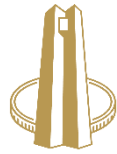


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SOUTH AFRICAN RESERVE BANK
Prudential Authority

Ref.: 15/8/1/3

D8/2021

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

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

Withdrawal of the temporary relief measure related to the liquidity coverage ratio

Executive summary

The purpose of this directive is to inform banks, branches of foreign institutions and controlling companies (hereinafter collectively referred to as banks) of the decision to withdraw the temporary relief measure related to the liquidity coverage ratio (LCR) implemented with effect from 1 April 2020.

1. Introduction

- 1.1 The spread of Covid-19 had an increasing impact on global economic activity and has put enormous strain on the local economy. Therefore, as part of the Prudential Authority's (PA) response to the expected negative impact of Covid-19 on liquidity in financial markets, the LCR requirement was reduced from 100% to 80% with effect from 1 April 2020 in order to mitigate the potential liquidity strain on the banking sector, to assist in sustaining the local economy, and to maintain financial stability.
- 1.2 In this regard, the PA issued Directive 1 of 2020 to amend the minimum requirements relating to the LCR to provide temporary liquidity relief to banks.
- 1.3 The LCR is intended to improve the banking sector's ability to absorb shocks from financial and economic stress, regardless of the source, thereby lowering the risk of spillover to the real economy.
- 1.4 Financial markets have since largely normalised, and banks currently have healthy liquidity as a result of increased deposits.
- 1.5 As contemplated in regulation 26(12)(f)(iii)(A) of the Regulations relating to Banks (Regulations), the PA is of the view that the temporary LCR relief measure implemented with effect from 1 April 2020 is no longer necessary.

2. Directive

- 2.1 Based on the aforesaid, and in accordance with the provisions of section 6(6) of the Banks Act 94 of 1990, banks are hereby directed to comply with the following revised minimum LCR requirement:

With effect from:	Minimum LCR
1 January 2022	90%
1 April 2022	100%

- 2.2 The PA will continue to monitor market developments and may, at any time, change the minimum LCR requirement specified herein.
- 2.3 Should a bank be unable to comply with this directive, the bank shall, in accordance with the provisions of regulation 5 of the Regulations, report its inability to comply in writing to the PA, stating the reasons for such failure or inability to comply.

3. Acknowledgement of Receipt

Kindly ensure that a copy of this Directive is made available to your institution's external 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: 2021-10-29

The previous Directive issued was Directive 7/2021, dated 29 October 2021