

Ref.: 15/8/1/1

C1/2023

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

**Circular 1/2023 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6(6) of the Banks Act, 1990 (Act No. 94 of 1990 – the Banks Act), remain effective until such time that they are withdrawn in writing by the PA in terms of section 6(6)(c) of the Banks Act.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1.1 All previously issued circulars are deemed to be withdrawn/terminated/replaced except if such a circular is to remain effective and is then accordingly confirmed in Circular 1 of that year.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 3/2013	Interpretation and application of criteria relating to effective maturity

- 2.3 Banks Act Circular 4/2013 Treatment of investments in banking, financial, securities, insurance and commercial entities
- 2.4 Banks Act Circular 5/2013 Reporting of items subject to thresholds that do not constitute a full deduction from qualifying capital and reserve funds
- 2.5 Banks Act Circular 2/2014 Interpretation of definition of default as outlined in regulation 67 of the Regulations relating to Banks
- 2.6 Banks Act Circular 7/2014 External auditors of newly acquired or established entities
- 2.7 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)
- 2.8 Banks Act Circular 5/2015 Matters related to the use of support in a bank's credit risk rating process
- 2.9 Banks Act Circular 8/2015 Countercyclical capital buffer for South Africa based on the Basel III framework
- 2.10 Banks Act Circular 4/2016 Matters relating to the implementation of the capital conservation buffer
- 2.11 Banks Act Circular 5/2016 Matters of interpretation relating to the Liquidity Coverage Ratio
- 2.12 Banks Act Circular 7/2016 Matters related to specified minority interests, that is, non-controlling interests, in shares and/or instruments qualifying as capital
- 2.13 Banks Act Circular 2/2018 Requirements related to a due diligence (DD) audit of the financial condition of a bank
- 2.14 Banks Act Circular 2/2020 Classification of the Land and Agricultural Development Bank of South Africa (Land Bank) bills under the Liquidity Coverage Ratio (LCR) framework
- 2.15 Banks Act Circular 3/2020 Disclosure of capital related matters
- 2.16 Banks Act Circular 4/2020 Interpretation and application of criteria relating to exposures secured by residential mortgage bonds
- 2.17 Banks Act Circular 5/2020 Interpretation and application of criteria relating to the granularity for retail exposures

### 3. Effective Directives issued in terms of the Banks Act

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.

	<b><u>Directive</u></b>	<b><u>Brief Details</u></b>
3.1	Directive 1/2008	Use of divisional names
3.2	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
3.3	Directive 3/2008	Appointment of directors or executive officers and completion of Form BA020
3.4	Directive 4/2008	Disclosure of repurchase and resale agreements and similar transactions
3.5	Directive 5/2008	Composition of board-appointed committee to approve large exposures
3.6	Directive 6/2008	Auditor rotation
3.7	Directive 2/2011	Reporting daily value-at-risk amounts for market risk using specified items of the form BA 325
3.8	Directive 5/2011	Exemption from certain minimum disclosure requirements pertaining to branches of foreign institutions
3.9	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)
3.10	Directive 3/2013	Matters related to capital floors
3.11	Directive 9/2013	Investments, and loans and advances by controlling companies: Section 50 of the Banks Act, 1990
3.12	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

- 3.13 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
- 3.14 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)
- 3.15 Directive 2/2014 Matters related to changes to internal rating systems used to calculate the minimum required capital for credit risk
- 3.16 Directive 8/2014 Matters related to compliance with the liquidity coverage ratio (LCR)
- 3.17 Directive 1/2015 Minimum requirements for the recovery plans of banks, controlling companies and branches of foreign institutions
- 3.18 Directive 2/2015 Effective risk data aggregation and risk reporting
- 3.19 Directive 4/2015 Amendments to the Regulations relating to Banks, and matters related thereto
- 3.20 Directive 7/2015 Restructured credit exposures
- 3.21 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
- 3.22 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
- 3.23 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)
- 3.24 Directive 5/2016 Compliance with principles for effective risk data aggregation and risk reporting
- 3.25 Directive 7/2016 Assessment of instruments issued by domestic systemically-important banks and controlling companies (D-SIBs) for capital and funding purposes
- 3.26 Directive 8/2016 Reporting requirements relating to material outsourced service providers and critical third-party service providers
- 3.27 Directive 1/2017 Matters related to qualifying capital instruments issued by subsidiaries of banks or controlling companies

3.28	Directive 2/2017	Matters relating to the communication of key audit matters in the independent auditor's report
3.29	Directive 3/2017	Assets lodged or pledged to secure liabilities
3.30	Directive 4/2017	Matters related to securitisation vehicles
3.31	Directive 5/2017	Regulatory treatment of accounting provisions – interim approach and transitional arrangements including disclosure and auditing aspects
3.32	Directive 6/2017	Process in terms of specific capital issuances and redemptions
3.33	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)
3.34	Directive 2/2018	Materiality threshold in respect of exposure to a foreign jurisdiction in applying jurisdictional reciprocity in the countercyclical capital buffer calculation
3.35	Directive 3/2018	Cloud computing and the offshoring of data
3.36	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
3.37	Directive 1/2019	Matters related to Pillar 3 disclosure requirements framework
3.38	Directive 2/2019	Reporting of material information technology and/or cyber incidents
3.39	Directive 5/2020	Prudent Valuation Adjustments Framework
3.40	Directive 7/2020	Calculation of derivative exposure amount for the purposes of determining the leverage ratio
3.41	Directive 1/2021	South African domestic systemically important banks (D-SIBs) to submit group consolidated information on a six-monthly basis
3.42	Directive 2/2021	Matters related to the issuance of additional tier 1 capital instruments that contain contingent 'must-pay' clauses
3.43	Directive 3/2021	Reporting requirements in terms of regulation 46 of the Regulations relating to Banks
3.44	Directive 4/2021	Externally-facilitated liquidity stress simulations
3.45	Directive 5/2021	Capital framework for South Africa based on Basel III framework
3.46	Directive 6/2021	Matters related to the use of credit risk models to calculate

minimum required capital and reserve funds for specialised lending exposures relating to project finance portfolios

- 3.47 Directive 9/2021 Principles for the Sound Management of Operational Risk
- 3.48 Directive 10/2021 Principles for operational resilience
- 3.49 Directive 1/2022 Liquidity coverage ratio: scope of application and matters related to calculation and disclosure
- 3.50 Directive 2/2022 Requirements for the conducting of the business of a representative office of a foreign banking institution conducting business in South Africa and of a representative office of a South African bank conducting business outside South Africa
- 3.51 Directive 3/2022 Matters related to the requirements for measuring and controlling large exposures
- 3.52 Directive 4/2022 Requirement to submit anti-money laundering and counter-financing of terrorism risk returns to the Prudential Authority on a periodic basis
- 3.53 Directive 5/2022 Matters relating to liquidity risk
- 3.54 Directive 6/2022 Matters related to fit and proper assessment requirements pertaining to beneficial owners
- 3.55 Directive 7/2022 Matters related to fit and proper assessment requirements pertaining to directors and executive officers
- 3.56 Directive 8/2022 Completion of return relating to operational risk form BA 410
- 3.57 Directive 9/2022 Matters relating to domestic money or value transfer services
- 3.58 Directive 10/2022 Matters related to the criteria for identifying simple, transparent and comparable term and short-term securitisations
- 3.59 Directive 11/2022 National discretion related to the liquidity coverage ratio
- 3.60 Directive 1/2023 Matters related to the net stable funding ratio

#### **4. Acknowledgement of Receipt**

- 4.1 Kindly ensure that a copy of this circular is made available to your institution's 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.

Fundi Tshazibana  
**Chief Executive Officer**

Date:

The previous circular issued was Banks Act Circular 1/2022, dated 25 February 2022.