

2004-07-09

**TO ALL BANKS, BRANCHES OF FOREIGN BANKS AND MUTUAL BANKS**

**BANKS ACT CIRCULAR 13/2004**

**REVIEW OF THE STANDARD OF CORPORATE GOVERNANCE IN BANKING INSTITUTIONS**

**1. INTRODUCTION**

During the course of 2002/2003, this Office conducted a corporate-governance review of the five major banking groups in South Africa. The review was led by Adv John Myburgh SC, and he was assisted by Adv Jabu Kuzwayo and Ms Judy Teixeira of this Office (“the Myburgh Working Group”). A similar review of the remaining banking institutions, including mutual banks, but excluding branches of foreign banks, is now to be instituted.

**2. DETAILS OF PROPOSED REVIEW INTO CORPORATE-GOVERNANCE STANDARDS OF THE REMAINING BANKING INSTITUTIONS IN THE REPUBLIC OF SOUTH AFRICA**

It is common cause that this Office, following the release of the report of the Myburgh Working Group, was to conduct a similar review of the remaining banking institutions. The period between the release of the Myburgh Working Group’s report and the commencement of such a review was intended to allow this Office to receive feedback on the recommendations contained in the report and to allow the five banking groups to review the report and their compliance with the recommendations.

This Office will therefore now undertake a review to assess compliance with sound corporate-governance practices in the remaining banking institutions, as laid down in the Banks Act, 1990 (Act No. 94 of 1990), the Regulations relating to Banks, the Mutual Banks Act, 1993 (Act No. 124 of 1993), the Regulations relating to Mutual Banks, the recommendations of the Myburgh Working Group and the second King Committee on Corporate Governance, where applicable. Similarly to the review by the Myburgh Working Group, the purpose of the review will be to establish to which extent an adequate and effective process of corporate governance has been established and maintained within each bank and banking group, where applicable, and the extent to which the overall effectiveness of the process can be improved and enhanced by the board of directors and this Office.

By ensuring that all banks undergo a process of external review of their corporate-governance standards, the level of awareness of corporate-governance practices and principles will be raised. The entire banking sector will therefore be able to maintain and build on its reputation internationally, by proactively addressing maintenance of the highest corporate-governance standards.

The review will be undertaken by a team from this Office led by Adv Jabu Kuzwayo (Assistant General Manager). Other members of the team will be Mr Johan Neethling (Senior Analyst), Mr Niresh Sukhnandan (Senior Analyst), Mr Ben Motshoane (Senior Analyst) and such member/s of the Bank Supervision Department as may be required in the case of a particular bank. The scope of the review will be the same for all remaining banks. The proactive identification of any deficiencies will allow banks to implement the findings, in order for the banks to be in line with international sound practice and minimum standards.

The remaining banking institutions that will take part in the review will be advised in writing of the proposed review and will be furnished with details of the working group and other administrative information.

### **3. ACKNOWLEDGEMENT OF RECEIPT**

Two additional copies of this circular are enclosed for the use of your institution's external auditors. The attached acknowledgement of receipt, duly completed and signed by both the chief executive officer of the institution and the said auditors, should be returned to this Office at the earliest convenience of the aforementioned signatories.

E M Kruger  
**Registrar of Banks**

The previous circular issued was Banks Act Circular 12/2004 dated 5 July 2004.