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SOUTH AFRICAN RESERVE BANK  
Prudential Authority

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G8/2022

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

**Guidance Note issued in terms of section 6(5) of the Banks Act 94 of 1990**

**Effective date for the capitalisation requirements of the revised market risk and credit valuation adjustment frameworks**

### Executive summary

The Prudential Authority (PA) has proposed to implement outstanding regulatory reforms in South Africa as set out in Guidance Note 4/2022, dated 9 May 2022. The proposed implementation date for the revised market risk and credit valuation adjustment (CVA) frameworks is 1 January 2024.

The outbreak of the coronavirus disease pandemic (Covid-19) had far-reaching consequences to date for, among others, financial markets and economies across the world.

In this regard, certain countries confirmed the delayed implementation of the Basel III post-crisis reforms in their respective jurisdictions.

Based on the aforementioned, the PA will continue to monitor progress made by the respective members of the Basel Committee on Banking Supervision (Basel Committee) in respect of the implementation of the respective Basel III post-crisis reforms and will implement the capitalisation requirements of the revised market risk and CVA frameworks at a later date, post the implementation of the regulatory frameworks.

#### **1. Introduction**

- 1.1 Following the global financial crisis that commenced in 2007, various international standard-setting bodies have agreed to put in place, among others, comprehensive measures, policies, regulations and reforms to promote financial stability as well as the safety and soundness of individual financial institutions.
- 1.2 In this regard, the Basel Committee has issued various new or amended frameworks, standards or requirements for implementation by member jurisdictions.
- 1.3 The outbreak of Covid-19 had far-reaching consequences to date for, among others, financial markets and economies across the world.

- 1.4 As such, governments have announced not only drastic measures to mitigate the risk of an uncontrollable spread of Covid-19, but also measures to protect financial markets and economies from suffering permanent damage.
- 1.5 In addition, international standard-setting bodies of prudentially regulated institutions announced comprehensive measures to mitigate the impact of Covid-19 on preparatory efforts by regulators and institutions for the implementation of the respective new or amended frameworks, standards or requirements.
- 1.6 In this regard, on 27 March 2020, the Basel Committee announced that its oversight body, the Group of Central Bank Governors and Heads of Supervision, had endorsed a set of measures to provide additional operational capacity for banks and supervisors to respond to the immediate financial stability priorities resulting from the impact of Covid-19 on the global banking system. The measures announced by the Basel Committee included a deferral by one year of the implementation timeline of the outstanding Basel III post-crisis reforms.
- 1.7 In the meantime, certain countries confirmed the delayed implementation of the Basel III post-crisis reforms in their respective jurisdictions.

## **2. Implementation of capital requirements for the revised market risk and CVA frameworks**

- 2.1 In this regard, as communicated in Guidance Note 4/2022, dated 9 May 2022, the PA proposed an implementation date for the revised market risk and CVA frameworks of 1 January 2024. As such, the respective prudential standards on market risk and CVA will be finalised and effective from 1 January 2024. However, due to the indication that various jurisdictions are likely to postpone the implementation of the revised market risk and CVA frameworks beyond 1 January 2024, the PA will determine the effective date for the capitalisation requirements of the frameworks following the implementation of the regulatory frameworks. The effective date for the capitalisation requirements will be determined in line with other major jurisdictions and trading partners of South Africa.
- 2.2 As such, the prudential standards for the revised market risk and CVA frameworks will include a provision for transitional arrangements for the PA to determine the effective date from which banks will be required to calculate and maintain capital in terms of the relevant specified methods, and comply with the requirements of the respective prudential standards.

## **3. Acknowledgement of receipt**

- 3.1 Kindly ensure that a copy of this guidance note 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 PA at the earliest convenience of the aforementioned signatories.

**Fundi Tshazibana**  
**CEO: Prudential Authority**

**Date:**

Encl. 1

The previous guidance note issued was Guidance Note 7/2022, dated 15 June 2022.