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P O Box 427 Pretoria 0001 South Africa
370 Helen Joseph Street Pretoria 0002
+27 12 313 3911 / 0861 12 7272
www.resbank.co.za



SOUTH AFRICAN RESERVE BANK
Prudential Authority

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

Proposed amendments to the Regulations relating to Banks

Executive summary

The Prudential Authority (PA) continues striving towards ensuring that the legal framework for the regulation and supervision of banks and banking groups in South Africa remains relevant and current.

As part of the internationally agreed regulatory reforms to promote the safety and soundness of the international financial system, the Basel Committee on Banking Supervision (BCBS) has issued various new or revised frameworks or requirements during recent years for implementation by member jurisdictions.

In this regard, on 21 April 2016, the BCBS issued a revised framework for Interest Rate Risk in the Banking Book (IRRBB).

Accordingly, on 28 October 2020, the PA issued proposed amendments to the Regulations relating to Banks (Regulations) to incorporate the respective requirements specified in the revised framework for IRRBB issued by the BCBS into the Regulations. The PA invited all banks, controlling companies, branches of foreign institutions, eligible institutions and auditors of banks or controlling companies (hereinafter collectively referred to as 'interested persons') to submit their comments in respect of the proposed amendments to the Regulations to the PA by no later than 15 January 2021.

The PA wishes to express its sincere appreciation for the comments subsequently received. The PA has worked through all the comments received, conducted extensive field testing in respect of the proposed amended form BA 330 and developed comprehensive directives in consultation with interested persons for the completion of the form BA 330.

The PA has decided to issue the updated proposed amendments to the Regulations for a final round of consultation. All interested persons are invited to submit their comments to the PA by no later than 2 September 2022.

1. Introduction

- 1.1 In response to the global financial crisis that commenced in 2007, the Group of Twenty (G-20) initiated a reform programme in 2009 to strengthen the international financial system.¹
- 1.2 As part of the internationally agreed regulatory reforms, the BCBS has issued for implementation by member jurisdictions a revised framework for IRRBB.²
- 1.3 In order to ensure that the legal framework for the regulation and supervision of banks and banking groups in South Africa remains relevant and current, the PA has issued proposed amendments to the Regulations on 28 October 2020, incorporating the respective requirements specified in the revised framework for IRRBB issued by the BCBS into the Regulations. The PA has invited all interested persons to submit their comments in respect of the proposed amendments to the Regulations to the PA by no later than 15 January 2021.
- 1.4 The PA wishes to express its sincere appreciation for the comments subsequently received. The PA has worked through all the comments received, conducted extensive field testing in respect of the proposed amended form BA 330 and developed comprehensive directives in consultation with interested persons for the completion of the form BA 330.

2. Updated proposed amendments to the Regulations

- 2.1 The updated proposed amendments to the Regulations include amendments to:
- 2.1.1 the form BA 330 and the related directives for the completion of the form BA 330;
 - 2.1.2 regulation 30 of the Regulations to provide for matters related to-
 - 2.1.2.1 a bank's governance and risk management framework;
 - 2.1.2.2 the measurement and appropriate management of a bank's exposure to interest rate risk in the banking book;
 - 2.1.2.3 a bank's risk and internal capital adequacy assessment process;
 - 2.1.2.4 a bank's stress testing framework related to its exposure to interest rate risk in the banking book;
 - 2.1.2.5 behavioural and modelling assumptions;
 - 2.1.2.6 a bank's internal validation framework; and
 - 2.1.2.7 disclosure requirements;
 - 2.1.3 regulation 39 of the Regulations to provide for matters related to the responsibility of the board of directors of a bank to ensure an adequate and effective process of corporate governance, which is consistent with the nature, size, complexity and risk inherent in the bank's on-balance sheet and off-balance sheet activities and that appropriately responds to changes in the bank's environment and conditions, is established and maintained;
 - 2.1.4 regulation 67 of the Regulations, in order to incorporate the relevant required definitions.

¹ G-20, Pittsburgh summit declaration: [Pittsburgh declaration](#)

² Available online at: [BCBS IRRBB](#)

2.2 The PA proposes to implement the updated set of proposed amendments to the Regulations with effect from 1 January 2023, and the related disclosure requirements for IRRBB with effect from 1 January 2024.³

3. Directive

3.1 Based on the aforesaid and in accordance with the provisions of section 6(6) of the Banks Act 94 of 1990, all interested persons are hereby directed to take note of the updated proposed amendments to the Regulations, attached to this proposed directive as Annexure 1, and the revised proposed implementation date of 1 January 2023 in respect of matters related to IRRBB other than the relevant disclosure requirements, and 1 January 2024 in respect of the relevant IRRBB disclosure requirements.

4. Statement of expected impact and matters related thereto

4.1 The PA had extensive engagements with several interested persons in respect of the need for and the expected impact of the revised IRRBB framework issued by the BCBS, and the envisaged proposed amendments to the legal framework for the regulation and supervision of banks and banking groups in South Africa, to duly incorporate the respective requirements specified in the revised IRRBB framework issued by the BCBS for implementation by member jurisdictions.

4.2 In order to ensure adequate engagement with all interested persons and that the potential impact, costs and benefits of the proposed amendments to the Regulations are duly considered and measured, a statement of expected impact has been prepared by the PA, which is attached to this proposed directive as Annexure 2.

5. Invitation for comment

5.1 All interested persons are hereby invited to submit their comments on the updated proposed amendments to the Regulations, attached to this proposed directive as Annexure 1, and/ or the statement of the need for, expected impact and intended operation of the proposed amendments to the Regulations, attached to this proposed directive as Annexure 2, to: SARB-PA@resbank.co.za, for the attention of Mr A J Smal, by no later than 2 September 2022.

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

Fundi Tshazibana
Chief Executive Officer

Date:

Encl. 2

³ See [Guidance Note 4 of 2022](#)