COMMENTS ON PRUDENTIAL STANDARD FC01 - TECHNICAL CAPITAL STANDARD – MARCH 2020

No	SOURCE	Paragraph of the Standard	Comment	Response
			1. Commencement	
1)	SAIA		No comments.	Noted.
2)	ASISA		No comments	Noted.
3)	FIRSTRAND		No comments	Noted.
4)	ALBARAKA BANK LIMITED		No comments	Noted.
5)	BANK OF TAIWAN SA		No comments	Noted.
6)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
7)	JSE		No comments	Noted.
8)	SAHL		No comments	Noted.
9)	BASA	1.1	At this point in time it is not clear if a 1 January 2022 implementation is feasible. This is due to the number of items that still require clarification. Given the uncertainty with respect to the outcome of the Covid-19 crisis on capital adequacy of financial groups an implementation date of 1 January 2022 may not be feasible. With proposals to delay the implementation of the enhancements to the Basel framework, it is further uncertain how this will impact the FC implementation. Many of the standardised approaches under Basel will be relevant and may change the outcome on FC's, especially given the application of the standardised output floor over the period. We recommend that the implementation date for FC supervision be set after the implementation of the more important Basel III reform proposals, currently planned for 1 January 2023. The Basel Committee has announced that all regulatory reforms will be postponed by 12 months (1 Year). Is there a possibility that the Prudential Authority will consider the same in the light of challenges faced by the finance sector at the back of Covid-19?	Chapter 12 of the Financial Sector Regulation Act, 2017 (FSRA) became operational on 1 March 2019. The financial sector was consulted on the draft financial conglomerate standards in August 2018 and again in April 2020. The concept and areas of focus in terms of regulation are not new to the sector. The Capital Standard will be implemented through a dry run before it is finalised. It is expected that the dry-run (field-testing) will commence in January 2022.
			2. Legislative authority	
10)	SAIA		No comments.	Noted.
11)	ASISA		No comments	Noted.
12)	OLD MUTUAL		No comments	Noted.
13)	FIRSTRAND		No comments	Noted.
14)	ALBARAKA BANK LIMITED		No comments	Noted.
15)	BANK OF TAIWAN SA		No comments	Noted.
16)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
17)	JSE		No comment	Noted.
18)	SAHL		No comment	Noted.
19)	BASA	Preamble and 2.1	This standard's preamble starts stating that the objectives and key requirements are made in terms of Sections 105 and 164 in the Act. Section	Section 105 specifically refers to capital adequacy and section 164 refers to reducing and managing risk to the safety and soundness of an eligible financial institution arising from other members of the

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			164 in turn refers to sections 105 as well as Section 108, that is not referenced. Paragraph 2.1 in the standard then only refers to Section 164. It is proposed that only Section 164 be referenced in both sections for simplicity and lack of any ambiguity that may arise with respect to Section 108 of the FSR Act.	financial conglomerate, being the intention of the Standard. The standard has also been amended to provide for the Prudential Authority to make determination and to impose requirements for approvals thus section 108 is now also applicable. Paragraph 2.1 and the Preamble has been amended to reflect sections 105, 108 and 164.
			3. Application	
20)	SAIA		No comments.	Noted.
21)	OLD MUTUAL		No comments	Noted.
22)	FIRSTRAND		No comments	Noted.
23)	ALBARAKA BANK LIMITED		No comments	Noted.
24)	BANK OF TAIWAN SA		No comments	Noted.
25)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
26)	JSE		No comments	Noted.
27)	SAHL		No comments	Noted.
28)	ASISA	3.1	Member B Please can you provide a definition of "holding company". Does it refer to the ultimate holding company of all entities within the group?	The Standard is made under FSRA and therefore it follows that the definitions in the FSRA applies here too. The FSRA defines a holding company as meaning a holding company as defined in section 1 of the Companies Act being a company incorporated in the Republic. When designating a financial conglomerate the Prudential Authority will identify the holding company of the financial conglomerate and it may not be the ultimate holding company of all entities within the group. Also see paragraph 4.1 of the draft standard.
29)	OLD MUTUAL	3.1	The PA designation of conglomerates should ideally happen at least 6 months before the effective date to ensure sufficient time to set up appropriate processes and systems for conglomerate reporting.	Noted. The designation process is not the subject of the Standard, however the Prudential Authority will provide sufficient time between the designation of the financial conglomerate and the effective date of the Standard.
30)	BASA	3.1	As per above comment on Preamble and 2.1, is it prudent to refer to a specific section of the FSR Act. Section 160 of the FSR Act does not provide the basis that the Prudential Authority will use to designate members of a group of companies as financial conglomerates. The bank seeks further guidance into the designation of members of a group of companies as financial conglomerates.	The Standard refers to the holding company of the financial conglomerate. The holding company will be identified through the designation process. The designation process is not the subject of the Standard. Please refer to the designation criteria that was published by the Prudential Authority in September 2020 for more details.
31)	BASA	3.3	We suggest adding: "This Standard applies in addition to the financial sector laws which may be specific to institution type." See FC04 section 3 and Section 2 of the proposed guidance note "Guidance on criteria to be followed by the Prudential Authority when designating financial conglomerates".	Disagree. It is not necessary to say that other legislation applies. The law will apply to entities within its scope.
			4. Definition and interpretation	
32)	ALBARAKA BANK LIMITED		No comments	Noted.
33)	BANK OF TAIWAN SA		No comments	Noted.
34)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
35)	JSE		No comment	Noted.
36)	SAIA		No comments.	Noted.
37)	BASA	4.2	The definition of "Block" does not provide any detail on requirements / methodologies to determine which entities are grouped together in a block. An understanding of this concept is critical in order to provide meaningful comments on the "technical approach".	The definition of a block details the various groupings that would form part of a block. That is: • Solo entity (i.e. only supervised under level 1);

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				• An insurance group or banking group (as supervised and scoped under level 2); • An unregulated entity as defined (i.e. not supervised and not included in an insurance or banking group under level 2 supervision); and • Residual assets and liabilities of the holding company of the financial conglomerate (i.e. not included in the first three bullets).
38)	BASA	4.2	Reference to a block - means a solo entity, a controlling company, an unregulated entity, or the other assets and liabilities of the holding company of the financial conglomerate that are not already allocated in another block. Will a block also include an intermediate holding company – so where there is a solo entity and an intermediate holding company, will the eligible capital and required capital be calculated at the consolidated intermediate holding company (where it is subject to group supervision under the Regulations relating to banks)?	Yes, a block represents a solo entity (i.e. where this entity is not part of level 2 supervision), a controlling company (i.e. either the insurance group or banking group in the case of level 2 supervision), an unregulated entity not part of another block or the other assets and liabilities of the holding company of the financial conglomerate. Thus, an intermediate holding company as referenced here would be the controlling company in level 2 supervision and a block.
39)	BASA	4.2	Level 2 is not referenced, yet not all entities that are regulated will be regulated at level 1. If the proposed requirement is to only add up level 1 supervisory views unless unregulated, then this proposed requirement will create an extensive amount of additional work in order to implement with little to no supervisory benefit, that we can discern? It is suggested that a block can also be made up of a Level 2 supervision level where this exists in the group.	Level 2 means group supervision. A block can also represent an insurance or banking group as supervised under level 2 supervision.
40)	BASA	4.2	Definitions are not consistently applied across the various standards, i.e. have different meaning/ interpretation based on the context of the section e.g. “block”.	A “block” is introduced in this Standard to make reference to different parts of the calculation of the eligible and required capital of the financial conglomerate. No reference to block is made in any of the other FC Standards. If the definition is applied inconsistently in the Standard then this should be addressed. However, without more detail, the PA is unable to find this inconsistency. In addition, some terms used in this standard are specific to this Standard alone and will not be aligned to the other Standards.
41)	FIRSTRAND	4.2	Reference to a block - means a solo entity, a controlling company, an unregulated entity, or the other assets and liabilities of the holding company of the financial conglomerate that are not already allocated in another block. Will a block also include an intermediate holding company – so where there is a solo entity and an intermediate holding company, will the eligible capital and required capital be calculated at the consolidated intermediate holding company (where it is subject to group supervision under the Regulations relating to banks).	See response to comment 38.
42)	BASA	4.3	Further guidance is required in determining eligible and required capital. The definitions provided are not detailed enough for financial conglomerates to make a similar and comparable assessment of their eligible and required capital.	The Standard explains how eligible and required capital is calculated for the financial conglomerate in Section 6. The reporting template that will be published will provide further guidance on the calculations.
43)	BASA	4.3 (given as 3.3 by commentator)	From the definition above it is noted that the capital adequacy for conglomerates is defined in the form of a ratio. What will the definition of financial soundness in relation to conglomerate be? Will this form part of a level of adequacy that needs to be achieved, similar to the current Basel 3 prudential minimums applicable to banks?	Financial soundness for a conglomerate will be measured by this ratio as well as various other qualitative inputs. The minimum ratio is 1. However, it is expected that financial conglomerates will operate above this minimum requirement. The ideal position will depend on the risks, structure and governance of the financial conglomerate and would be dealt with through supervision.
44)	ASISA	4.4	Member A Our reading of the definition of ‘controlling company’ is that this could potentially include an entity/holding company in another jurisdiction which to our mind is inconsistent with the FSR Act if the ‘controlling company’ is the	The concept of controlling company under the building block approach refers to level 2 or group supervision, which could be a group in another jurisdiction. Holding company of a financial conglomerate (which is also known as level 3) is defined in FSRA

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			'holding company', which FSR Act expressly provides that the holding company must be a company registered in South Africa. Similarly, in respect of the Insurance Act.	and refers to the head of the financial conglomerate and must be registered in South Africa for financial conglomerate supervision to apply. So a holding company in another jurisdiction could be deemed a controlling company using the above explanation.
45)	ASISA	4.4 5.6	Member A In regard to 'similar regulator in an equivalent jurisdiction', and subject to our other comments regarding non-SA (e.g. 4.4. above), we propose that the Standard include provisions that are the same as those in other existing laws and recently issued Standards (for example under the Insurance Act) which provide for the PA to have to make public a list of these jurisdictions and to regularly maintain etc.	Noted. The paragraph 5.6 of the draft standard has been amended to read: 5.6 The Prudential Authority may by notice on its official website determine equivalent jurisdictions for the purposes of this Standard. The Prudential Authority may amend or repeal any such determination.
46)	BASA	4.4	Jurisdictional equivalence is important to elaborate on (consistent with comment raised above in regard to designating financial conglomerates per the Principle-based Approach).	The intention is not to describe the concept of equivalent jurisdictions in this Standard. See response to comment 45.
47)	BASA	4.5 and 4.8	The definition of eligible capital needs to be clearly defined in conjunction with materiality and level of significance of necessary threshold qualification in respect of intergroup transactions. Will a view similar to the current banking threshold approach be considered for conglomerate level with an associated standard?	The Standard explains how eligible and required capital is calculated for the financial conglomerate in Section 6. This Standard does not deal with the materiality and level of significance of the intragroup transaction (see FC-02 in this regard) but rather requires that all intragroup transactions need to be eliminated. It should however be noted that elimination would have already been done within the insurance or banking group blocks. Thus, elimination here would only refer to that which has not already been eliminated.
48)	BASA	4.5 and 4.8	Definitions of eligible and required capital per 4.5 and 4.8 are not clear. What constitutes either determinant, which notion is consistent with the comments raised on the Principle-based Approach?	The Standard explains how eligible and required capital is calculated for the financial conglomerate in Section 6.
49)	BASA	4.6	Intragroup transactions references transactions to significant *entities*, rather than significant *transactions*?	This Standard is concerned with all transactions that may lead to double counting of capital. The reference is to significant entities that are within the respective blocks.
50)	BASA	4.6	Intragroup is defined in level 1 and level 2 supervision as well as accounting standards. We suggest referring to existing definition(s).	Intragroup transactions are defined for the use of this Standard and FC02 describes intra-group transactions for the purposes of that standard. Also see response to comment 49.
51)	FIRSTRAND	4.6	Intragroup transactions references transactions to significant *entities*, rather than significant *transactions*?	See response to comment 49.
52)	MMH	4.6	The definition of intragroup in this standard differs from the definition in FC02 – Intra-group Transactions and exposures.	See response to comment 50.
53)	OLD MUTUAL	4.6	The definition of intragroup as it relates to capital differs from the definition contained in FC02. A standardised definition should be considered.	See response to comment 50.
54)	BASA	4.7	NAV equals to assets less liabilities. If this will feed into the eligible capital calculation, does this imply that it will include the AT1 instruments (classified as equity), minority interest and other equity instruments? Will these be eligible capital?	NAV equals assets less liabilities where assets and liabilities are valued according to IFRS. Terms like AT1 instrument is bank supervision term and applies to entities scoped in a banking group and would be dealt with in accordance to that legislation. The NAV concept only applies to unregulated entities.
55)	FIRSTRAND	4.7	NAV equals to assets less liabilities. If this will feed into the eligible capital calculation, does this imply that it will include the AT1 instruments (classified as equity), minority interest and other equity instruments? Will these be eligible capital?	See response to comment 54.
56)	BASA	4.9	No definition is provided for "eligible financial institution". Are all "regulated entities" eligible financial institutions?	An "eligible financial institution" is defined in Chapter 1 Part 1 of the FSRA. ''eligible financial institution'' means each of the following:

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				(a) A financial institution licensed or required to be licensed as a bank in terms of the Banks Act; (b) A financial institution licensed or required to be licensed as a long-term insurer in terms of the Long-term Insurance Act or a short-term insurer in terms of the Short-term Insurance Act; (c) A market infrastructure; and (d) A financial institution prescribed in Regulations for the purposes of this definition. Also see paragraph 4.1 of the draft Standard.
57)	BASA	4.9	Refers to an eligible financial institution – to clarify if this will include insurance entities. This is read in conjunction with Regulation 36(6)(d), where a financial entity excludes an insurance entity or entity that conducts insurance business. Does the reference to "similar" regulator carry the same meaning as "equivalence"?	Yes, it will include insurance entities, eligible financial institution is defined in the FSRA. "Similar" in this case would mean a foreign regulator that has more or less the same mandate as the local regulator in relation to a certain type of regulated entity (for example a foreign regulator that supervises banks are similar to the Prudential Authority). We added "in an equivalent jurisdiction" to highlight that it should not just be a similar regulator but one that is located in a jurisdiction deemed equivalent.
58)	FIRSTRAND	4.9	Refers to an eligible financial institution – to clarify if this will include insurance entities. This is read in conjunction with Regulation 36(6)(d), where a financial entity excludes an insurance entity or entity that conducts insurance business. Does the reference to "similar" regulator carry the same meaning as "equivalence"?	See response to comment 57.
59)	BASA	4.10	We suggest referencing entities that are supervised at Level 1 or Level 2 in line with the draft financial conglomerate identification guidance note. Solo is already defined in other Financial Sector legislation, so it is suggested that this item be removed or changed to refer to existing definition(s).	The term is defined for this Standard and for use in this Standard specifically.
60)	FIRSTRAND	4.10	This section refers to a solo entity that is not subject to group supervision. Similar to comment under the capital-based standards, it is unclear the intention of the wording: *'It is not subject to group supervision by the Prudential Authority.'*	This section defines a solo entity which will be treated as a block in the calculation of eligible and required capital. A solo entity is one that is only supervised under level 1 supervision and is thus not part of a designated banking or insurance group.
61)	BASA	4.10	According to par 4.10, a solo entity is a regulated entity on a standalone basis which is subject to prudential supervision **and is not subject to group supervision by the PA.** Is this meant to mean supervision on a solo basis as opposed to on a consolidated basis, as is currently the case for subsidiaries of banking groups in foreign jurisdictions?	A solo entity in this case means that the entity is only subject to level 1 supervision. If the entity is part of foreign group supervision, only the solo entity will be included in conglomerate supervision in South Africa. If an entity is a subsidiary of South African banking group in a foreign jurisdiction it will form part of the group supervision and will not be considered as solo entity.
62)	BASA	4.11	Similar to our comment under the principle-based standards, does the significance rule align to Regulation 36 definition? The preference is for it to align to reporting principles conducted for the BA600 purposes.	The definition of significant entity does not align to Regulation 36 as the purposes are different. For financial conglomerate capital calculations, all scoped in entities are deemed to be significant entities. The exclusion that the Prudential Authority may elect to apply, see para 4.13 ff, is however similar to Reg 36.
63)	FIRSTRAND	4.11	Similar to comment under the principle-based standards, does the significance rule align to Regulation 36 definition. Preference is for it to align to reporting principles conducted for the BA600 purposes.	See response to comment 62.
64)	OLD MUTUAL	4.11	It should be made clear as to who determines what is material/significant. The Standard appears to imply it is the PA, but it is not explicitly stated in the standard. FC02 at 7.2 however states that the holding company of a financial conglomerate must identify material intragroup transactions and lists criteria to be considered. Further 7.1 provides an explanation of when an intragroup transaction shall be deemed to be material or significant. These definitions and principles should be aligned.	According to how it is used in the Standard, a Significant Entity means scoped in for capital calculation purposes. Purpose of material in FC01 is part of scoping exercise. In FC02 the materiality is for intragroup transactions.

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65)	BASA	4.12	Similar comment to the reference of equivalence in the context of regulator or jurisdiction – see principles-based reference.	Our principle of equivalence would apply to a certain jurisdiction instead of a specific regulator. Thus, the principle of equivalence would apply to all regulators in an equivalent jurisdiction. Also see other response regarding equivalence. See comment 57
66)	FIRSTRAND	4.12	Similar comment to the reference of equivalence in the context if regulator or jurisdiction – see principles-based reference.	See response to 65.
67)	MMH	4.13	This clause appears to be one sided with no input from Conglomerates – perhaps there should an allowance be made for Financial Conglomerates to propose entities to be excluded.	Noted. The holding company of a financial conglomerate may make representation to the Prudential Authority to consider such exclusions as the financial conglomerate might deem to be appropriate.
68)	OLD MUTUAL	4.13	Conglomerates should also be allowed to propose entities to be excluded, where such entities do not pose significant or material risk to the financial conglomerate	See response to comment 67.
69)	BASA	4.14	For the test, will this be based on total consolidated assets of the financial conglomerate? For the entities excluded and below the threshold, will a list of these entities need to be submitted to the PA or subject to any specific reviews?	The condition would apply to the consolidated total assets as per IFRS. Yes, a list would need to be submitted to the Prudential Authority as part of the reporting requirements. The list will aid in deciding whether the scope of the conglomerate needs amendment, subject to reviews and explanations where necessary.
70)	FIRSTRAND	4.14	For the test, will this be based on total consolidated assets of the financial conglomerate. For the entities excluded and below the threshold, will a list of these entities need to be submitted to the PA or subject to any specific reviews?	See response to comment 69.
			5. Roles and responsibilities	
71)	SAIA		No comments.	Noted.
72)	ASISA		No comments	Noted.
73)	OLD MUTUAL		No comments	Noted.
74)	ALBARAKA BANK LIMITED		No comments	Noted.
75)	BANK OF TAIWAN SA		No comments	Noted.
76)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
77)	JSE		No comment	Noted.
78)	SAHL		No comments	Noted.
79)	FIRSTRAND	5.3 and 5.4	Whilst the first paragraph refers to a three-month period, the second point refers to the foreseeable future. The three-month period may have to be extended to look at a longer period in advance, and to notify the PA. Three months may not be sufficient. Should this align to the entity's planning horizon? How is this aligned to the six-monthly reporting of the entity?	Noted. Paragraph 5.3 has been removed.
80)	BASA	5.3 and 5.4	Whilst the first paragraph refers to a three-month period, the second point refers to the foreseeable future. The three-month period may have to be extended to look at a longer period in advance, and to notify the PA. Three months may not be sufficient. Should this align to the entity's planning horizon? How is this aligned to the six-monthly reporting of the entity?	See response to comment 79.
81)	FIRSTRAND	5.5	If the financial conglomerate is required to hold additional capital, will any of the underlying entities be required to hold the additional capital?	Paragraph 5.5 has been amended to read: If, in the view of the Prudential Authority, all risks are not adequately covered by the required capital of the financial conglomerate, the Prudential Authority may require the financial conglomerate to hold additional capital at the level of the holding company.

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82)	BASA	5.5	If the financial conglomerate is required to hold additional capital, will any of the underlying entities be required to hold the additional capital?	See response to comment 81.
83)	BASA	5.6	Will a list of these jurisdictions be published (periodically)?	See response to comment 45.
84)			**6. Requirements and principles**	
85)	ALBARAKA BANK LIMITED		No comments	Noted.
86)	BANK OF TAIWAN SA		No comments	Noted.
87)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
88)	JSE		No comment	Noted.
89)	BASA	6.1	Transferability of assets is unlikely to be an indicator of transferability of capital.	Noted. Any form of non-transferability should be considered and deducted from eligible capital.
90)	BASA	6.1	Please provide more detail and confirm the building block approach, with a consideration whether the building block approach starts with the consolidated IFRS view and then splits it into blocks for capital regulations to be calculated. Is this done on a standalone basis, i.e. intragroups are eliminated on a standalone basis and then aggregated?	Paragraph 6.2 states that the starting point is the IFRS consolidated value for the scoped conglomerate. Paragraph 6.3 states that the IFRS values for each of the blocks are deducted from this consolidated value. Intragroup transactions and other such considerations are then eliminated between each and every block, before aggregating the adjusted values for eligible and required capital for each block. Please refer to paragraph 6.7 as only intragroup transactions leading to double counting should be considered for elimination.
91)	BASA	6.1	Is it the intention of the Prudential Authority that financial soundness be viewed as a capital adequacy of greater than 1?	See response to comment 43.
92)	BASA	6.1	Can further illustration of the building block approach be provided?	Prior to finalising the Standard for formal consultation, the Prudential Authority intends to hold a workshop to further illustrate the building block approach.
93)	OLD MUTUAL	6.1 - 6.3	This requires further clarity and explanation.	Noted.
94)	BASA	6.2 and 6.3	'Building Block Approach' seems consistent with the principle put forward under the Principle-based Approach. However, the previous comment raised on potential differences in the relevant capital requirements and capital eligibility across various solo and unregulated entities within the conglomerate hold true as an open item under both approaches.	Paragraph 6 of the Standard explains how to calculate eligible and required capital based on the existing prudential frameworks that apply to solo entities and groups as well as how to calculate capital in cases where there no existing prudential framework.
95)	BASA	6.2 and 6.3	Is this section referring to net asset value? Section 6.3 also requires the deduction of IFRS value from the consolidated value – again is this consolidated NAV (which would represent post acquisition reserves only)? What is the intention of retaining a "standalone" value for the holding company of the financial conglomerate? How should this be different from a standalone set of financial statements?	The consolidated value refers to the total consolidated assets and liabilities of the conglomerate. The assets and the liabilities of the holding company after all the blocks' values have been deducted should also be considered for required capital in an effort to calculate a total capital adequacy for the conglomerate and not just for the other blocks.
96)	FIRSTRAND	6.2 and 6.3	Is this section referring to net asset value? Section 6.3 also requires the deduction of IFRS value from the consolidated value – again is this consolidated NAV (which would represent post acquisition reserves only)? What is the intention of retaining a "standalone" value for the holding company of the financial conglomerate? How should this be different from a standalone set of financial statements?	See response to comment 95.
97)	BASA	6.2 and 6.3	The application of a building block approach where deductions need to be made from a consolidated position is not clear. In particular, it is not clear what is meant by "the IFRS values of the different blocks must be deducted from this consolidated value" in par 6.3.	See response to comment 92.
98)	BASA	6.3	What is the objective of 6.3? It is not clear and further details are required.	See response to comment 92.
99)	BASA	6.4	Eligible capital will be calculated for each block – clarity is required as to NAV calculated under 6.2 and 6.3 will reconcile to the bottom up approach described in 6.4.	It is not the intention that the consolidated values for the conglomerate will reconcile with the block approach as the block approach represents the regulatory view of the conglomerate with

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			Does eligible capital refer to loss absorbing capital, and how does it align across different controlling companies, where the applicable regulatory frameworks may differ?	various adjustments and de-recognitions that might not apply to the consolidated approach. Conglomerate supervision is based on the premise that the sectoral frameworks is correct and appropriate for the sector that it caters for. It is not the intention to align frameworks, but rather to use these frameworks and add requirements for what is not already catered for.
100)	FIRSTRAND	6.4	Eligible capital will be calculated for each block – clarity is required as to NAV calculated under 6.2 and 6.3 will reconcile to the bottom up approach described in 6.4 Does eligible capital refer to loss absorbing capital, and how does it align across different controlling companies where the applicable regulatory frameworks may differ?	See response to comment 99. `
101)	BASA	6.4	Does 6.4 relate to regulatory framework for banks such as the Bank's Act regulations and the FSCA for insurance entities? Where an entity has exposure to multiple regulated subsidiaries, which one would take precedence? Does that mean for bank with insurance subs, the Banks Act takes precedence?	FSCA does not make prudential regulations for insurance entities. Instead, this is the mandate of the Prudential Authority and is encompassed in the Insurance Act and Prudential Standards. Paragraph 4.2 explains that a block could be an insurance group or a banking group where each are defined, scoped and licensed as an insurance group or banking group. Paragraph 6.4 states that for each block, say a banking group, the applicable regulations will apply, which in this case are the Bank's Act and Regulations. If this conglomerate has an insurance group then this group will be another block where the Insurance Act and Prudential Standards for insurance groups will apply as is.
102)	BASA	6.5	Prudential Standard FSI 4.1 - Market Risk Capital Requirement – how does this deviate from the way capital is calculated under the current banking ruleset? To confirm, this approach differs from the original paper that referenced the standardised approach under the Basel ruleset should be applied and follows the current approach adopted by insurance groups?	It does differ, but conglomerate supervision is not intended to align to any specific framework, but rather intends to derive a unique framework for conglomerates. In some instances we relied on existing legislation where appropriate and practical in order to achieve the aforementioned. The Basel ruleset will still be applied to banking groups and banks. The suggested approach is only applied to entities and assets outside of regulated entities within a block.
103)	BASA	6.5	We understand Prudential Standard FSI 4.1 to currently be applicable to insurance entities. We recommend that banking groups be allowed to utilise the standardised approach for calculating capital demand for unregulated entities as well as for other assets.	Noted. It is advised that unregulated entities that are already reported under group supervision should not be recalculated, but are instead still subject to the rules of the relevant group supervision. The PA has amended paragraph 4.12 to add "not subject to solo or group supervision by the Prudential Authority or equivalent jurisdiction." For those unregulated entities outside group supervision, the approach of FSI 4.1 was deemed appropriate simplified approach than to go the RWA approach that would need to cater for all possible types of entities.
104)	OLD MUTUAL	6.5	Please include definition of NAV in para 6.5 as is included in 6.18.	NAV is already defined in paragraph 4.7.
105)	OLD MUTUAL	6.5	Conglomerates should be allowed the option of proposing an alternative approach to the equity shock for unregulated entities, for example if they believe an alternative approach would better reflect the risk profile of the entity.	Currently an approach that applies to all conglomerates equally is preferred. The Prudential Authority will over time review the Standard, its implications and the learnings from this new type of supervision to update the Standard to fit the industry better and to promote sound supervision and governance.
106)	FIRSTRAND	6.5	6.5 Prudential Standard FSI 4.1 - Market Risk Capital Requirement – how does this deviate from the way capital is calculated under the current banking ruleset?	See response to comment 102.

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			To confirm, this approach differs from the original paper that referenced the standardised approach under the Basel rule-set should be applied and follows the current approach adopted by insurance groups?	
107)	BASA	6.5	Please provide further clarity on capital requirements calculation for unregulated entities. How should an equity shock method be applied?	The details of the equity shock is set out in Prudential Standard FSI 4.1.
108)	BASA	6.6	Further, what "other assets and liabilities" are envisaged under 6.6 if the holding company is initially required to be consolidated per IFRS?	Paragraph 4.2 explains what blocks are and provides that all assets and liabilities of the conglomerate that are not part of a block is in itself all together a block representing the holding company after the other blocks' values have been deducted. The Standard has been amended to make this clear. The standard has been amended to replace 'other' with 'remaining' in 4.2 and 6.6.
109)	BASA	6.6	Currently, banking rules allow for associates and joint ventures to be proportionally consolidated. Will the same dispensation be allowed under the Financial conglomerate rules?	Associates and joint ventures that are part of a block are already subject to the rules of that block if such a block is subject to either solo prudential or group prudential supervision. If such ventures are not in such a block then they could each be a block by itself and then either regulated or unregulated. The block approach for either regulated or unregulated entities will then apply.
110)	BASA	6.6	Clarification is required with regards to the treatment of threshold deductions at a Financial conglomerate level (to be considered together with point 4.5. content and feedback).	Thresholds and other such eligibility limitations applicable under solo or group supervision will still apply to regulated solo entities or regulated groups. No such thresholds are envisaged for conglomerates other than what is set out in the Standard.
111)	BASA	6.6	Guidance and/or sufficient elaboration is required in respect of the determination of 'arms-length values' (all other assets and liabilities of the holding company) and the requisite valuation methodology to be applied herein. This comment is predicated on the basis that valuations are inherently judgmental and require a structured approach to ensure consistence and standardised application across the industry.	The intent of using arms-length values is to achieve market-consistent values. The wording will be updated to clarify. The standard has been amended to read: All other assets and liabilities of the holding company of the financial conglomerate must be measured at fair value as determined by IFRS. The relevant stresses as set out in Prudential Standard FSI 4.1 - Market Risk Capital Requirement must be applied to calculate the required capital for these assets and liabilities.
112)	FIRSTRAND	6.7	Elimination of intragroup transactions refers only to eligible capital. Would any additional rules be applied to required capital or would IFRS accounting treatment be followed? Does the reference in 6.10 address the required and eligible capital sides of a transaction in two separate regulated entities within the same conglomerate?	No additional rules is envisaged, indeed, such rules should then be set out in this Standard. Yes, elimination of intragroup transactions address both the eligible and required capital and are only for those entities that are considered part of the scope of the same conglomerate.
113)	BASA	6.7	Elimination of intragroup transactions refers only to eligible capital. Would any additional rules be applied to required capital or would IFRS accounting treatment be followed? Does the reference in 6.10 address the required and eligible capital sides of a transaction in two separate regulated entities within the same conglomerate?	See response to comment 112.
114)	BASA	6.7 – 6.10	The interplay between IFRS consolidated statutory accounts (with intragroup transactions already eliminated) and the conglomerate intragroup elimination principles described in 6.7-10 requires further explanation. The list of items provided in 6.10 does not appear to be exhaustive, therefor this is section is not clear. These transactions will eliminate as part of the statutory consolidation of the holding company under IFRS.	The list in paragraph 6.9 is not intended to be exhaustive, but intends to give an indication of the type and range of transactions that should be considered. Paragraph 6.7 states that the section is only applicable if the intragroup transactions for each block has not taken such transactions fully into account in the sectoral requirements.
115)	BASA	6.7 – 6.10	How to distinguish between Bank specific capital requirements and Conglomerate capital requirements for example Pillar 2B requires banks to hold capital for bank specific risk, however the intragroup standards states that "If in the view of the Prudential Authority, that intragroup transaction and exposure risks are not adequately covered or taken into account by the	It is not currently envisaged to have a capital requirement addition for all conglomerates, but rather that on a case-by-case basis an assessment will be made and if in the view of the Prudential Authority an addition might be required it will be communicated as such. All risks will be considered for this assessment.

No	SOURCE	Paragraph of the Standard	Comment	Response
			financial conglomerate, the Prudential Authority may take any regulatory action including requiring the financial conglomerate to hold or maintain additional capital." With this in mind, will there be a potential introduction of Conglomerate specific requirement? This should be read in conjunction with feedback on 4.3.	
116)	ASISA	6.9	Member A We appreciate that para 6.7 provides for the elimination from eligible capital of certain transactions where such a transaction might result in double counting. However, we note the difficulty if not unreasonableness that would arise if 'cost-sharing arrangements' (para 6.9g) includes intra-group outsourcing arrangements and where those transactions would have to be removed. We assume the latter are not intended to be included as falling within this section, and if our assumption is correct, then this comment can be ignored. If not, we propose that intra-company fees which occur on an arms-length basis, and on a "cost plus basis", not be deemed to be a 'cost-sharing arrangement' within the ambit and for the purposes of this section.	The assumption is not correct. Intragroup outsourcing arrangements should be included. It must be noted that the elimination is only required if the arrangement could lead to double counting of eligible or required capital. Eliminating such arrangements would give the Prudential Authority a view of the position and contribution that such arrangements have for the various entities within the conglomerate.
117)	FIRSTRAND	6.9	Clarification is required on the difference between the treatment of intergroup transaction under the FC01 and currently treated under IFRS reporting. If these differ, will this require additional processes to be set up to differentiate between the two types of reporting. Are these akin to "impairments" taken in the current Bank Regulations where IFRS would not appropriately eliminate a transaction?	Yes, conglomerate reporting for regulatory purposes is not necessarily the same as for IFRS, which may imply different processes. The principle of deductions in banking regulations are similar to what is required for elimination of intragroup transactions. Also see our response to comment 116.
118)	BASA	6.9	Clarification is required on the difference between the treatment of intergroup transaction under the FC01 and currently treated under IFRS reporting. If these differ, will this require additional processes to be set up to differentiate between the two types of reporting. Are these akin to "impairments" taken in the current Bank Regulations where IFRS would not appropriately eliminate a transaction?	See response to comment 117.
119)	BASA	6.10	IGT removal – will there be a need to recalculate capital requirements post IGT removal, as is currently done for insurance groups?	Yes, changes to both eligible and required capital should be calculated to indicate the effect of the elimination. A proportional approach to calculate the effect of the elimination would be acceptable. The standard has been amended to add "and required capital" wherever eligible capital is referred to.
120)	BASA	6.12, 6.13, 6.14	Are 6.13 and 6.14 meant to be sub-paragraphs of 6.12?	Yes, it has been amended in the draft Standard.
121)	BASA	6.15	Will surplus capital in subsidiaries be seen as fungible capital? It is important to define what non fungible capital is, including how it applies across jurisdications, and how we consolidate it. Given restrictions across jurisdictions on the transferability of capital, the implication for banks' operation across multiple jurisdictions is important. Clarity should be given whether the current treatment under banking regulations will hold true for banking entities outside South Africa.	Instead of defining what fungible capital is or is not, the principle of fungibility is set out in the Standard and it is required of the conglomerate to consider the principle and to apply it. As with principle-based regulation, convergence is less automatic and the industry is requested to apply the intent of the principle, while the Prudential Authority will promote convergence and adherence through supervision. Current banking rules will continue to apply to banks and banking groups.
122)	BASA	6.15	Par 6.15 seems to suggest that minority interest be split between a portion that is fungible and a portion that is not fungible. It is unclear how this is to be achieved. The industry proposed, in previous working groups, that full inclusion of minority interest in eligible capital without regulatory caps for all regulated entities (banking and insurance companies) be applied.	Minority interests are not the explicit subject of this Standard and instead a pro-rata basis for the aggregation of the economic interests of each block is set out in paragraph 6.20. The principle of fungibility should be applied in an effort to estimate/determine what eligible capital could be recognised at the conglomerate level.
123)	BASA	6.15	The calculation of the portion of capital that is not fungible is confusing.	Conglomerates should consider the intent of the paragraph, which is that the eligible capital for the block should be equal to the required capital if it would be less if the non-fungible part is not recognised.

No	SOURCE	Paragraph of the Standard	Comment	Response
				Prior to making the Standard the Prudential Authority intends to hold a workshop to further illustrate the building block approach.
124)	SAIA	6.15	Prudential Standard FSG 2 (Assessing the Financial Soundness of Insurance Groups Using the Deduction and Aggregation Method) in paragraph 5.7 provides as follows: "Own Funds that are non-fungible or non-transferable across the insurance group must not be considered to be fully available at a group level. However, such solo own funds may be recognised as group own funds up to the point where the solo own funds equal the solo SCR (after elimination of intra-group transactions)." The requirements between Prudential Standard FSG 2 and as proposed in 6.15 seem to be equivalent, however, FSG 2 does not make the distinction between fungibility and transferability in determining eligible capital that can be recognised to meet the required capital of an entity. Therefore, the requirements in FSG 2 5.7 and the Draft Standard in 6.15 do not appear to be aligned. Accordingly, we recommend alignment of the requirements.	The intent and the application is the same as envisaged in FSG 2. Non-transferable has been added to the word non-fungible where it appears in the Standard.
125)	ASISA	6.15	Member C Prudential Standard FSG 2 paragraph 5.7 seems to be the equivalent paragraph in the Insurance Group requirements. However, FSG 2 does not make the distinction between fungibility and transferability in determining eligible capital that can be recognised to meet the required capital of an entity. Therefore, the requirements in FSG 2 and FCS01 do not appear to be aligned. Recommend the requirements are aligned.	See response to comment 124.
126)	FIRSTRAND	6.15	The calculation of the portion of capital that is not fungible is confusing.	See response to comment 123.
127)	BASA	6.15	Further explanation of partial recognition of non-fungible capital is required. Not sure if the recognition of losses in a lower level entity relative to its available capital and any non-fungible surplus ties up with the aggregation of losses and the total available capital at the financial conglomerate level.	See response to comment 123.
128)	BASA	6.16 a.	Is minimum capital held (in line with prudential requirements) considered not to be fungible as it may not be moved from the jurisdiction?	Yes, but please note paragraph 6.15.
129)	FIRSTRAND	6.16 a.	Is minimum capital held (in line with prudential requirements) considered not to be fungible as it may not be moved from the jurisdiction?	See response to comment 128.
130)	BASA	6.16 c.	Par 6.16 (c) suggests that hybrid capital instruments would qualify as eligible capital if issued by the holding company. This seems to contradict provisions in the "principle-based document". Further, the proposals do not address current differences in definitions of qualifying capital between insurance groups and banking groups e.g. the composition of Tier 1, Tier 2 and Tier 3 capital of insurance groups vs. CET1, and Tier 1 in banking groups. Given the different costs associated with different components of capital, it is important to consider a level playing field between insurance groups and banking groups.	The conglomerate capital standard does not intend to address current differences in other sectoral regulations, but rather assumes that such regulations are appropriate and relevant.
131)	BASA	6.16 c.	Why would subordinated liabilities be considered eligible capital? It is also unclear as to why hybrid capital not issued from the holding company should be eliminated. The principles must be aligned for future resolution planning, and a potential multiple point of entry (MPE) approach where these instruments are issued by a controlling company of a bank (especially in another jurisdiction that may be better rated than South Africa).	Subordinated liabilities are acceptable eligible capital for insurers and insurance groups and could possibly be deemed eligible capital for conglomerates, but would need to adhere to the fungibility and intragroup transactions' requirements. The hybrid capital issued by any entity in the conglomerate must be considered for elimination of intragroup transactions or fungibility, if applicable, but could otherwise be considered eligible capital with Prudential Authority approval. Please also refer to paragraph 6.15.

No	SOURCE	Paragraph of the Standard	Comment	Response
132)	FIRSTRAND	6.16 c.	Why would subordinated liabilities be considered eligible capital? It is also unclear as to why hybrid capital not issued from the holding company be eliminated? The principles must be aligned for future resolution planning, and a potential multiple point of entry (MPV) approach where these instruments are issued by a controlling company of a bank (especially in nother jurisdiction that may be better rated than South Africa).	See response to comment 131.
133)	OLD MUTUAL	6.16 c.	The Prudential Standards (FSG) allow hybrid capital instruments and subordinated liabilities issued / guaranteed by the controlling company of the insurance group to be counted as fungible own funds and also include a grandfathering clause for other issuances. These should also be allowed here.	Agree. The Standard was amended to reflect transitional provisions.
134)	BASA	6.16 d.	We recommend that this provision be aligned with current banking rules that require a deduction from qualifying capital only where realisation of the asset is dependent on future profitability.	Deferred taxes are not deemed to be fungible for other entities in the conglomerate. Banking rules apply to banking blocks, but also consider paragraph 6.15.
135)	FIRSTRAND	6.17	What is the relevance of a nine-month period to consider funds to be made available to the financial conglomerate?	The Prudential Authority is of the view that funds that cannot be made available in nine months should be considered as non-fungible as such unavailability would not be useful in the interim period for supervision purposes and the availability of such funds for loss-absorbing purposes.
136)	BASA	6.17	We recommend that the provisions with respect to fungibility and transferability be clarified to only apply to such amounts that the holding company may wish to transfer to another entity but is unable to do so because of, for example, exchange controls. For example, earnings retained to support growth or to improve capital adequacy should not be viewed as not transferrable or non-fungible.	The principle of fungibility should be adhered to. Whether it is the wish of the conglomerate to channel its capital to any of the entities in the group is not the concern, but whether there are impediments that would not allow such transfers when the need arise, typically after a severe shock event.
137)	BASA	6.17	What is the relevance of a nine-month period to consider funds to be made available to the financial conglomerate?	See response to comment 135.
138)	FIRSTRAND	6.19	Will the goodwill and intangibles be deducted net of deferred tax assets. Also, where the goodwill is only reported at a consolidated financial conglomerate level, is this deducted from the eligible capital at the holding company of the financial conglomerate, rather than each block? Especially where goodwill is created upon consolidation at the holding company level?	Goodwill should be excluded whether from each block individually or at a consolidated level is not prescribed. The intent of the principle should be applied, which is that the Prudential Authority does not consider goodwill and intangibles to be eligible capital. The goodwill and intangibles on the balance sheet should be deducted without further adjustments to deferred tax.
139)	BASA	6.19	Will the goodwill and intangibles be deducted net of deferred tax assets. Also, where the goodwill is only reported at a consolidated financial conglomerate level, is this deducted from the eligible capital at the holding company of the financial conglomerate, rather than each block? Especially where goodwill is created upon consolidation at the holding company level?	See response to comment 138.
140)	FIRSTRAND	6.20	How will the aggregation on a pro rata basis work? Especially as some excess capital may be held in certain entities to support a credit ratings etc. In these instances, the total available capital at a financial conglomerate level may be understated where the entity is not as large as other entities in the group. Is economic interest the same as percentage shareholding?	After calculating the eligible capital and required capital for a block, the economic interest of the conglomerate must be applied to both the eligible and required capital before aggregating with the other blocks' eligible and required capital. Economic interest could be potentially wider than just direct shareholding, and intends to encompass the total direct and indirect shareholding that the holding company has in an entity or block, such that a direct holding in an entity must be added to any other indirect holding if such holding is not already fully captured in the other blocks that this entity could be subject to.
141)	BASA	6.20	How will the aggregation on a pro rata basis work? Especially as some excess capital may be held in certain entities to support credit ratings etc. In these instances, the total available capital at a financial conglomerate level may be understated where the entity is not as large as other entities in the group.	See response to comment 140.

No	SOURCE	Paragraph of the Standard	Comment	Response
			Is economic interest the same as percentage shareholding?	
142)	BASA	6.20	6.20 refers to an aggregation on a pro-rata basis based on the economic interest of the holding company of the financial conglomerate for each block. What is the objective of this aggregation approach?	The eligible and required capital values for each block are calculated separately and are aggregated to get the eligible and required capital values for the conglomerate. In this way the regulations that apply for a block is retained as much as possible before considering the adjustments set out in section 6.
143)	ASISA	General comment applicable to Section 6	Member B This is no different to the Group reporting requirement under SAM i.e. differentiating between regulated and non-regulated and "building" a group reporting requirement based on the individual entities' regulatory capital requirements. This approach will not significantly increase level of reporting.	It is true that if the insurance group is equal to the conglomerate then the reporting will not be improved. For other conglomerates the reporting will add what is not already reported on level 1 or 2 reporting.
			7. Reporting requirements in terms of capital adequacy	
144)	ALBARAKA BANK LIMITED		No comments	Noted.
145)	BANK OF TAIWAN SA		No comments	Noted.
146)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
147)	JSE		"The holding company of a financial conglomerate must submit regulatory reporting returns on a bi-annual financial year-end basis. The returns must be submitted within 60 days after the relevant reporting date." Suggested wording: The holding company of a financial conglomerate must submit regulatory reporting returns to the Prudential Authority on a semi-annual basis. The returns must be submitted within 60 days after the relevant reporting date.	This paragraph has been amended to state on a six monthly basis. In June and December irrespective of financial-year end.
148)	SAHL		The reporting date should be defined. If it is to be aligned with financial year end, then 60 days would not be sufficient. It would make sense for the date of submission of the reports to be aligned to the submission of the audited financial statements.	The paragraph has been amended to state six monthly basis. In The 60 days submission does not require that the reporting is audited. It is accepted that the information submitted after 60 days will not necessarily be final or complete if the underlying processes are not completed in time. A separate Standard detailing audit requirements is envisaged to set out the requirements for subsequent submissions if needed.
149)	SAIA	7.1	The Draft Standard states that the capital assessment for the Financial Conglomerate should be submitted 60 days after the reporting date. To complete the capital assessment, the holding company will rely on the capital assessments conducted for the various entities within the Financial Conglomerate. Annual Insurance Group and Insurance Solo returns are only submitted four months after the valuation date. Furthermore, Interim Insurance Group returns are only finalised three months after the valuation date. Accordingly, it is recommended that the Financial Conglomerate reporting timelines be aligned.	See response to comment 148.
150)	ASISA	7.1	Member C The Standard states that the capital assessment for the Financial Conglomerate should be submitted 60 days after the reporting date. In order to complete the capital assessment, the holding company will rely on the capital assessments conducted for the various entities within the Financial Conglomerate. Annual Insurance Group and Insurance Solo returns are only submitted four months after valuation date. Furthermore, Interim Insurance Group returns are only finalised three months after the valuation date. Recommend the Financial Conglomerate reporting timelines are aligned.	See response to comment 148.
151)	OLD MUTUAL	7.1	Reporting requirements should align to those for insurance group purposes as that reflects when financial results will be readily available. (Conglomerate	See response to comment 148.

No	SOURCE	Paragraph of the Standard	Comment	Response
			returns are due to the PA 60 days after the relevant reporting date, however, the OML Group return (on which the Conglomerate return relies) is due 3 months after the relevant reporting date. The submission date of the Comglomerate return should be in line with or after the Group return.)	
152)	OLD MUTUAL	7.1	*"An exposure of a financial conglomerate to a counterparty or to a group of connected counterparties, as defined in paragraph 4, will be regarded as a large exposure if the aggregate exposure to the counterparty or to the group of connected counterparties is in excess of 10% of the financial conglomerate's eligible capital base as defined in Prudential Standard FC01: Capital requirements for financial conglomerates – Technical"* A financial conglomerate's eligible capital base may be very small in relation to its total asset base (especially when large asset exposures backing linked liabilities are also included). Various asset holdings may be regarded as large exposures on this basis even though they do not pose risk to the balance sheet. How should operational risk exposures be assessed in this regard (i.e. on what basis should a value be placed on operational risk exposures?)	Comment for large exposures Standard.
153)	FIRSTRAND	7.1	Is there no audit requirement under the technical-based standards. If a combination of technical and principle-based standards are adopted, will there be any audit requirements.	See response to comment 148.
154)	BASA	7.1	The insurance annual return is submitted 120 days after the year-end. Actuarial valuations for insurance returns take a long time to complete, given the complexity and the assumptions used in the valuations. How will the 60-day submission work? Most of the banking groups in South Africa typically present their annual financial results in the first two weeks of March every year. It is therefore not practical to require FC submissions to be made within 60 days (i.e. before these results presentations). We recommend that a minimum of 60 business days be provided for. Is there no audit requirement under the technical-based standards? If a combination of technical and principle-based standards are adopted, will there be any audit requirements?	See response to comment 148.
155)	Outsurance	7.1	The regulatory reporting requirement is stated as submitting returns on a bi-annual financial year-end basis. Returns are due 60 days after the relevant reporting date. The capital adequacy reporting requirement is stated differently and clearer in FC01 – Principled based, which is: The holding company of a financial conglomerate must submit regulatory reporting returns to the Prudential Authority on a semi-annual basis, one of which must be an audited annual return. The returns must be submitted within 60 days after the relevant reporting date. We suggest consistency in the requirement between the two standards.	See response to comment 148.
156)	Outsurance	7.1	The technical standard must be clear on what components of the returns will be public and non-public. Due regard should be given that detailed information about non-public entities or non-regulated entities disclosed in regulatory returns to ensure the management of sensitive information, not otherwise publically available.	Currently no reports will be required to be disclosed publicly. The Prudential Authority envisages that a public disclosure standard will be made in due course.
			GENERAL COMMENTS	
157)	SAIA		It is requested that all definitions and terms of reference that are contained in the Standard be aligned in financial sector laws, specifically those that apply to eligible financial institutions.	Noted. Alignment is made as far as possible, but some use in a specific Standard may warrant deviation and will then be properly defined.
158)	ASISA		Member D -We support a combined technical and principle-based approach.	Noted. Based on the comments received, the Prudential Authority will continue developing the technical standard.

No	SOURCE	Paragraph of the Standard	Comment	Response
159)	OLD MUTUAL		We are generally supportive of a technical approach to assessing capital requirements for conglomerates.	See response to comment 158.
160)	FIRSTRAND		To confirm that goodwill and intangibles is the only regulatory deductions against NAV used in the calculation of eligible capital.	Not necessarily. All of the considerations set out in section 6 should be considered for those blocks where NAV is applicable.
161)	FIRSTRAND		Where there are solo entities in foreign jurisdictions (subject to in-country regulations), will these solo entities each be considered a 'block' and subject to the in-country regulations to calculate the eligible capital and required capital. If these jurisdictions are not deemed equivalent, will the eligible capital and required capital be calculated on the Prudential Authority's banking ruleset or will it default under the 'Prudential Standard FSI 4.1 - Market Risk Capital Requirement' for unregulated entities? A quantitative impact study should assess the impact using different approaches.	A solo entity that is already part of a group will be included in the group's block and will be its own block if not. Only regulated entities in equivalent jurisdictions will be allowed to use in-country regulations. Those in non-equivalent jurisdictions must be treated as an unregulated entity.
162)	FIRSTRAND		There is no guidance on how blocks calculated in currency other ZAR should be converted to arrive at the aggregated capital (eligible and required) Will this follow IFRS rules? This also impacts the FCTR reported at the consolidated level and how this should be disaggregated for financial conglomerates reporting purposes.	Reporting in ZAR using IFRS prescribed rules for conversion.
163)	FIRSTRAND		Given the draft resolution framework and flac requirement (where the levels and location of flac are still not yet finalised), will this be based on the banking regulations or building block approach for financial conglomerates. A consolidated vs aggregated approach may result in different required capital levels, and therefore not achieve the intended results.	The flac requirements will be based on the location of the systemically important blocks and not necessarily the level 3 entity. Flac will also be set independent of regulatory capital.
164)	FIRSTRAND		Will the reporting for the financial conglomerates be additional to the current capital reporting for the consolidated bank controlling company (group BA600 and BA700) if these two are the same entities?	Yes.
165)	FIRSTRAND		A full understand of the principle/technical based standards can only be fully understood once the reporting templates and guidelines are published. This will provide additional insight as to the practicalities/complexities regarding these standards.	See response to comment 158.
166)	FIRSTRAND		It is the preference of the FirstRand group that a technical based approach be followed, and that greater guidance be provided on some of the questions raised.	See response to comment 158.
167)	ALBARAKA BANK LIMITED		No comments	Noted.
168)	BANK OF TAIWAN SA		No comments	Noted.
169)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
170)	BASA		Please see the comment on the FC01 Technical in Section C.	Noted.
171)	BASA		FC01 (Principle Based Capital Standard & the Technical Capital Standard) – It is noted that the intention of the PA is to make an informed decision on which standard will proceed to formal consultation (or a hybrid thereof). This evaluation is supported given the level of duplication that the two standards introduce at the moment. The technical standard is expected to be a more specific requirement extension of the principle one – this expectation is currently not met.	See response to comment 158.
172)	BASA		If the intention for the company is to do a self-assessment similar to the ORSA and ICAAP, it is suggested that this be made clearer in the different standards.	This was included in the Governance standard.
173)	BASA		The Group needs to do a simulated calculation of the implications of the Standard, based on best effort. However, due to the prevailing COVID-19 conditions and lack of detail on some of the definitions for eligible capital and required capital, the quantitative assessment has not been done.	Noted.

No	SOURCE	Paragraph of the Standard	Comment	Response
174)	BASA		A prescribed form, supported by rules to determine quantification rules for capital, between multiple business that the group operates and owns, are required.	A reporting template will accompany the Capital Standard.
175)	BASA		To confirm that goodwill and intangibles is the only regulatory deductions against NAV used in the calculation of eligible capital.	See response to comment 160.
176)	BASA		Where there are solo entities in foreign jurisdictions (subject to in-country regulations), will these solo entities each be considered a 'block' and subject to the in-country regulations to calculate the eligible capital and required capital? If these jurisdictions are not deemed equivalent, will the eligible capital and required capital be calculated on the Prudential Authority's banking ruleset or will it default under the 'Prudential Standard FSI 4.1 - Market Risk Capital Requirement' for unregulated entities? A quantitative impact study should assess the impact of using different approaches.	See response to comment 161.
177)	BASA		There is no guidance on how blocks calculated in currency other ZAR should be converted to arrive at the aggregated capital (eligible and required). Will this follow IFRS rules? This also impacts the FCTR reported at the consolidated level and how this should be disaggregated for financial conglomerates reporting purposes.	See response to comment 162.
178)	BASA		Given the draft resolution framework and flac requirement (where the levels and location of flac are still not yet finalised), will this be based on the banking regulations or building block approach for financial conglomerates? A consolidated vs aggregated approach may result in different required capital levels, and therefore not achieve the intended results.	See response to comment 163.
179)	BASA		Will the reporting for the financial conglomerates be additional to the current capital reporting for the consolidated bank controlling company (group BA600 and BA700) if these two are the same entities?	See response to comment 164.
180)	BASA		The implications of the principle/technical based standards can only be fully understood once the reporting templates and guidelines are published. This will provide additional insight as to the practicalities/complexities regarding these standards.	See response to comment 158.
181)	BASA		It is the preference of the FirstRand group that a technical based approach be followed, and that greater guidance be provided on some of the questions raised.	Noted.
182)	JSE		No comment	Noted.
183)	Outsurance		The principles outlined in the technical capital standard are aligned with the approach followed with general group prudential supervision that insurers have become accustomed to under SAM / FSI. We do encourage that recognition is made for the diversification within Level 2 and Level 3 groups. Product, industry and geographical diversification may significantly decrease the financial and operational risk within a group.	Noted, however, the focus was to ensure all financial conglomerates are adequately capitalised and not to design new risk sensitive rules.
184)	SAHL		Non-bank credit providers are currently required to calculate capital in accordance with the Basel capital framework because they are registered under the NCA. Whilst we are still appropriately capitalised on this basis it should be noted that, because we are a non-bank lender, it means that we have to do such calculations under the standardised approach for credit risk whereas, if we were a bank, an Advanced Approach model could be adopted. As we do also run an Advanced Approach model for some portfolios, we are aware that the efficiencies (against the standardised approach) are significant. Our submission is that the Prudential Authority should not be applying a one-size fits all approach to such capital calculations (all entities regulated by NCR	There is currently no appetite to standardise requirements across regulators to ensure level playing fields. It is also not the intention to change existing regulatory rules, the purpose was to ensure that those entities classified as financial conglomerates are adequately capitalised.

No	SOURCE	Paragraph of the Standard	Comment	Response
			have to follow Basel) but should allow submissions with respect to alternate, risk appropriate capital frameworks.	