



Ref.: 15/8/1/3

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

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

Matters related to securitisation vehicles

Executive summary

In light of certain risks revealed by the global financial crisis in some securitisation structures, additional risk information is required by the Prudential Authority (PA) to enhance the PA's understanding of the risks in the South African securitisation market.

The purpose of this proposed directive is to direct issuer special purpose institutions (SPIs) on the information required to be provided to the PA in terms of Directive 1 of 2012, dated 23 January 2012, and the declaration required to be provided to the PA. Furthermore, the proposed directive requires the auditor as appointed by the issuer SPI – as prescribed in paragraph 15(1)(a) of Government Notice No. 2 (the Securitisation Exemption Notice), published in *Government Gazette* No. 30628, dated 1 January 2008 – to include the verification of the information specified in Annexure A in the scope of work to be done as part of the annual auditing process.

This proposed directive is intended to replace Directive 4 of 2017, dated 27 September 2017.

1. Introduction

- 1.1. The Prudential Authority (PA) authorises issuer special purpose institution (SPI) schemes to issue commercial paper pursuant to a securitisation scheme in terms of paragraph 14(1)(b)(ii) of the Securitisation Exemption Notice. Thereafter, sufficient follow-up should be done to monitor the performance of the issuer SPI.
- 1.2. The purpose of this proposed directive is to enhance monitoring by the PA of the risks arising from securitisation schemes by updating the reporting requirements in respect of issuer SPIs as required by Directive 1 of 2012 (D1/2012). D1/2012 was issued to provide the PA with specific information in respect of issuer SPIs.
- 1.3. Over the years, the assessment and monitoring of credit and liquidity risks in banks and issuer SPIs has evolved. This is evidenced by, for example, the replacement of International Accounting Standard (IAS) 39 with International Financial Reporting Standards (IFRS) 9, supplemented by IFRS 7, which replaced IAS 30 and carried forward the disclosure requirements of IAS 32. Equally the regulatory requirements have been enhanced as part of the Basel III post crisis-reforms.
- 1.4. To align with the latest regulatory requirements and accounting standards for better analysis of the information received, the PA is updating the template required (form BA 501) to be completed by issuer SPIs on a half-yearly basis.

2. Proposed directive

- 2.1. Based on the aforesaid, and in accordance with the provisions of section 6(6) of the Banks Act 94 of 1990, issuer SPIs are hereby directed to:
 - 2.1.1. provide the PA with the information, as set out in Annexure A, in respect of both their traditional and synthetic securitisation schemes for which approval has been obtained from the PA, in terms of the relevant exemption notices, to issue commercial paper;
 - 2.1.2. provide the stated information to the PA on a six-monthly basis, based on the half-year and year-end information of the relevant issuer SPI;
 - 2.1.3. submit the information, as set out in Annexure A, to the PA within 30 business days immediately following the relevant half-year and year-end of the SPI to which the specified statement and return relates; and
 - 2.1.4. provide the PA with a declaration by an independent issuer SPI director or trustee and, where applicable, the Chief Financial Officer of the bank, controlling company or branch of the foreign institution, as set out in Annexure B.
- 2.2. The appointed auditor, as stipulated in paragraph 15(1)(a) of the Securitisation Exemption Notice, is hereby directed to include the verification of the historical information specified in Annexure A in the scope of work to be done in terms of the Regulations relating to Banks (Regulations), read with the Securitisation Exemption Notice, as part of the annual auditing process.
- 2.3. In the context of the information required:

- 2.3.1. the primary classification categories for purposes of this proposed directive shall be: (i) portfolio credit impairments comprising of stage 1 and stage 2; (ii) specific credit impairment (stage 3); and (iii) defaulted exposures as further prescribed in the Regulations.
- 2.3.2. however, where an issuer SPI does not apply the general approach as provided for under IFRS 9, the following classification shall apply: i) current; ii) 31–60 days past due; iii) 61–90 days past due; and iv) defaulted exposures as further prescribed in the Regulations.
- 2.3.3. the said classification shall follow the accounting policy of the said issuer SPI.
- 2.4. Scope of application
 - 2.4.1. Whenever the PA approves a securitisation structure which includes the establishment of an SPI, the PA includes conditions of approval. As part of those conditions, the PA requires all relevant SPIs to comply with the relevant updated Directives issued.
 - 2.4.2. the reporting requirements apply to all issuer SPIs of traditional or synthetic securitisation schemes that were authorised by the PA to issue commercial paper in terms of the relevant securitisation exemption notices.
 - 2.4.3. the date of implementation of the new reporting requirements shall be in respect of half-year periods ending after 1 July 2025.

3. Invitation for comment

- 3.1. All interested persons are hereby invited to submit their comments on the proposed directive to SARB-PA@resbank.co.za and RSDCreditRisk@resbank.co.za, for the attention of Mr Eric Sithole and Ms Rachma Ismail, by no later than 25 March 2025.

Fundi Tshazibana
Chief Executive Officer

Date:

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