



SOUTH AFRICAN RESERVE BANK
Prudential Authority

Comments on Draft 2 of the 5th set of the proposed amendments to the Regulations relating to Banks

Comments received from industry via the Banking Association South Africa

No.	Reference in document	Comment	Proposed wording	PA's response
1.	Section 6.3.2 of the Proposed Directive accompanying Draft 2 of the 5th set of proposed amendments to the Regulations relating to Banks (Regulations).	<p>Per Section 6.3.2 of the Proposed Directive, the output floor will be fully phased in at 72.5% by 1 January 2028, being only 2.5 years after the 1 July 2025 implementation date of the reforms.</p> <p>Per section 6.3.3, we note the PA's decision to not deviate from the internally agreed phase-in percentages which assumed an original BCBS implementation date of 1 January 2023. We also note that there is international precedent for deviating from these timelines. For example, in section 9.42 of CP 16/22 the PRA's transition requirement for the output floor assumes final implementation by 1 January 2030. This provides Banks operating in the UK a 4.5-year transition period.</p> <p>Section 6.5 introduces a 25% transitional cap at the PA's discretion. This concession is however limited to the duration of the phase in period of the floor. Considering the phase in period of only 2.5 years, the deferral of the RWA impact by applying this transitional cap risks creating a cliff effect once the floor is fully phased in shortly after introduction of such a transitional cap.</p> <p>The impact of the output floor is detailed in Section D of <i>Annex 3: Statement of the need for, expected impact and intended operation of the proposed amendments to the Regulations</i></p>	<p>Recommendation: We request the PA considers deferring the implementation date of the output as follows:</p> <p>1 July 2025: 50% 1 January 2026: 55% 1 January 2027: 60% 1 January 2028: 65% 1 January 2029: 70% 1 January 2030: 72.5%</p> <p>The updated regulation should be aligned to the guidance note (GN3/2023 or later if the above recommendation is considered).</p>	<p>Earlier, the PA agreed to the request from industry to delay the implementation of the proposed amendments to the Regulations, to 1 July 2025. However, it was decided at that time not to deviate from the internationally agreed phase-in period for the implementation of the output floor, which is set out in the Basel framework and in regulation 38(2)(h) of Draft 2 of the 5th set of the proposed amendments to the Regulations, as well as in Guidance Note 3 of 2023.</p>

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		<p><i>relating to Banks (Regulations)</i>. At least 4 banks are expected to be impacted by a fully phased in output floor at a Solo Basis. Considering the significance of the impact for some Banks, we request the PA reconsider the transition period of the output floor and rather phase it in by 1 January 2030.</p>		