



South African Reserve Bank
From the Office of
the Registrar of Banks

C2/2011

2011-03-08

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

Circular 2/2011 issued in terms of section 6(4) of the Banks Act, 1990

Eligible institutions approved by the Registrar of Banks

Executive summary

The purpose of this Banks Act Circular is to inform banks, controlling companies and branches of foreign institutions of the institutions that are approved as eligible credit assessment institutions and whose issued ratings may be used by banks, controlling companies and branches of foreign institutions in the calculation of their minimum required capital and reserve funds relating to credit risk under the prescribed simplified standardised and standardised methods, and for the treatment of relevant securitisation and re-securitisation exposures.

1. Introduction

- 1.1 In Banks Act Circular 7/2007 all banks and branches of foreign institutions were advised of this Office's decision to recognise Fitch Ratings, Moody's Investors Service and Standard & Poor's Rating Services as eligible external credit assessment institutions (ECAIs).
- 1.2 This circular replaces Banks Act Circular 7/2007 that was issued on 7 December 2007.

2. References in the Regulations

- 2.1 Regulation 23(5)(b) of the Regulations relating to Banks (the Regulations), stipulates that for the calculation of minimum required capital and reserve funds relating to credit risk under the standardised approach, and for the treatment of relevant securitisation and re-securitisation exposures, banks shall apply the ratings or assessments issued by eligible ECAIs.

2.2 Furthermore, in terms of the provisions of regulation 51 of the Regulations, an ECAI or an export credit agency that wishes to be recognised as an eligible institution for purposes of the Regulations shall obtain the prior written approval of the Registrar of Banks (the Registrar) and shall comply with such further conditions as may be specified in writing by the Registrar.

3. References in the Banks Act

3.1 Section 1 of the Banks Act defines an eligible institution as an ECAI or an export credit agency that meets the minimum requirements as prescribed and which institution or agency has been approved in writing by the Registrar.

3.2 Section 85A of the Banks Act requires that no bank or controlling company shall, in the calculation of its prescribed minimum amount of required capital and reserve funds, take into account a credit assessment of any ECAI or export credit agency unless the relevant ECAI or export credit agency obtained the prior written approval of the Registrar to act as an eligible institution.

4. Eligible institutions

4.1 Banks, controlling companies, branches of foreign institutions and other affected persons are hereby informed that the following rating agencies remain eligible institutions as approved by the Registrar in terms of section 85A of the Banks Act:

4.1.1 Fitch Ratings

4.1.2 Moody's Investors Service

4.1.3 Standard & Poor's Rating Services

4.2 Banks that wish to adopt the simplified standardised method for the calculation of minimum required capital and reserve funds relating to credit risk may use the rating issued by the export credit agencies approved by the Registrar, or may use the consensus country risk scores of export credit agencies participating in the "Arrangement on Officially Supported Export Credits". The consensus country risk scores are available on the website of the Organisation for Economic Co-operation and Development website at www.oecd.org.

5. Acknowledgement of receipt

5.1 Two additional copies of this Banks Act Circular are enclosed for use of your institution's independent 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 1/2011, dated 7 March 2011.