



Confidential

2007-12-07

**To all banks and branches of foreign banks**

**Banks Act Circular 7/2007**

**Recognition of eligible external credit assessment institutions in terms of the amended Banks Act, 1990**

The amended Banks Act, 1990 (Act of No. 94 of 1990) (the "Act") allows banks to choose between the internal ratings based approach and the standardised approach for calculating regulatory capital requirements for credit risk.

The standardised approach for credit risk and the treatment of securitisation exposures make extensive use of the ratings issued by external credit assessment institutions (ECAIs – credit rating agencies) for determining the risk weights of exposures, and ultimately the calculation of regulatory capital.

In terms of section 85A of the Act, credit rating agencies requiring recognition as eligible ECAIs should obtain prior written approval of the Registrar of Banks. Criteria for recognition as eligible ECAIs were published on the website of the South African Reserve Bank on 19 January 2007.

After due consideration of the applications received, a decision has been taken to recognise the following credit rating agencies as eligible ECAIs for regulatory capital purposes under the standardised approach for credit risk and the treatment of securitisation exposures:

- Fitch Ratings
- Moody's Investors Services
- Standard & Poor's Rating Services

This list is subject to review and will be updated where necessary.

**Acknowledgement of receipt**

Two additional copies of this circular are enclosed for the use of your institution's independent auditors. The attached acknowledgement of receipt should be completed and signed by the chief executive officer of the institution and the said auditors, and 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 6/2007 dated 14 November 2007.