

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

Ref: 15/8/3

D6/2015

2015-04-09

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

Directive 6/2015 issued in terms of section 6(6) of the Banks Act 94 of 1990

Matters related to liquidity risk and the liquidity coverage ratio

Executive summary

On 1 October 2014 the Office of the Registrar of Banks (this Office) informed all relevant persons by means of Directive 6/2014 that subsequent to the implementation of the amended Regulations relating to Banks (the Regulations) on 1 January 2013 the Basel Committee on Banking Supervision (BCBS) issued revisions to the Basel III framework for the calculation of the minimum required liquidity coverage ratio (LCR), which revisions and related requirements were in the process of being incorporated into the next round of amendments to the Regulations.

This Office directed banks, controlling companies and branches of foreign institutions (hereinafter collectively referred to as banks) by means of Directive 6/2014, dated 1 October 2014, to comply with the revised LCR framework and the related requirements, as published by the BCBS, and to read the revised LCR framework with the relevant requirements specified in the Regulations.

In order to assist banks in the application of the revised LCR framework and eliminate any potential uncertainty regarding the effect that the revised Basel III LCR framework has on the Regulations, this Office has decided to publish the relevant proposed revisions to the Regulations as an enhancement to Directive 6/2014.

Accordingly banks are hereby directed to note that the relevant revisions to and requirements of the Basel III LCR framework, issued by the BCBS, have been incorporated into the proposed amended Regulations that were subsequently considered and approved by the Minister of Finance.

1. Introduction

- 1.1 On 1 October 2014 this Office informed all relevant persons by means of Directive 6/2014 that subsequent to the implementation of the amended Regulations on 1 January 2013 the BCBS issued revisions to the Basel III framework for the calculation of banks' minimum required LCR. This Office also informed banks that it was in the process of incorporating the revisions to the Basel III LCR framework into the next round of amendments to the Regulations.
- 1.2 As a member of the BCBS, and in order to ensure a level playing field between South African banks and other internationally active competitive banks, this Office regards the full, timely and consistent implementation of internationally agreed frameworks, requirements and standards as essential.
- 1.3 In order to assist banks in the application of the revised LCR framework and eliminate any potential uncertainty regarding the effect that the revised Basel III LCR framework has on the Regulations, this Office has decided to publish the relevant proposed revisions to the Regulations as an enhancement to Directive 6/2014.
- 1.4 The requirements of this directive do not in any way derogate from the respective requirements set out in the directives specified below:
 - 1.4.1 Directive 6/2014: Matters related to liquidity risk and the liquidity coverage ratio, dated 1 October 2014.
 - 1.4.2 Directive 7/2014: National discretion related to the liquidity coverage ratio, dated 28 October 2014.
 - 1.4.3 Directive 8/2014: Matters related to compliance with the liquidity coverage ratio, dated 29 October 2014.
 - 1.4.4 Directive 11/2014: Liquidity coverage ratio: Scope of application and related disclosure requirements, dated 12 December 2014.
- 1.5 This Office wishes to express its sincere appreciation for the comments that were received from banks in respect of the proposed amended Regulations to incorporate the revisions to the Basel III LCR framework. Most of the comments that were received from banks relate to matters in respect of which banks requested further clarification from this Office. This Office decided to provide the required clarifications as part of its ongoing engagement with banks during its supervisory review and evaluation processes (SREP), and to issue any required supporting Banks Act Circulars, Directives or Guidance Notes, when necessary.
- 1.6 Should it become necessary to incorporate further amendments or refinements into the Regulations as a result of this Office's ongoing engagement and discussions with banks, this Office will incorporate such required further amendments or refinements into the proposed amended Regulations to be finalised during the latter part of 2015.

2. Directive

2.1 Based on the aforesaid, and in accordance with the provisions of regulations 26(12)(a)(i) and 26(12)(a)(ii) of the Regulations, read with section 6(6) of the Banks Act, 1990, banks are hereby directed:

2.1.1 to note that the relevant revisions and requirements issued by the BCBS for the calculation of a bank's minimum required LCR have been incorporated into the proposed amended Regulations, as set out in Annexure A and Annexure B to this directive, which were subsequently considered and approved by the Minister of Finance;

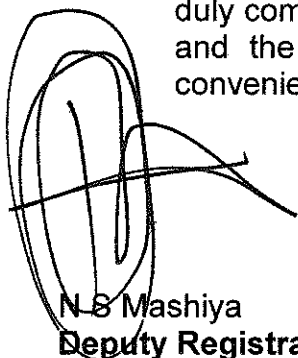
2.1.2 to note that this Office will continue to engage banks in order to ensure the complete and accurate implementation of the revised LCR requirements;

2.1.3 to note that this Office will provide the required clarifications to banks, as requested in the comments that were received from banks in respect of the proposed amended Regulations, as part of this Office's ongoing SREP engagement with banks; and

2.1.4 to refer any further uncertainty in respect of any matter referred to in this directive to this Office for the issuance of a clarifying or further directive.

3. Acknowledgement of receipt

3.1 Two additional copies of this directive are enclosed for the 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.



N.S. Mashiya
Deputy Registrar of Banks

Encl. 2

The previous directive issued was Directive 5/2015, dated 26 March 2015.