity be able to assess on a three-month forward-looking basis (per the capital guidance) that it will not be able to meet capital adequacy? Which Board meeting is being referred to if the ICAAP document needs to be submitted within a 14 day period? Should this not reference the financial year end of the financial conglomerate as is the case at the moment with ICAAP and ORSA submissions?	
F	165)			No comments	Noted.
F	166)			No comments	Noted.
F	167)			No comments – not applicable to this company	Noted.
F	168)		10.1	What is meant by an integrated risk management “system”. Is this a single technology system or can it be a collection of people, processes, systems that collectively constitute a “system” for risk management purposes?	This approach is to be determined by the board of the financial conglomerate. The principle is that the risk management system must be integrated across the business and not operate in pockets.
F	169)		10.1	If a technology solution is prescribed/advocated, does the system need to be an enterprise-wide GRC that includes all risk types? See sections 10.1 (e); 10.2 (c).	See response to comment 168 and 190.
F	170)		10.3	Clarity is sought on what is meant by the documentation of the group-wide risk management framework and system, the material differences in risk management that may apply to different legal entities within the financial conglomerate due to the nature, scale and complexity of the risks and their associated risks with the business conducted. <i>How does this differ from the current regulatory reports (RegCap and ECap) and Integrated Reporting?</i>	The FC must define the group-wide risk management principles that is universal to the group as whole (what is commonly known as mandatory risk management principles – tight principles) and risk management principles (commonly known as adaptive or loose principles) that is applicable to a legal entity specific.
F	171)		10.3	Documentation requirements need to be clearly defined and consideration should be given to the complexity and practicality of compiling the information.	As indicated above, these FC risk management principles must be documented at FC group level.
F	172)		10.4	Does this mean that a group that has mostly banking exposures may request to only do an ICAAP and not an ORSA report? If so, what will the content requirements be (given that these are not currently aligned)?	The ICAAP and the ORSA is well documented at a level 1 and Level 2. The contents will be same but just at level 3.
F	173)			Given that the ICAAP for the banking group is deeply embedded – should this not be the starting point for the ICAAP for the financial conglomerate? Where the ICAAP for the banking group isn't materially different to the ICAAP for the financial conglomerate, approval can be requested from the PA to not submit one for the financial conglomerate. The different metrics (CET1/eligible capital, RWA on a consolidated basis/aggregated basis) under the respective ICAAPs need to also be considered. Will there be a requirement then to assess economic capital (or internal assessment of risk) for unregulated entities? Will this be based on a materiality threshold? If the assessment is required on an annual basis, how will the entity be able to assess on a three-month forward-looking basis (per the capital guidance) that it will not be able to meet capital adequacy? Which Board meeting is being referred to if the ICAAP document needs to be submitted within a 14-day period? Should this not reference the financial year end of the financial conglomerate as is the case at the moment with ICAAP and ORSA submissions?	See response to comment 162.
F	174)			No comment	Noted.

	No	SOURCE	Paragraph of the Standard	Comment	Response
F	175)		10.4	Section 10.4 stipulates the requirement for an ORSA with the definition referencing Prudential Standard GOI3. The role of the ORSA as a supervisory tool should be elaborated on in this standard. Are there any additional stipulations to the insurer and group standards in this regard?	The standard has been amended to cater for an FC-CARA.
F	176)		10.4	The allowance to prepare Group ORSA's should be continued as this reduces the extent of duplicative reporting. The PA should limit the need for additional qualitative reporting on these topics outside of the robust ORSA process.	See response to comment 175. The PA will issue reporting templates for comment.
	177)			No comments	Noted
F	178)			11. Identification of material risk	
F	179)			No comments.	Noted
F	180)		11.3	Member A We propose amending "Board" to "board" for consistency and it is a defined term.	Noted. The standard has been amended.
F	181)			No comments	Noted
F	182)			No comments	Noted
F	183)			No comments	Noted
F	184)			No comments	Noted
F	185)			No comments – not applicable to this company	Noted
F	186)			No comment	Noted
	187)			No comments	Noted
	188)			No comments	Noted
F				12. Risk aggregation	
F	189)			No comments	Noted
F	190)		12.2	Member B Does 12.2 imply that the holding company must have a risk management IT system? This requirement may not be appropriate for the nature, scale and complexity of the business where having an automated risk management system will not create any additional value.	Noted. The standard has been amended to refer to a risk management system.
F	191)			No comments	Noted
F	192)			No comments	Noted
F	193)			No comments	Noted
F	194)			No comments	Noted
F	195)			No comments – not applicable to this company	Noted
F	196)		12.1	Would effective risk aggregation in line with BCBS239 be required for all financial conglomerates?	BCBS239 applies to entities registered under Banks Act.
	197)			No comments	Noted
	198)			No comments	Noted
F				13. Risk concentration, intragroup transactions and exposures	
F	199)			No comments.	Noted
F	200)			No comments	Noted
F	201)		12.1	Would effective risk aggregation in line with BCBS239 be required for all financial conglomerates?	See response to comment 196.

	No	SOURCE	Paragraph of the Standard	Comment	Response
F	202)			No comments	Noted
F	203)			No comments	Noted
F	204)			No comments – not applicable to this company	Noted
F	205)			No comment	Noted
F	206)			No comment	Noted
F	207)			No comments	Noted
F	208)			14. Information	
F				No comments.	Noted
F	209)		14.4	<p>Member A</p> <p>This list is very extensive and in some respects, unclear as to what is meant and/or required e.g. “ (c) any material information which may or is likely to <u>negatively</u> affect the <u>suitability</u> of a <u>major</u> shareholder”. (own emphasis).</p> <p>“(d) <u>details</u> of <u>major</u> shareholders of any entity within the financial conglomerate”</p> <p>In any event, we are concerned that the concept “major shareholder” is introduced in this Standard especially in light of the concept of “significant owner” in the FSR Act. “major shareholder” is effectively defined as a holding of 5% or more, whereas the percentage threshold for a “significant owner” is a holding of 15% or more. Our concern relates to the effect/impact which “(c)” could have in the context of financial conglomerates viz a viz the Authority assessing the suitability of a major shareholder and of course within the broader application of the FSR Act given the detailed provisions relating to significant owners. Similarly, for “(d)”.</p>	Noted. The standard has been amended to address this comment.
F	210)		14.2	Guidance is required regarding the nature, extent and minimum requirements of the framework for governing information flows.	This cannot be prescribed as it will be unique to the nature, scale and complexity of the financial conglomerate. Once the standard has been embedded, the PA will consider providing guidance on this area.
F	211)			No comments	Noted
F	212)			No comments	Noted
F	213)			No comments	Noted
F	214)			No comments – not applicable to this company	Noted
F	215)		14.2	Is it possible to provide an example or template for the proposed “framework for governing information flows”? We have a high-level diagram of the links from key management committees to board committees, but this does not in itself describe in detail the information flows that can be found in the terms of reference of the relevant committees.	This cannot be prescribed as it will be unique to the nature, scale and complexity of the financial conglomerate. Once the standard has been embedded, the PA will consider providing guidance on this area.
F	216)		14.4	<ul style="list-style-type: none"> Is there a specific risk taxonomy that should be considered in context of risk concentrations at the level of financial conglomerate? Or should it be aligned to the risk taxonomy of the underlying group entities and enterprise risk management framework? In FC01 – Capital Requirements (section 6.2 i), concentration risk is listed. Are concentration risk/risk concentrations to be considered as a 	Kindly refer to the FC-05 - Risk Concentration Standard in this regard.

	No	SOURCE	Paragraph of the Standard	Comment	Response
				standalone risk type or is it deemed to be linked conceptually to existing underlying risk types (e.g. credit risk)? Might be helpful to have a more explicit definition of “concentration risk” and “risk concentrations”. Also, should they be considered the same thing or are they different?	
F	217)	████	14.4 (q) and (r)	<ul style="list-style-type: none"> Terms “investments” / “interests” should be defined – is there a threshold that will be applied in terms of % shareholding/ownership or is the expectation that each investment be managed in accordance to the guidance provided (e.g. 1% equity investment)? Consideration to be given for the level of detail required in (r) if investment is not material/significant.	Currently this is not defined, as the PA will determine based on its supervisory interventions whether it needs information on investments or interests.
F	218)	████		No comment	Noted.
F	219)	████	14.3	Some of the entities within █████ are separately regulated, listed and have other shareholders. This provision must be caveated and should read “where appropriate” and “if allowed”. As a general rule all shareholders should receive information in the same manner and at the same time – ie. █████, █████ listed on the JSE, will this fall under financial conglomerate supervision. If yes, █████ cannot insist on a flow of information outside of the normal SENS system as this would place Investec Limited in an unfair position where █████ could potentially have access to unpublished price sensitive information.	Noted. The financial conglomerate must provide information without contravening other laws.
F	220)	████	14.4 (c)	Request for clarification regarding “material”.	Material is not defined in this regard, as it will be unique to financial conglomerate concerned. A threshold cannot be provided.
F	221)	████	14.4 (c)	████ is listed on the JSE. Shares are traded on the stock exchange and █████ has not authority or control over who buys the shares. Suitability of shareholders in a listed company cannot be the onus of the listed company.	Noted, however, if █████ has information relating to the suitability, then the PA can request such information.
F	222)	████	14.4 (e)	Information is generally available to the public except where entities are listed. In case of listed entities, the top 10 shareholders of an entity could be provided on request.	Noted.
F	223)	████		No comments	Noted
F				15. Use of group policies and functions	
F	224)	████		No comments.	Noted
F	225)	████		No comments	Noted
F	226)	████	15.2	A definition of “entities” here will assist us in understanding which entities within the financial conglomerate will fall within the scope of the requirements per this Standard.	Noted. Amendments have been made to the standard.
F	227)	████		No comments	Noted
F	228)	████		No comments	Noted
F	229)	████		No comments	Noted
F	230)	████		No comments – not applicable to this company	Noted
F	231)	████	15.1	The senior manager/executive responsible for the relevant policy type will need to put in place measures to ensure that these requirements are adhered to and provide comfort to the board that the policies are aligned.	The ultimate responsibility rests with the board. The board can implement institution specific requirements, processes and procedures on how it discharges its responsibility.

	No	SOURCE	Paragraph of the Standard	Comment	Response
F	232)		15.2	Internal clarity on - the requirement to have DWB (<i>deviations</i>) be approved the Board of the holding company, will this require the Board to give mandate to PROs to approve such DWBs?	The ultimate responsibility rests with the board. The board can implement institution specific requirements, processes and procedures on how it discharges its responsibility.
F	233)		15.3	Is the expectation that the board of the holding company of the financial conglomerate ensure that these functions have been approved at subsidiary entity level? This could be very problematic and must be dealt with at a management rather than a board level.	The board of the holding company must ensure that the board of the subsidiary has approved the policy – not certain why this will be problematic.
F	234)		15.3	Is this only relevant for when the entity is a subsidiary? Consideration should be given to instances where functions are also being utilised by entities such as joint ventures, special purpose vehicles.	Noted. The standard has been amended to address this element.
F	235)			No comment	Noted.
F	236)		15.1	Confirmation that holding company policies can be utilised by entities within the financial conglomerate or if independent policies will be required.	Group policies can be used if it applies to the business activities and the risk of entities within the financial conglomerate. If the business activities are unique, then board of the entity is responsible for ensuring that an appropriate policy is developed and that the policy is not contradictory to the overall strategy of the financial conglomerate.
F	237)			No comments	Noted.
F	238)			16. Fit and proper requirements of key persons	
F	239)			No comments.	Noted
F	240)		16.3(e)	Member A Ordinarily a fit and proper policy is a document that is widely available to various (if not all) employees and sensitive information such as succession planning would not be included. Our assumption is that the policy is not required to contain specificity regarding succession planning e.g. identifying names of potential candidates for particular roles. As such, we propose amending this to rather be “a broad statement as to succession planning relating to” specified roles.	Noted. The standard has been amended to refer to a succession planning framework,
F	241)		16.3a	What will be deemed formal qualifications ? What practical experience would suffice? Alignment required to Clause 6.1 of GOI4 refers to “ satisfactory education , experience..... relevant skills and knowledge in respect of the duties that that person must perform ”.	Noted. It depends on the position of the key person and cannot be prescribed.
F	242)			No comments	Noted
F	243)			No comments	Noted
F	244)			No comments	Noted
F	245)			No comments – not applicable to this company	Noted
F	246)		16.2	(c) Regarding good financial standing of key persons, credit checks are conducted when board members are appointed and they complete Honesty, Integrity and Good Standing or equivalent fit and proper declarations annually in which they confirm that they have a good financial standing. Is the financial conglomerate expected to verify this information with annual credit checks, or will an annual declaration (or one when their fit and proper standing changes) suffice?	This must be considered in light of the risk management framework of the financial conglomerate.
F	247)			(d) Regarding succession planning of key persons; does this refer to the process of verifying whether identified candidates for key persons roles meet the fit and proper requirements of identification of persons for key roles and onboarding processes?	It can include the requirement. It would not be proper planning if the person does not meet the requirements for fitness and propriety.
F	248)			No comment	Noted

	No	SOURCE	Paragraph of the Standard	Comment	Response
F	249)			No comments	Noted
F				17. Oversight of outsourcing arrangements	Noted
F	250)			No comments.	Noted
F	251)		17.4	Member A As 17.1 recognises, many subsidiaries will have outsourcing arrangements, and will do so in line with any applicable legal/regulatory requirements e.g. insurers, management companies, as well as ex-SA entities. We appreciate the proposal that the holding company of the financial conglomerate have 'oversight'. However, 17.1 can easily be interpreted as requiring the holding company to perform this function over and above its members needing to do so e.g. "the holding company must ensure that an assessment ... is carried out". Here, we propose inserting "... by the entity concerned". It also appears unreasonable to expect the holding company to have review all outsourcing decisions made by its members. It is also unclear what 'material function or activity' is intended to cover.	The obligations are placed on the holding company of the financial conglomerate. Material function/activity can be considered in light of a function/activity require by law or critical to the operations of the financial conglomerate.
F	252)			No comments	Noted
F	253)			No comments	Noted
F	254)			No comments	Noted
F	255)			No comments	Noted
F	256)			No comments – not applicable to this company	Noted
F	257)		17.3	FC04 provides an opportunity to clarify the various outsourcing directives that have been issued. We propose the expansion of this section in order to clarify and override the directives already in issue. It needs to be clear on what is required to be approved by the Board (or appointed committee). What constitutes a material (banking or financial services) outsource arrangement? What constitutes a critical outsource arrangement? What needs to be reported to or approved by the PA?	These areas are being developed. In the interim, the requirements in the standards are suitable for the holding company of the financial conglomerate. The holding company must comply with other financial sector laws that are applicable to it. Also see response to comment 251.
	258)			Please confirm definition of the term: "connected service providers"?	Connected services providers are services providers that are related through ownership or management
	259)		17.4	When considering whether to outsource a particular material function or activity, the holding company must ensure that an assessment of the risks of outsourcing is carried out, including the appropriateness of outsourcing the particular function or activity, taking cognisance of the nature, size and complexity of the outsourced function or activity.	Noted. Reference is made to a material function.
	260)			No comment	Noted
	261)			No comments	Noted
				18. Stress and scenario testing	
F	262)			No comments.	Noted
F	263)			No comments	Noted
F	264)			No comments	Noted
F	265)		18	Stress testing and scenarios analysis – for the ICAAP of the financial conglomerate, will this require the stress testing of the eligible capital and requirement capital as per the proposed financial conglomerate standards. This creates a deviation from the existing group-wide stress testing based on banking group regulations.	It might be case, however there is a higher level of supervision for financial conglomerates and hence the higher supervisory expectation.
F	266)		18.2	It is guided that stress and scenario analysis will be required on a period basis. Is it the intention to maintain the annual stress test as part of the	Yes. Yes.

	No	SOURCE	Paragraph of the Standard	Comment	Response
				ICAAP/ORSA, and then augment it with more frequent / ad hoc stress testing? Will a common stress test (a previously conducted by the SARB) be considered for the financial conglomerate or only for the regulated entities based on industry-specific guidance?	A common stress test may be considered for the financial conglomerate.
F	267)			No comments	Noted
F	268)			No comments	Noted
F	269)			No comments – not applicable to this company	Noted
F	270)		18	Stress testing and scenarios analysis – for the ICAAP of the financial conglomerate, will this require the stress testing of the eligible capital and requirement capital as per the proposed financial conglomerate standards? This creates a deviation from the existing group-wide stress testing based on banking group regulations.	See response to comment 265
	271)		18.2	It is guided that stress and scenario analysis will be required on a period basis. Is it the intention to maintain the annual stress test as part of the ICAAP/ORSA, and then augment it with more frequent / ad hoc stress testing? Will a common stress test (a previously conducted by the SARB) be considered for the financial conglomerate or only for the regulated entities based on industry-specific guidance?	See response to comment 266
	272)		18.2	Off-balance sheet transactions including special purpose entities – is there a definition for special purpose entities?	‘Special purpose entities’ are defined in the Regulations relating to Banks issued under the Banks Act.
	273)			No comment	Noted.
	274)			No comments	Noted.
F				19. Controls around off-balance sheet transactions (inserted by FIRSTRAND)	
F	275)		19.2	Off-balance sheet transactions including special purpose entities – is there a definition for special purpose entities.	See response to comment 272.
	276)			No comment	Noted
F	277)			No comment	Noted
F				20. GENERAL COMMENTS	
F	278)			It is requested that all definitions and terms of reference that are contained in the Standard be aligned in financial sector laws, specifically those that apply to eligible financial institutions.	Definition that are used in this Standard are defined in financial sector laws unless specifically defined for use in terms of the Standard. Therefore newly defined terms may not be applicable to other standards. Definitions will be aligned as far as possible.
F	279)			Member A We are concerned at the manner in which the holding company of a financial conglomerate may be required to effectively conduct the affairs of its members that are designated as part of the conglomerate. We appreciate the need for oversight in the case of a designated group, however in some cases, this draft Standard appears to require the holding company, or the board of that holding company, to effectively usurp the functions of its subsidiaries and the boards thereof. We propose that this principle be explored further and, where applicable, necessary changes made to the Draft Standard to ensure that such situations are avoided.	The intention of the standard is for the holding company of the financial conglomerate to ensure that there is proper governance and risk management throughout the financial conglomerate. It is not the intention that the holding company usurp the function of subsidiary bodies.
F	280)			Member A We are also concerned that this Standard will unduly conflict with existing laws, regulations and good practises of existing entities, especially those that become part of a designated financial conglomerate, and more so when an entity is not subject to financial sector laws. Purely by way of	The financial conglomerate must comply with the laws to which it is subject. It is not the intention of the standard to create conflicts. The comments does not provide specific examples of where the requirement of the standard is in conflict with the requirements of other laws.

	No	SOURCE	Paragraph of the Standard	Comment	Response
				illustration, all entities are already subject to the Companies Act, which has provisions regarding committees and the composition thereof, as well as in relation to board composition; then we have existing financial sector laws with similar provisions, many of which are not totally aligned. We then also have certain entities which have their own sector laws with which to comply. Finally, we have King IV, which many entities seek to apply. We propose that the Standard seeks to give recognition to this landscape and, in particular, the existence of a corporate code like King IV. In any event, we propose consideration be given by the authorities for instances where a conflict of laws arises e.g. where Cisca/FAIS/PFA/Insurance Act or even the Companies Act requires something which this Standard prohibits. Our view is that the empowering Acts would apply, many of which provide for issues like this.	
F	281)			No comments	Noted
F	282)			No comments	Noted
F	283)			No comments	Noted
F	284)			No comments	Noted
F	285)			No comments – not applicable to this company	Noted
F	286)			Two separate standards are required – one for Governance and one for risk management for financial conglomerates. These two topics should be supervised separately.	These topics are inter-linked and from a financial conglomerate regulatory and supervisory perspective it is deemed appropriate to have these areas prescribed in one standard. The combined nature of the standard does not distract from or diminish the importance of governance and risk management.
	287)			This has been reviewed with a mindset that a single conglomerate will be in place, if multiple conglomerates are identified in the group, it will mean that the application and interpretation of the standard will be vastly different.	This standard applies to the holding company of a financial conglomerate as designated. There is a possibility that a conglomerate could be part of a wider group and this standard does deal with the risk from a governance perspective and risk management perspective.
	288)			It is important that the terminology in the standard recognises that the board's role is to oversee or monitor the execution of strategy by management. Terms like "the board must ensure" could be replaced with "the board should monitor or oversee that" e.g. clause 19.2.	Disagree, a standard is law and by nature is prescriptive. The use of the word 'must' creates certainty on the role.
	289)			The standard mentions a number of policies and frameworks that are required to be put in place – the PA needs to clarify what a "policy" is. Is it necessarily a standalone document or does the reference to "policy" include, for example, a section that is incorporated in other governance documents like a board charter or terms of reference of a committee e.g. 7.4?	It is the view of the PA that a 'policy' does not have to be defined. A policy does not necessarily need to be a stand-alone document. The financial conglomerate must be able to demonstrate to the PA that it has a policy on the specified area that covers its view, approach, controls etc.
	290)			No comment	Noted.
	291)			These standards are however expected to increase the cadence of reporting, management and board reviews. Further management and board time will therefore be required for reviews and collation of information. As a result there will be an increased cost to the Group for additional resources and potential external costs (independent reviews / benchmarking).	Noted. Please refer to the Statement of Need and Expected Impact of the Standards.
	292)			No comments	Noted

COMMENTS ON PRUDENTIAL STANDARD FC05 – RISK CONCENTRATION

No	SOURCE	Paragraph of the Standard	Comment	Response
G			1. COMMENTS ON STANDARD	
G			1. Commencement	
G 1)			No comments.	Noted.
G 2)			No comments	Noted.
G 3)			No comments	Noted.
G 4)			No comments	Noted
G 5)			No comments	Noted
G 6)			No comments	Noted
G 7)			No comments – not applicable to this company	Noted.
G 8)		1.1	At this point in time it is not clear if a 1 January 2022 implementation is feasible. This is due to the number of items that still require clarification.	Chapter 12 of the Financial Sector Regulation Act, 2017 (FSR Act) became operational on 1 March 2019. The financial sector was consulted on the draft financial conglomerate standards in August 2018 and again in April 2020. It is expected that the standard will be finalised in early 2021 and only effective in 2022 to provide financial conglomerates with time to prepare. The challenges faced by financial institutions as a result of COVID-19 will be taken into consideration when deciding on the date of implementation. The exact date of implementation will be communicated after the standard has been through the formal consultation process as required in terms of the FSR Act.
9)			The Basel Committee has announced that all regulatory reforms will be postponed by 12 months (1 year) is there a possibility that the Prudential Authority will consider the same in the light of challenges faced by the finance sector at the back of Covid-19.	See response above.
10)			No comments	Noted.
G			2. Legislative authority	
G 11)			No comments.	Noted.
G 12)			No comments	Noted.
G 13)			No comments	Noted.
G 14)			No comments	Noted.
G 15)			No comments	Noted.
G 16)			No comments	Noted.
G 17)			No comments – not applicable to this company	Noted.
18)		Preamble and 2.1	This standard's preamble starts stating that the objectives and key requirements are made in terms of Sections 105 and 164 in the Act. Section 164 in turn refers to Section 105 as well as Section 108 that are not referenced. Paragraph 2.1 in the standard then only refers to Section 164(1). This is the only draft standard that refers to a specific paragraph in Section 164.	The standard has been amended to reference the correct legislation.

No	SOURCE	Paragraph of the Standard	Comment	Response
			It is proposed that only Section 164 be referenced in both sections for simplicity and lack of any ambiguity that may arise with respect to Section 108 of the FSR Act.	
19)			No comment	Noted.
20)			No comments	Noted.
G			3. Application	
G 21)			No comments.	Noted.
G 22)			No comments	Noted.
G 23)			<p><i>"it must be discharged by the board of directors (board) of the holding company and in respect of all the entities within the financial conglomerate"</i></p> <p>Does it not make more sense for the requirements to be discharged in a proportionate manner to entities that pose risk concentration risks otherwise the requirement becomes very onerous and impractical. Par 6.3 c seems to imply that focus should be on material risk concentrations.</p>	The Board of the financial conglomerate is required to take ultimate responsibility of ensuring that all risks (which will include risk concentration) are identified, measured, managed and monitored within the financial conglomerate. This requirement does not take away any of the responsibilities imposed on the Boards of the institutions within the financial conglomerate.
G 24)			No comments	Noted.
G 25)			No comments	Noted.
G 26)			No comments	Noted.
G 27)			No comments – not applicable to this company	Noted.
G 28)		3.3	We suggest adding: "This Standard applies in addition to the financial sector laws which may be specific to institution type." See FC04 section 3 and Section 2 of the proposed guidance note "Guidance on criteria to be followed by the Prudential Authority when designating financial conglomerates".	The standard has been amended accordingly.
29)			No comments	Noted.
30)			No comments	Noted.
G			4. Definition and interpretation	
31)			The principle around determining related counterparties and groups of counterparties based on economic interdependence can potentially create a complex "look-into" assessment requirement.	The Standard aims to capture the risks that arise due to the interconnectedness / concentration of business operations (exposures) across the different entities within the financial conglomerate. Therefore, the financial conglomerate should be able to identify, measure, monitor and manage the risks that arise when assessed across the financial conglomerate.
G 32)			No comments.	Noted.
G 33)			No comments	Noted.
G 34)		4.2	Risk concentration should distinguish between assets backing "linked" liabilities and assets backing other liabilities or free surplus. Risk concentration between assets backing linked liabilities and the remaining asset base should not necessarily pose concentration risks to the insurer. In many cases policyholders dictate asset mandates of linked liabilities and carry the risk.	For an eligible financial institution within the financial conglomerate which is licensed as an insurer or an insurance group in terms of the Insurance Act, the exposure amount should be based on the Prudential Standards made in terms of the Insurance Act, insofar as it relates to concentration risk. Therefore the assets specified in paragraph 10.3 of FSI 4.1 should also not be assessed for concentration risk at a financial conglomerate level.
G 35)			No comments	Noted.
G 36)			No comments	Noted.
G 37)			No comments	Noted.

No	SOURCE	Paragraph of the Standard	Comment	Response
G 38)			No comments – not applicable to this company	Noted.
G 39)		Section 4.3	What determines Control as referenced in 4.3 (a)? Is it the Companies Act which is based on Shareholding or is it IFRS (10) which is an assessment of various qualitative factors that will determine if control exists?	When determining a “control relationship”, control shall be based on the requirements as per IFRS.
40)			No comment	Noted.
41)			No comments	Noted.
G			5. Roles and responsibilities	
G 42)			No comments.	Noted.
G 43)			No comments	Noted.
G 44)			No comments	Noted.
G 45)			No comments	Noted.
G 46)			No comments	Noted.
G 47)			No comments	Noted.
G 48)			No comments – not applicable to this company	Noted.
G 49)			No comments	Noted.
50)			No comment	Noted.
51)			No comment	Noted.
G			6. Principles underlying risk concentration	
52)		6.3) d & 6.4	The specifications for the risk concentration policy are more prescriptive than in the current Prudential Standards, and as such will require changes to our approach to the management and reporting of concentration risk, 6.3 d) Rather than a requirement for limits across risk types, it would be preferable to require limits where appropriate and material (as in paragraph 6.4).	The intention of the risk concentration policy is to ensure that all types on risk concentrations are identified, measured, monitored and managed. Furthermore, the updated Standard does not impose any limits on risk concentration and places the responsibility on the financial conglomerates to determine the appropriate limits and/or levels for different types of risk concentration.
53)			The limits specified are very wide-ranging, and sourcing and reporting all the necessary data and setting limits on all the various groupings will be a significant undertaking.	The updated Standard does not impose any limits on risk concentration and places the responsibility on the financial conglomerates to determine the appropriate limits and/or levels for different types of risk concentration.
G 54)			No comments.	Noted.
G 55)			No comments	Noted.
G 56)			No comments	Noted.
G 57)			No comments	Noted.
G 58)			No comments	Noted.
G 59)			No comments	Noted.
G 60)			No comments – not applicable to this company	Noted.
G 61)			No comments	Noted.
62)		6.3	Will the independent review be a standing requirement or one which applies at the request of the PA, and by whom is it intended that the independent review will be conducted?	The updated Standard expects that the financial conglomerate’s internal policies be subjected to review by internal audit or the auditors of the financial conglomerate.
63)		6.4(g)	In the context of a non-bank entity, which raises a substantial amount of its funding through the capital markets via ring fenced, limited purpose	The updated Standard does not impose any limits on risk concentration and places the responsibility on the financial conglomerates to determine

No	SOURCE	Paragraph of the Standard	Comment	Response
			<p>and insolvency remote (securitised) SPVs, these thresholds seem low, where</p> <ul style="list-style-type: none"> the exposure of the controlling company to the SPVs (subordinated loans) is suitably accounted for in the controlling company and adequate capital is held against these exposures; it can be shown that excessive gearing is avoided; the capital requirements are appropriately considered by the controlling company; and the required risk and capital assessment practices are maintained. <p>A departure from these thresholds or looser thresholds should be considered.</p>	the appropriate limits and/or levels for different types of risk concentration.
G			7. Reporting and approval requirements for concentration risk for a large exposure	
G 64)			No comments.	Noted.
G 65)		7.1 & 7.3	<p>Member B</p> <p>Large exposures are determined as a percentage of the financial conglomerates eligible capital calculated in terms of FC01 technical requirement standard. Is it a foregone conclusion that FC01 technical requirements will be implemented?</p>	The reference to the capital base of the financial conglomerate has been removed from this Standard. However, the updated Standard reflects that the holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority.
G 66)		7.1	<p><i>“An exposure of a financial conglomerate to a counterparty or to a group of connected counterparties, as defined in paragraph 4, will be regarded as a large exposure if the aggregate exposure to the counterparty or to the group of connected counterparties is in excess of 10% of the financial conglomerate’s eligible capital base as defined in Prudential Standard FC01: Capital requirements for financial conglomerates – Technical”</i></p> <p>A financial conglomerate’s eligible capital base may be very small in relation to its total asset base (especially when large asset exposures backing linked liabilities are also included). Various asset holdings may be regarded as large exposures on this basis even though they do not pose risk to the balance sheet. How should operational risk exposures be assessed in this regard (i.e. on what basis should a value be placed on operational risk exposures?)</p>	<p>Revised paragraph 6.2 (I) mentions operational risk exposures which relates to the financial conglomerate’s internal limits specified in the internal policy. The onus is on the financial conglomerate to determine, where appropriate, which exposures pose a risk to the financial conglomerate’s balance sheet.</p> <p>Furthermore, when determining the exposure amount to a single counterparty or group of connected counterparties, for an eligible financial institution within the financial conglomerate which is licensed as an insurer or an insurance group in terms of the Insurance Act, the exposure amount should be based on the Prudential Standards made in terms of the Insurance Act, insofar as it relates to concentration risk. Therefore the assets specified in paragraph 10.3 of FSI 4.1 should also not be assessed for concentration risk at a financial conglomerate level.</p> <p>The reference to the capital base of the financial conglomerate has been removed from this Standard. However, the updated Standard reflects that the holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority.</p>
G 67)		7.1	Reporting large exposures exceeding 10% of eligible capital, as well as reporting exposures exceeding 10% of the total capital, will result in multiple reporting requirements and additional monitoring. In addition, when the revised large exposures framework for bank entities is implemented in 2021, and is based on Tier 1 capital, it is unclear what behaviour will be driven, as business will need to manage multiple measures (i.e. based on eligible capital and current total capital).	The reference to the capital base of the financial conglomerate has been removed from this Standard. However, the updated Standard reflects that the holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority.
G 68)		7.2	How frequently should an increase in a large exposure be reported? Should a decrease (above the threshold) still be reported?	Reporting would be required on a six monthly basis. The proposed reporting templates form part of the formal comment process.
G 69)		7.3	Where exposures exceed 25%, will the excess above the 25% of eligible capital be impaired against eligible capital.	Although the reference to the capital base as well as a threshold has been removed from the updated Standard, as per revised paragraph 8.5, the

No	SOURCE	Paragraph of the Standard	Comment	Response
				holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority. Furthermore, as per revised paragraph 10.1, if in the view of the Prudential Authority, risk concentration exposures are not adequately covered or taken into account by the financial conglomerate, the Prudential Authority may take appropriate regulatory action.
G 70)		7.4	<p>How does the risk concentration ruleset for financial conglomerates compare to revised large exposure framework, specific related to risk mitigations, as well as treatment for securitisation structures?</p> <p>How does the formula agree to the capital available for the holding company of the financial conglomerate where a pro-rated approach is used? Given that the exposures are not pro-rated?</p>	<p>This Standard is supplementary to any of the financial sector laws applicable to an institution within the financial conglomerate. The requirements in this Standard do not derogate from any existing concentration risk requirements contained in other financial sector laws applicable to an institution within the financial conglomerate and should therefore be read with these other financial sector laws which impose requirements on monitoring and measuring risk concentration.</p> <p>Therefore, for banking institutions the large exposure requirements as specified in the Regulations relating to Banks will be applicable.</p> <p>The reference to the capital base of the financial conglomerate has been removed from this Standard. However, the updated Standard reflects that the holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority.</p>
G 71)			No comments	Noted.
G 72)			No comments	Noted.
G 73)			No comments – not applicable to this company	Noted.
74)		7.1	Reporting large exposures exceeding 10% of eligible capital, as well as reporting exposures exceeding 10% of the total capital, will result in multiple reporting requirements and additional monitoring. In addition, when the revised large exposures framework for bank entities is implemented in 2021, and is based on Tier 1 capital, it is unclear what behaviour will be driven, as business will need to manage multiple measures (i.e. based on eligible capital and current total capital).	The reference to the capital base of the financial conglomerate has been removed from this Standard. However, the updated Standard reflects that the holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority.
75)			<p>Confirmation is sought that:</p> <ul style="list-style-type: none"> The counterparty requirement applies only at a conglomerate level (thereby following the same Building Block Approach for eligible capital and the same principle for the determination of the exposure value) and not at a solo/controlling company/unregulated entity level; and <p>Conglomerate exposures are calculated and subjected to the threshold post the elimination of all relevant intragroup transactions.</p>	<p>The requirements of this Standard are imposed on the Financial Conglomerate and where appropriate would be applicable to all the institutions within the Financial Conglomerate.</p> <p>This Standard is supplementary to any of the financial sector laws applicable to an institution within the financial conglomerate. The requirements in this Standard do not derogate from any existing concentration risk requirements contained in other financial sector laws applicable to an institution within the financial conglomerate and should therefore be read with these other financial sector laws which impose requirements on monitoring and measuring risk concentration.</p> <p>Any intra-conglomerate transactions or exposures that is subject to the requirements specified in Prudential Standard FC03, would be excluded.</p>

No	SOURCE	Paragraph of the Standard	Comment	Response
76)		7.1 & 7.3	See section 6 comments on the capital technical standard.	Capital standard related.
77)		7.2	How frequently should an increase in a large exposure be reported? Should a decrease (above the threshold) still be reported?	The reference to the capital base of the financial conglomerate has been removed from this Standard. However, the updated Standard reflects that the holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority.
78)		7.3	Please confirm that the 25% limit (accepting that there is pre-approval) is not a “hard” limit that cannot be exceeded without penalty i.e. that this is a “soft” limit.	The reference to the capital base of the financial conglomerate has been removed from this Standard. However, the updated Standard reflects that the holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority.
79)		7.3	Where exposures exceed 25%, will the excess above the 25% of eligible capital be impaired against eligible capital?	Although the reference to the capital base as well as a threshold has been removed from the updated Standard, as per revised paragraph 8.5, the holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority. Furthermore, as per revised paragraph 10.1, if in the view of the Prudential Authority, risk concentration exposures are not adequately covered or taken into account by the financial conglomerate, the Prudential Authority may take appropriate regulatory action.
80)		7.4	How does the risk concentration ruleset for financial conglomerates compare to revised large exposure framework, specific related to risk mitigations, as well as treatment for securitisation structures? How does the formula agree to the capital available for the holding company of the financial conglomerate where a pro-rated approach is used? Given that the exposures are not pro-rated?	The reference to the capital base of the financial conglomerate has been removed from this Standard. However, the updated Standard reflects an added paragraph that the holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority. The requirements of this Standard are imposed on the Financial Conglomerate and where appropriate would be applicable to all the institutions within the Financial Conglomerate. This Standard is supplementary to any of the financial sector laws applicable to an institution within the financial conglomerate. The requirements in this Standard do not derogate from any existing concentration risk requirements contained in other financial sector laws applicable to an institution within the financial conglomerate and should therefore be read with these other financial sector laws which impose requirements on monitoring and measuring risk concentration.
81)			What risk adjustments are contemplated in the Other input as part of the Exposure value formula (7.4)?	Reference to “risk adjustments” when determining the exposure amount for an institution classified as “other” has been removed from the Standard.
82)		7.5	What additional risks are being contemplated in 7.5 and what response does the Standard expect from conglomerates in relation thereto?	The reference to additional risks of the financial conglomerate has been removed from the updated Standard.
83)			No comment	Noted.
G 84)		7.3	Some practical assessments of the classes of the concentration exposures set out in 6.4 showed that 25% of capital base is not a large number, in particular when funding sources are taken into account. We would want to understand how consent would be obtained, how long it would take to be given by the PA, whether the consent will be flexible given that certain exposures cannot be precisely determined in advance (eg. Exposures to funding sources which depend on varying conditions), how the risk to the timing of market issuances will be managed by the PA	The updated Standard does not impose any limits on risk concentration. As per section 7 of the updated Standard, the responsibility is placed on the financial conglomerates to determine the appropriate limits and/or levels for different types of risk concentration.

No	SOURCE	Paragraph of the Standard	Comment	Response
			and how far in advance of funding transactions the consent can be obtained.	
G			8. Matters relating to exempt exposures	
G 85)			No comments.	Noted.
G 86)			No comments	Noted.
G 87)			No comments	Noted.
G 88)		8.1	Are intergroup exposures exempt from the risk concentration limits?	<p>This Standard, exempts any intragroup transactions or exposures that is subject to the requirements specified in Prudential Standard FC02.</p> <p>As per revised section 7 of this Standard, the financial conglomerate should have an internal policy in place in which internal limits are determined for risk concentration, which should include intragroup exposures.</p>
G 89)			No comments	Noted.
G 90)			No comments	Noted.
G 91)			No comments – not applicable to this company	Noted.
G 92)		8.1	Are intergroup exposures exempt from the risk concentration limits?	<p>This Standard exempts any intragroup transactions or exposures that is subject to the requirements specified in Prudential Standard FC02.</p> <p>As per revised section 7 of this Standard, the financial conglomerate should have an internal policy in place in which internal limits are determined for risk concentration which should include intragroup exposures</p>
93)			<p>Interbank overnight exposures should also be exempt. This is in line with the commentary submission made with respect to the recent banking regulation change related to large exposures. Given the closed rand system and the market structure we would like to highlight that not exempting the “overnight interbank” exposures will have unintended consequences, which potentially include:</p> <ul style="list-style-type: none"> ▪ “disturb the payment and settlement system or any processes related thereto” ▪ Hamper liquidity management for banks ▪ Result in more banks going to the SARB to square off at the close of business <p>Lower overall liquidity in the market.</p>	<p>The reference to the capital base of the financial conglomerate has been removed from this Standard. However, the updated Standard reflects that the holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority.</p> <p>The requirements of this Standard are imposed on the Financial Conglomerate and where appropriate would be applicable to all the institutions within the Financial Conglomerate.</p> <p>This Standard is supplementary to any of the financial sector laws applicable to an institution within the financial conglomerate. The requirements in this Standard do not derogate from any existing concentration risk requirements contained in other financial sector laws applicable to an institution within the financial conglomerate and should therefore be read with these other financial sector laws which impose requirements on monitoring and measuring risk concentration.</p>
94)			No comments	Noted.
95)			No comments	Noted.
G 96)			9. Additional amount of capital and reserved funds	
G			No comments.	Noted.
G 97)			No comments	Noted.
G 98)			No comments	Noted.
G 99)			No comments	Noted.

No	SOURCE	Paragraph of the Standard	Comment	Response
G 100)			No comments	Noted.
G 101)			No comments	Noted.
G 102)			No comments – not applicable to this company	Noted.
103)			No comments	Noted.
104)			No comments	Noted.
105)			No comments	Noted.
G			GENERAL COMMENTS	
G 106)			It is requested that all definitions and terms of reference that are contained in the Standard be aligned in financial sector laws, specifically those that apply to eligible financial institutions.	The PA takes note of this comment It is requested that any inconsistencies be highlighted to the PA.
G 107)			No comments	Noted.
G 108)			We do not believe it is the most efficient approach to include risk concentration as a separate policy. We believe it would provide for a better and more efficient outcome if the concept of risk concentration is a mandatory subset to be included in every risk class already defined in the solo and insurance group standards.	It is preferable that the financial conglomerate has a stand-alone policy as this will ensure that adequate consideration is given to management of risk concentrations within/across the financial conglomerate. It would also be more challenging to effectively assess the conglomerate's risk management framework if it is scattered throughout other risk policies within solo or group entities. However, it remains the financial conglomerates decision, but the financial conglomerate should ensure that all the requirements in this Standard are covered.
G 109)			No comments	Noted.
G 110)			No comments	Noted.
G 111)			No comments	Noted.
G 112)			No comments – not applicable to this company	Noted.
G 113)			Banks have very strict rules that govern concentration risk, however further work is required to determine gaps between the standard and existing rules.	The reference to the capital base of the financial conglomerate has been removed from this Standard. However, the updated Standard reflects that the holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority. Furthermore, the updated Standard does not require prior approval from the PA for any risk concentrations.
114)			The Standard appears to attempt to capture Concentration risk specifically within the conglomerate (?) and external Concentration risk from the conglomerate's perspective – would this risk type not already be sufficiently regulated by the relevant frameworks of each solo and controlling company entity (e.g. Large Exposures Framework for Banks and FI's per Regulations relating to Banks)?	The PA acknowledges that concentration risk are monitored by entities within the financial conglomerate. This Standard is supplementary to any of the financial sector laws applicable to an institution within the financial conglomerate. The requirements in this Standard do not derogate from any existing concentration risk requirements contained in other financial sector laws applicable to an institution within the financial conglomerate and should therefore be read with these other financial sector laws which impose requirements on monitoring and measuring risk concentration.

No	SOURCE	Paragraph of the Standard	Comment	Response
				The Standard aims to capture the risks that arise due to the interconnectedness / concentration of business operations (exposures) across the different entities within the financial conglomerate. Therefore, the financial conglomerate should be able to identify, measure, monitor and manage the risks that arise when assessed across the financial conglomerate.
115)	████		Reporting requirements are not mentioned, whereas they are in FC01-P, FC01-T and FC02 – is this correct?	The updated Standard stipulates the reporting requirements for FC05. Also, the proposed reporting templates has been included in the formal consultation process.
116)	████		No comments	Noted.
117)	████████		The principles concerning risk concentration should have due regard for the overall risk diversification within a group and further allow measurement based on nett rather than gross exposures.	<p>The updated Standard does not require prior approval from the PA for any risk concentrations.</p> <p>The Standard has been updated requiring the financial conglomerate to report on concentration risk exposures to single counterparties or groups of connected counterparties, where the reporting would be on a gross and a net basis.</p> <p>Reference should be made to the reporting template accompanying this Standard, which has been included in the formal consultation process.</p>
118)	████████		We interpret the standard to only be applicable to credit. We however kindly require clarity if this include equity interests?	When determining the financial conglomerate's exposure to a single counterparty or a group of connected counterparties it should include both on- and off-balance sheet exposures as well as any equity exposures.
119)	████		No comments	Noted.