



Ref.: 15/8/1/3

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

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

Withdrawal of the temporary treatment of restructured credit exposures due to the Coronavirus (Covid-19) pandemic

Executive summary

The spread of Covid-19 had a significant impact on global economic activity and placed the local economy under immense strain. As part of the measures employed to address the impact of Covid-19, government as well as business called upon the banking sector to continue to extend credit to sectors in need, particularly households and small businesses, and to provide relief measures to reduce the strain on these sectors in an effort to sustain the local economy and maintain financial stability.

From the outset, the Prudential Authority (PA) supported Covid-19 related relief initiatives, such as payment holidays offered by banks in order to provide relief to certain borrowers in the retail and corporate sector in an effort to mitigate the impact of the pandemic. In this regard, the PA has issued, for example, Directive 3 of 2020 (D3/2020) to provide temporary relief on the minimum capital requirements for banks, controlling companies and branches of foreign institutions (hereinafter collectively referred to as 'banks') relating to credit risk during the Covid-19 pandemic.

Since the onset of the pandemic, the significant tapering down of the number and value of Covid-19 related restructures provides clear data-driven evidence that the demand for relief in terms of Covid-19 related restructuring is substantially lower than a year ago. Due to the most recent trends observed in the data in conjunction with qualitative Covid-19 related information, this proposed directive serves to inform all banks of the withdrawal of D3/2020.

This proposed directive will replace D3/2020 dated 6 April 2020.

1. Introduction

1.1 The Covid-19 pandemic had a significant impact on financial markets, global economic activity, the South African economy and the ability of borrowers to meet their obligations in accordance with contractual terms.

- 1.2 On 6 April 2020, the PA issued D3/2020 to amend the requirements specified in Directive 7 of 2015 (D7/2015) in order to provide temporary relief on the minimum capital requirements for banks relating to credit risk, where the relief specifically related to the treatment of restructured credit exposures due to Covid-19 related reasons.
- 1.3 These measures were intended to provide relief to enable banks to continue to extend credit to the real economy during this period of financial stress without the need for inappropriate higher capital requirements.
- 1.4 Since the onset of the pandemic, a significant decrease in the number and value of Covid-19 related restructured credit exposures had been observed. Data-driven evidence indicates that the demand for Covid-19 restructures as defined in D3/2020 is substantially lower than at the height of the crisis during 2020.
- 1.5 Furthermore, prolonged temporary relief may compromise transparency and undermine confidence in the banking sector. Specifically, temporary support over an extended period could adversely impact economic recovery, long-term debt repayment behaviour and sound risk management practices.
- 1.6 To avoid any undue compounding effects, the intention to withdraw D3/2020 is therefore being communicated well in advance in order to provide banks with sufficient time to make the necessary changes internally.

2. Directive relating to the treatment of Covid-19 related credit restructures

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 as follows:

- 2.1 D3/2020 will be withdrawn with effect from 1 April 2022.
- 2.2 For restructured credit exposures (new or re-applications) granted from 1 January 2022 onwards, the requirements provided under D3/2020 shall no longer apply.

Transitional arrangements for the active Covid-19 portfolio:

- 2.3 Covid-19 restructures that are concluded before 1 January 2022 and therefore remain active (relief measures that have not ended) after this date (as reported in columns 7 to 11 as per the additional monthly reporting template), may be classified and treated as per the requirements of D3/2020, until 31 March 2022.
- 2.4 All Covid-19 restructures that remain active after 31 March 2022, will have to be reclassified and reported as distressed restructured credit exposures as specified in regulation 67 of the Regulations relating to Banks read with D7/2015.

Reporting requirements related to Covid-19 restructured credit exposures:


- 2.5 Banks must continue to submit the additional reporting template related to Covid-19 restructured credit exposures to the PA based on data up to and including 31 March 2022, within 20 business days following the month-end to which the template relates, unless the bank confirms in writing that it has ceased the granting

of Covid-19 restructured credit exposures and that no active Covid-19 restructured credit exposures remain (i.e. a zero Covid-19 restructured credit exposure template is submitted for columns 3 to 11).

3. Invitation for comment

Banks are hereby invited to submit their comments with respect to the proposed directive to SARB-PA@resbank.co.za and Rize-Mari.vanZyl@resbank.co.za for the attention of Ms Rize-Mari van Zyl by no later than 23 September 2021.

All comments received may be published on the website of the PA, unless a respondent specifically requests confidential treatment.



Kuben Naidoo
Deputy Governor and CEO: Prudential Authority

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