South African Reserve Bank

Prudential Authority

Responses to comments received on the proposed Directive on the matters related to the withdrawal of the temporary treatment of restructured credit exposures due to the Coronavirus (Covid-19) pandemic

October 2021

List of Commentators

No.	Name of organisation
1.	The Standard Bank of South Africa Limited
2.	FirstRand Bank Limited
3.	Absa Group Limited
4.	Nedbank Limited
5.	Capitec Bank Limited
6.	Investec Bank Limited
7.	African Bank Limited
8.	Access Bank SA Limited
9.	Habib Overseas Bank Limited
10.	Goldman Sachs International Bank Johannesburg Branch
11.	Standard Chartered Bank, Johannesburg Branch
12.	Citibank N.A, South Africa Branch
13.	HSBC Bank plc – Johannesburg Branch
14.	Grindrod Bank

Comments on the proposed Directive

No.	Reference/ Section/ Paragraph	Comment/ Issue	Prudential Authority's Response
1.	Paragraph 2.5	With reference to paragraph 2.5 of the abovementioned proposed directive, the bank would like the Prudential Authority (PA) to consider this as communication of a formal confirmation that no active Covid-19 restructured credit exposure remains. The bank therefore requests the PA's permission to no longer submit the additional reporting template as prescribed by D3/2020.	*The request is noted. Given that this was a proposed Directive, banks are still required to submit the additional reporting template (albeit a zero template for columns 3 to 11). Once the final Directive is issued, banks may proceed to confirm in writing that it has ceased the granting of restructured credit exposures under D3/2020 and that no active Covid-19 restructured credit exposures remain.*
2.	General	The bank wishes to mention that it continues to see many credit applications for restructures from its clients with the main reason for such requests being due to the impact of Covid-19 related hardships. The bank is not allowing moratoriums but, in this context, it believes that the impact of Covid-19 has not subsided, and economic conditions have also not normalised as per the condition under paragraph 1.7 of the directive 3 of 2020 (D3 of 2020). As a result, the bank wishes to request the PA to consider extending the exemption related to Covid-19 restructures as detailed in D3 of 2020 until such time that the national state of disaster has been lifted.	*The request is noted. However, given that the bank is not utilising Directive 3 of 2020 (D3/2020) to grant restructures due to Covid-19 related reasons, the PA is of the view that although the economic conditions have not normalised yet, the data and qualitative reasons show that the withdrawal of D3/2020 would not have a significant impact on the banking industry.*
3.	General	Would the reclassification from D3/2020 to D7/2015 be applied automatically post 31 March 2022, regardless of the tenor or nature of relief extended.	*That is correct. The proposed Directive makes provision for a 3-month transitional period for Covid-19 related restructures that remain active by 1 January 2022. These active Covid-19 related restructures may be treated under D3/2020 until 31 March 2022 after which date, they would have to be reclassified as distressed restructures and treated according to Directive 7 of 2015 (D7/2015).*
4.	General	Our observation is that the pandemic's impact has been more pronounced on some sectors than others, with the Hotel and Tourism industry, for example, set to suffer the most extended impact. Would consideration be given to continue to provide relief under D3/2020 to such sectors (determined based on the data collected by the PA) for a prolonged period, especially in an environment where the risk of tightening of restrictions in response to new waves of elevated infections and vaccine resistant variants remains prevalent.	*The PA acknowledges that certain sectors have been impacted more severely than others. Data collected from the additional reporting template show that a* ***total*** *of R53.3 billion retail and corporate Covid-19 restructures (as at August 2021) remain active from a total banking industry perspective. This indicates that either the demand for Covid-19 restructures has slowed*

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			down, or these types of restructures do not comply with the criteria specified in D3/2020 anymore, mainly due to no longer qualifying as 'temporary' in nature.
5.	General	The bank does not have any objections or additional recommendations to the implementation of the new Directive as proposed. Just a question and guidance required with the above in mind. Assume we have a restructure, interest only for a period of 5 months, i.e. 31 December 2021 – 30 May 2022. Will the treatment be: - Up to 31 March 2022: Per Directive D3/2020 = Performing - Post 1 April 2022 to 30 May 2022: Per Directive D7/2015 = Distressed Restructure (Non Performing) - From 1 June: Performing or should it then follow D7/2015 and deemed a Distressed restructure for at least 6 months?	*Noted.* *In the example used, once D3/2020 is fully withdrawn, all restructures should comply with **all** the requirements of D7/2015 (including the minimum observation period of 6 months specified in paragraph 5.12 of D7/2015).* *Furthermore, the intention and the content of the proposed Directive (and consequently a final Directive) was intentionally shared with the banking industry to provide sufficient notification and time to incorporate and make the necessary changes in order to comply with the final Directive and continue with pre-Covid-19 risk management practices.*
6.	General	We wish to confirm that the bank will not be submitting any comments relating to above mentioned proposed directive.	*Noted.*
7.	General	We would also like to confirm that we have worked through the proposed directive and do not have any concerns with regards to the content thereof. We therefore do not wish to raise any comments.	*Noted.*
8.	General	Please note that the bank does not have any comments on the above proposed directive.	*Noted.*
9.	General	We hereby wish to advise that the bank has no comment on the attached proposed directive. We are comfortable with the proposed treatment of restructured credit exposures due to Covid-19.	*Noted.*
10.	General	We have noted the content of the proposed directive and have no additional comments.	*Noted.*
11.	General	The bank does not have any comments to make on the proposed directive.	*Noted.*
12.	General	We don't have any clients who applied to us for this temporary relief arrangement, so we did not provide any comments on this proposed directive.	*Noted.*

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		We, however, remain aware of the transitional rules should we be approached before this facility is officially withdrawn in April next year.	*The transitional rules (as per paragraph 2.3 of the proposed Directive) will only be applicable to banks that entered into a Covid-19 restructured credit arrangement **before** 1 January 2022.*
13.	General	The bank have not had any Covid-related restructures, so considering there is no impact on us, we have no further comments.	*Noted.*
14.	General	We have engaged with the relevant stakeholders who advised there will be no impact on the bank upon withdrawal of the Directive.	*Noted.*
15.	General	The bank has no comments on the proposed directive, as signed on 1 September 2021, on the withdrawal of the temporary treatment of restructured credit exposures due to the Coronavirus pandemic.	*Noted.*