



South African Reserve Bank

Prudential Authority

Ref.: 15/8/1

C2/2018

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

Circular issued in terms of section 6(4) of the Banks Act 94 of 1990 (the Banks Act)

Requirements related to a due diligence (DD) audit of the financial condition of a bank

Executive summary

The purpose of this circular is to bring to the attention of banks, branches of foreign institutions and controlling companies (hereinafter collectively referred to as 'banks'), eligible institutions and the auditors of banks the requirements of sections 7(3), 7(4) and 7(5) of the Banks Act as amended by the Financial Sector Regulation Act No. 9 of 2017, in so far as a DD audit of a bank is concerned.

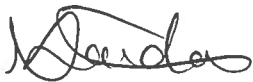
1. Requirements of the Banks Act in respect of DD audits

- 1.1 Section 7(3) of the Banks Act states that: "no due diligence audit of the financial condition of any bank shall be conducted without the Authority first having been notified in writing of the intention to do so."
- 1.2 Section 7(4) of the Banks Act states that: "the person at whose request a due diligence audit of the financial condition of a bank has been conducted shall furnish the Authority with a copy of the audit report."
- 1.3 Furthermore section 7(5) of the Banks Act states that: "no person shall without the written consent of the Authority disclose to any other person, except to the bank whose financial condition was the subject of the due diligence audit, any information contained in a report referred to in subsection (4)."
- 1.4 It has come to the attention of the Prudential Authority (PA) that there have been contraventions of the provisions of section 7(3), section 7(4) and section 7(5) of the Banks Act.
- 1.5 In terms of the provisions of section 91(1) of the Banks Act, any person who fails to comply with a provision of section 7(3), 7(4) or 7(5) of the Banks Act, shall be guilty of an offence.

1.6 The onus remains on banks, auditors of banks, eligible institutions and all other relevant stakeholders to ensure ongoing compliance with all the provisions and requirements of the Banks Act.

2. Acknowledgement of receipt

2.1 Kindly ensure that a copy of this circular is made available to 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 the PA at the earliest convenience of the aforementioned signatories.



Kuben Naidoo
Deputy Governor and CEO: Prudential Authority

Date: 3 JULY 2018

The previous circular issued was Banks Act Circular 1/2018, dated 8 February 2018.