

Ref.: 15/8/1/1

C1/2020

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

**Circular 1/2020 issued in terms of section 6(4) of the Banks Act, 1990:**

**Status of previously issued circulars**

### **Executive Summary**

**In order to ensure that banks (including branches of foreign institutions), controlling companies, eligible institutions and auditors of a bank or controlling company are in no doubt as to which previously issued circulars remain effective, the Prudential Authority (PA) will annually confirm their status.**

**Addressees should note that contrary to the process whereby the status of circulars are annually confirmed, directives issued in terms of section 6(6) of the Banks Act, 1990 (Act No. 94 of 1990 – the Banks Act), remain effective until such time that they are withdrawn in writing by the PA in terms of section 6(6)(c) of the Banks Act.**

#### **1. Introduction**

- 1.1 All previously issued circulars are deemed to be withdrawn/terminated/replaced except if such a circular is to remain effective and is then accordingly confirmed in Circular 1 of that year. The circulars that remain effective will retain their original numbers and dates.

#### **2. Effective Circulars issued in terms of the Banks Act**

The circulars listed below remain effective. Accordingly, banks, controlling companies, eligible institutions and auditors of a bank or controlling company are hereby requested to retain a copy of these circulars.

| <b><u>Circular</u></b>        | <b><u>Brief Details</u></b>  |
|-------------------------------|--|
| 2.1 Banks Act Circular 2/2011 | Eligible credit assessment institutions approved by the Registrar of Banks   |
| 2.2 Banks Act Circular 3/2011 | The use of mapping tables by banks, controlling companies and branches of foreign institutions converting national scale ratings to international scale ratings for the calculation of minimum required capital and reserve funds related to credit risk |

- 2.3 Banks Act Circular 3/2013 Interpretation and application of criteria relating to effective maturity
- 2.4 Banks Act Circular 4/2013 Treatment of investments in banking, financial, securities, insurance and commercial entities
- 2.5 Banks Act Circular 5/2013 Reporting of items subject to thresholds that do not constitute a full deduction from qualifying capital and reserve funds
- 2.6 Banks Act Circular 2/2014 Interpretation of definition of default as outlined in regulation 67 of the Regulations relating to Banks
- 2.7 Banks Act Circular 3/2014 Interpretation and application of criteria relating to the granularity for retail exposures
- 2.8 Banks Act Circular 4/2014 Interpretation and application of criteria relating to exposures secured by residential mortgage bonds
- 2.9 Banks Act Circular 7/2014 External auditors of newly acquired or established entities
- 2.10 Banks Act Circular 4/2015 Matters related to banks' compliance with the prescribed requirements related to the liquidity coverage ratio (LCR) and high-quality liquid assets (HQLA)
- 2.11 Banks Act Circular 5/2015 Matters related to the use of support in a bank's credit risk rating process
- 2.12 Banks Act Circular 8/2015 Countercyclical capital buffer for South Africa based on the Basel III framework
- 2.13 Banks Act Circular 4/2016 Matters relating to the implementation of the capital conservation buffer
- 2.14 Banks Act Circular 5/2016 Matters of interpretation relating to the Liquidity Coverage Ratio
- 2.15 Banks Act Circular 6/2016 Disclosure of capital related matters
- 2.16 Banks Act Circular 7/2016 Matters related to specified minority interests, that is, non-controlling interests, in shares and/or instruments qualifying as capital
- 2.17 Banks Act Circular 2/2018 Requirements related to a due diligence (DD) audit of the financial condition of a bank

### 3. **Effective circulars issued in terms of the Mutual Banks Act 124 of 1993**

The circulars listed below remain effective. Accordingly, mutual banks, eligible institutions and auditors of a mutual bank are hereby requested to retain a copy of these circulars.

#### **Circular**

#### **Brief details**

Mutual Banks Act Circular 1/2014 Interpretation of specified provisions of the Act

### 4. **Effective Directives**

Section 6(6)(a) of the Banks Act prescribes that the PA may, after consultation with the relevant bank, controlling company, eligible institution or auditor of a bank or controlling company, issue a directive to such a bank, controlling company, eligible institution or auditor of a bank or controlling company, either individually or collectively, regarding the application of the Banks Act.

The Prudential Authority issued a number of directives in terms section 6(6)(a) of the Banks Act. It is hereby confirmed that all such issued directives will remain effective until such time as they are withdrawn in writing by the PA in terms of section 6(6)(c) of the Banks Act.

#### **Directive**

#### **Brief Details**

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|-----|------------------|--|
| 4.1 | Directive 1/2008 | Use of divisional names  |
| 4.2 | Directive 2/2008 | Procedure to be followed in respect of applications in terms of the provisions of sections 37, 52 and/or 54 of the Banks Act, 1990   |
| 4.3 | Directive 3/2008 | Appointment of directors or executive officers and completion of Form BA 020   |
| 4.4 | Directive 4/2008 | Disclosure of repurchase and resale agreements and similar transactions  |
| 4.5 | Directive 5/2008 | Composition of board-appointed committee to approve large exposures  |
| 4.6 | Directive 6/2008 | Auditor rotation   |
| 4.7 | Directive 2/2011 | Reporting daily value-at-risk amounts for market risk using specified items of the form BA 325   |
| 4.8 | Directive 5/2011 | Exemption from certain minimum disclosure requirements pertaining to branches of foreign institutions  |
| 4.9 | Directive 1/2012 | Information to be included in applications in terms of the Securitisation Notice – Designation of an activity not falling within the meaning of “the business of a bank” (Securitisation Notice) |

- 4.10 Directive 3/2013 Matters related to capital floors
- 4.11 Directive 9/2013 Investments, and loans and advances by controlling companies: Section 50 of the Banks Act, 1990
- 4.12 Directive 10/2013 Limit in respect of effective net open foreign-currency position, and matters related to the unencumbered assets to be held by branches of foreign institutions.
- 4.13 Directive 11/2013 Operational risk practices – completion and submission of the BA 410 return
- 4.14 Directive 12/2013 Mapping of the international scale rating symbols of Fitch Ratings and Moody's Investors Service to the prescribed risk weights available in terms of regulation 23 of the Regulations relating to banks
- 4.15 Directive 13/2013 Clarification of the requirements for approval of the acquisition of "an interest" outside the Republic as provided for in section 52(1)(c) of the Banks Act, 1990 (Act No. 94 of 1990)
- 4.16 Directive 2/2014 Matters related to changes to internal rating systems used to calculate the minimum required capital for credit risk
- 4.17 Directive 7/2014 National discretion related to the liquidity coverage ratio
- 4.18 Directive 8/2014 Matters related to compliance with the liquidity coverage ratio (LCR)
- 4.19 Directive 11/2014 Liquidity coverage ratio: Scope of application and related disclosure requirements
- 4.20 Directive 1/2015 Minimum requirements for the recovery plans of banks, controlling companies and branches of foreign institutions
- 4.21 Directive 2/2015 Effective risk data aggregation and risk reporting
- 4.22 Directive 4/2015 Amendments to the Regulations relating to Banks, and matters related thereto
- 4.23 Directive 5/2015 Capital requirements for over-the-counter derivatives not transacted through a central counterparty
- 4.24 Directive 7/2015 Restructured credit exposures
- 4.25 Directive 9/2015 Approval and mapping of the international scale rating symbols of Global Credit Rating Co. (Pty) Ltd to the prescribed risk weights available in terms of regulation 23 of the Regulations relating to Banks

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| 4.26 | Directive 10/2015 | Matters related to changes to the AMA operational risk management and measurement system used for the calculation of required capital for operational risk      |
| 4.27 | Directive 1/2016  | Matters related to the exposure limits imposed in the classification of deposits and credit exposures to small and medium enterprises (SME's)                   |
| 4.28 | Directive 2/2016  | Domestic systemically important banks (D-SIB's) to submit group consolidated information on a six-monthly basis   |
| 4.29 | Directive 5/2016  | Compliance with principles for effective risk data aggregation and risk reporting   |
| 4.30 | Directive 6/2016  | Capital framework for South Africa based on the Basel III framework   |
| 4.31 | Directive 7/2016  | Assessment of instruments issued by domestic systemically-important banks and controlling companies (D-SIBs) for capital and funding purposes                   |
| 4.32 | Directive 8/2016  | Reporting requirements relating to material outsourced service providers and critical third-party service providers   |
| 4.33 | Directive 1/2017  | Matters related to qualifying capital instruments issued by subsidiaries of banks or controlling companies  |
| 4.34 | Directive 2/2017  | Matters relating to the communication of key audit matters in the independent auditor's report  |
| 4.35 | Directive 3/2017  | Assets lodged or pledged to secure liabilities  |
| 4.36 | Directive 4/2017  | Matters related to securitisation vehicles  |
| 4.37 | Directive 5/2017  | Regulatory treatment of accounting provisions – interim approach and transitional arrangements including disclosure and auditing aspects                        |
| 4.38 | Directive 6/2017  | Process in terms of specific capital issuances and redemptions  |
| 4.39 | Directive 7/2017  | Submission of regulatory and economic capital information by domestic systemically important banks and controlling companies (D-SIBs on a bi-annual basis)      |
| 4.40 | Directive 8/2017  | Matters related to the net stable funding ratio   |
| 4.41 | Directive 2/2018  | Materiality threshold in respect of exposure to a foreign jurisdiction in applying jurisdictional reciprocity in the countercyclical capital buffer calculation |
| 4.42 | Directive 3/2018  | Cloud computing and the offshoring of data  |

- 4.43 Directive 4/2018 Matters related to the promotion of sound corporate governance, and in particular in relation to the appointment of directors and executive officers
- 4.44 Directive 5/2018 Completion of return relating to operational risk (Form BA 410)
- 4.45 Directive 1/2019 Matters related to Pillar 3 disclosure requirements framework
- 4.46 Directive 2/2019 Reporting of material information technology and/or cyber incidents

#### 4. Acknowledgement of Receipt

- 4.1 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 Prudential Authority at the earliest convenience of the aforementioned signatories.



**Kuben Naidoo**  
**Deputy Governor and CEO: Prudential Authority**

Date: 2 MARCH 2020

The previous circular issued was Banks Act Circular 1/2019, dated 1 February 2019.