



SOUTH AFRICAN RESERVE BANK  
Prudential Authority

Ref.: 15/8/1

**Consultation report : Financial Conglomerate Prudential Standards**

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*May 2021*

## Introduction

The Joint Forum Principles for the Supervision of Financial Conglomerates (2012 Joint Forum Principles) point out that global financial crisis that began in 2007 highlighted the significant role that financial groups, including financial conglomerates, play in the stability of global and local economies. The economic reach of financial conglomerates, and the mix of regulated and unregulated entities (such as special purpose entities and unregulated holding companies) operating across sectoral boundaries within financial conglomerates, presents challenges for sector specific supervisory oversight. Thus, from an international perspective, the need has been identified to supervise financial conglomerates on a group-wide basis and to supplement the sectoral legislation on banking, investment and insurance based on the following:

The globalisation of financial markets created a catalyst for the development of internationally active financial groups, which have increased in number, complexity and size. These groups provide a range of financial products and services, including insurance, banking and investment services.

Recent failures in the supervision of financial groups have highlighted the deficiencies in traditional supervisory frameworks, where oversight was restricted. This is particularly important for groups that operate in multiple jurisdictions and conduct cross-sector activities.

The global financial crisis has highlighted just how embedded groups are within financial and economic systems. Governments and central banks in a number of jurisdictions had to implement emergency crisis resolution measures to stabilise and mitigate the potentially damaging effects of the failure of large financial groups on their respective economies.

The implementation of financial conglomerate supervision has emerged as a critical tool to help ensure that financial groups are effectively regulated and that they conduct their operations in both a prudent and financially sound manner.

Prior to the enactment of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (FSR Act) and consequent adoption of the Twin Peaks approach to financial sector regulation, the South African financial sector was fragmented – with different sectoral laws being applied by different regulatory authorities of specified financial institutions, which increased the risk of regulatory arbitrage as well as the risk that certain exposures to risk incurred by entities within a wider group of entities were not adequately taken into consideration.

The FSR Act was enacted on 1 April 2018, and created an enabling framework for the regulation and supervision of financial

conglomerates in South Africa. A financial conglomerate is a group of companies designated in terms of section 160 of the FSR Act.

In 2017, the PA embarked on a process of understanding and developing a financial conglomerate regulatory and supervisory framework. The PA consulted with other jurisdictions that had implemented financial conglomerate supervisions. In August 2017, a Financial Conglomerate Working Group was formed comprising members of the PA and industry. Sub-working groups for Capital, Intra-group transactions and exposures, Auditing and reporting requirements, Risk concentration as well as Governance and risk management were established.

The first set of standards were released for informal industry consultation in July 2018 and consisted of the following standards:

- FC01 - Capital requirements for financial conglomerates;
- FC02 - Intra-group transactions and exposures;
- FC03 - Auditor requirements for financial conglomerates;
- FC04 - Governance and risk management; and
- FC05 - Risk concentration.

To deal with the comments and amendments, the sub-working groups (SWG) reconstituted without representatives from industry. Financial Conglomerate draft prudential standards FC02 to FC05, were amended based on the comments and further understanding of the issues raised. The reporting templates were also adjusted based on the amendments made to the respective draft standards. A high-level overview of the comments are provided in this report.

A Technical Capital Standard was redrafted using a building-block approach. The Technical Capital Standard is based on the approach that Level 1 and Level 2 supervision and regulation is correct and aggregates eligible and required capital from these levels together with the capital calculations of unregulated entities and assets/liabilities held directly by the holding company calculated at Net Asset Value with an applied shock. Based on the divergent views within the PA on the understanding of the Technical Capital Standard by industry, a principle-based standard was also drafted.

The PA in February 2020, published both capital standards and Prudential Standards FC02 to FC05 for informal consultation. The standards were e-mailed to financial institutions on 4 March 2020 and published on the webpage of the PA on 5 March 2020. Due to requests for extensions the final deadline for comments was 10 June 2020.

An impact questionnaire was also sent to financial institutions to solicit qualitative information on the possible impact of the

proposed standards.

The PA received over 950 comments on the six draft standards and had to consider the inputs of over 27 financial institutions on the impact questionnaire. The comments received from the second round of informal consultation is contained in this report.

In October 2020, the PA released FC02 to FC05 together with applicable reporting templates for formal consultation. A decision was made to test the draft capital standard through a field testing exercise with designated financial conglomerate prior to the standard being made. Comments received from the formal consultation process is contained in this report.

On a high level – a summary of the comments received from the consultation processes are tabulated below:

**First round of informal consultation conducted in July 2018**

Standard	High level comments
FC-01 - Capital	The standard was drafted in a way that seems to address issues within the Level 2 and Level 1 supervision. Issues with definitions, the approach to calculate required capital. Questions were posed on what basis the additional capital will be calculated. Necessitated a complete redraft of the capital standard.
FC-02 – Intragroup transactions and exposures	No material objections. Mainly reporting questions – addressed in the reporting template
FC-03 – Auditor requirements	No material objections. Requested clarity on terminologies used and regarding some of the questions included in the auditor application form. Questions were also posed around auditor rotation and the appointment of joint auditors.
FC-04 – Governance and risk management	No material objections. Questions on clarity and extent of the application based on the extensive governance frameworks underlying Level 3 supervision.
FC-05 – Risk concentration	No material objections – questions were linked to the capital standards.

**Second round of informal consultation conducted in March 2020**

Standard	High level comments/observations
FC01 - Capital –Technical	The comments focused on – <ul style="list-style-type: none"><li>• the provision of clarity in terms of definitions;</li><li>• specific clarity on what may be included in a 'block';</li></ul>

	<ul style="list-style-type: none"> <li>• further guidance on the building block approach;</li> <li>• clarity on fungibility and the elimination of specific transactions to avoid double-counting; and</li> <li>• need for a reporting template to understand the requirements for calculating capital.</li> </ul>
FC01 – Capital – Principle	<p>A need for the standard to provide specific requirements and not apply on a principles basis only. This need was highlighted through the following comments:</p> <ul style="list-style-type: none"> <li>• definitions of more concepts/terms;</li> <li>• requirements needed for the calculation of capital of unregulated entities;</li> <li>• clarity on buffer requirements for capital;</li> <li>• links to ICAAP conducted on Level 2;</li> <li>• the principle method is more reactionary in nature and will be assessed at a point in time as opposed to a measure which will allow an entity to constantly measure compliance with capital adequacy requirements;</li> <li>• guidance needed on the approach to be used to quantify the risks to the financial conglomerate i.e. economic or regulatory capital. Is it the greater of the two, and will entities be in a position to assess the internal risks frequently?;</li> <li>• less supportive of a principles based approach to assessing capital requirements for conglomerates, given that the extra effort required does not provide any benefit and the ORSA process already includes a requirement to assess the appropriateness of the SAM approach to solvency. It is also more likely to introduce inconsistency across the industry; and</li> <li>• if the principles approach is used, there will be a need for framework as to how the Prudential Authority will decide on adjusting required capital and/or eligible capital.</li> </ul>
FC02 – Intragroup transactions and exposures	<p>No material objections. The comments received can be classified into 3 main themes:</p> <ul style="list-style-type: none"> <li>• clean up of referencing and cross referencing and removal of duplication;</li> <li>• proposals to change the threshold and clarification required regarding reporting requirements; and</li> <li>• proposed rewording and reshuffling of paragraphs to provide clarity.</li> </ul>
FC03 – Auditor requirements	<ul style="list-style-type: none"> <li>• No material objections. The comments related to-</li> <li>• proposed effective date;</li> </ul>

	<ul style="list-style-type: none"> <li>• the need for the PA to approve auditors of the holding company when auditors would have already been approved prior to the holding company being designated as a financial conglomerate for some of the entities within the financial conglomerate;</li> <li>• the challenges with regard to the possibility of a joint auditor requirement for the holding company of the financial conglomerate;</li> <li>• clarification on whether the PA requires an auditor to be experienced in the audit of banks and/or insurers or in the audit of the specific financial conglomerate;</li> <li>• turn-around times for auditor approval by the PA; and</li> <li>• clarification in the auditor approval application form on the services provided by the auditor e.g. statutory audit, non-audit services and other.</li> </ul>
FC04 – Governance and risk management	<ul style="list-style-type: none"> <li>• No material objections. The comments related to-</li> <li>• clarification on and requirements for definitions;</li> <li>• concerns on the circumstances that render an non-executive director non-independent including the need to apply bank specific independence requirements to the holding company of the financial conglomerate;</li> <li>• requirements for chairpersons of board committees to be independent;</li> <li>• specific suggestions to reword requirements;</li> <li>• the application of an ICAAP and the ORSA to the capital and risk assessment of the financial conglomerate;</li> <li>• the Prudential Authority providing templates on what information flow framework should entail; and</li> <li>• need for granular details on governance and risk management requirements for the holding company that is not registered under the Banks Act or the Insurance Act.</li> </ul>
FC05 – Risk concentration	<ul style="list-style-type: none"> <li>• No material objections. The comments related to</li> <li>• current requirements already imposed on insurance and banking institutions;</li> <li>• the linkage to the capital standard;</li> <li>• clarity on terminology used;</li> <li>• concerns of limits imposed on types of concentration risk; and</li> <li>• further clarity was requested on exemptions to the standard, additional capital that could be imposed and the reporting requirements (template, frequency).</li> </ul>

**Formal consultation conducted in October and November 2020** (*words in italics denotes the PA's response to the comments*)

Standard	High level comments/observations
FC02 – Intragroup transactions and exposures (ITEs)	<ul style="list-style-type: none"> <li>• No material objections. Clarifying seeking comments were made.</li> <li>• Comments related to the prescription of reasonable periods to comply with the standard and actions required in terms of the standard</li> <li>• How would the holding company receive information from the subsidiaries (members of the financial conglomerate) – the empowering provision is provided in section 162(5) of the Financial Sector Regulation Act, 2017.</li> <li>• Questions around the definition of materiality in terms of reporting of ITEs – this is left up to the board of financial conglomerate.</li> <li>• The power of the holding company to ensure that subsidiaries of the holding company complies with the holding company's requirements.</li> </ul>
FC03 – Auditor requirements	<ul style="list-style-type: none"> <li>• No material objections</li> <li>• Questions on what would happen if an auditor is already engaged in an audit – <i>the PA will take this into consideration when approving an auditor for the holding company.</i></li> <li>• Comments on the types of audit necessary – <i>this will only be unpacked in the auditing requirement standards for financial conglomerates that will be finalized in the near future.</i></li> </ul>
FC04 – Governance and risk management	<ul style="list-style-type: none"> <li>• No material objections</li> <li>• How would the holding company receive information from the subsidiaries and that the holding company would not be able to impose governance requirements and other requirements on the subsidiaries. <i>Empowering provision for information gathering is provided for in the Financial Sector Regulation Act, 2017 and group policies can be imposed on the members of the financial conglomerate.</i></li> <li>• Why there is a requirement for independent chairperson of the sub-committees, why is a director considered to non-independent after 9 years – <i>governance of financial conglomerates are being held to a higher standard.</i></li> </ul>

	<ul style="list-style-type: none"> <li>• Limitation of the standard to only supplemental requirements for governance and risk management – <i>the PA needs to be able to make requirements applicable to holding companies that are not already licensed in terms of financial sector laws.</i></li> <li>• Request for more detailed requirements for the Directors' Affairs Committee – <i>the standard was amended to provide more details.</i></li> <li>• Clarification on terms used in the Standard.</li> </ul>
FC05 – Risk concentration	<ul style="list-style-type: none"> <li>• No material objections</li> <li>• Differences in thresholds used across the different standards as well as within the designation criteria</li> <li>• Clarification on definitions and application of other legislative requirements.</li> </ul>
General comments	<ul style="list-style-type: none"> <li>• Interplay between group supervision and financial conglomerate regulation The delineation between Level 2 and Level 3 supervision is not adequately detailed in the Draft Standards. In effect, it is difficult to assess where "Level 3 starts and ends and where Level 2 begins". It is proposed that Level 3 supervision should align with the object of financial conglomerate regulation, namely to capture risks that fall outside of Level 2 supervision. Accordingly, the Draft Standards should only address areas of risk that are not suitably captured under Level 2 regulation. <i>Not all holding companies will be registered under sectoral law and would be required to be licensed under the Financial Sector Regulation Act, 2017 and may not have Level 2 entities – so there is a need to capture the risks for the financial conglomerate as a whole at the holding company level.</i></li> <li>• Treatment of financial conglomerates It seems that the Board of the holding company must exercise its duties in relation to all members of the financial conglomerate. Concerns around fiduciary duties. <i>It is not the intention to replace any powers or duties of the board of the subsidiaries. The holding company is responsible for the financial conglomerate. The holding company must also develop conflict of interest policies to deal with conflicts that arise between members of the financial conglomerate and the holding company.</i></li> </ul> <p>The imposition of onerous duties on the Board purports to create duties on the Board in relation to subsidiaries which, under company law, do not exist. The Draft Standards require the Board to, amongst other things:</p>



	<p>The imposition of onerous duties on the Board purports to create duties on the Board in relation to subsidiaries which, under company law, do not exist. The Draft Standards require the Board to, amongst other things:</p> <ul style="list-style-type: none"> <li>- Disclosure material or significant ITEs; <i>the FSR Act enables the holding company to get access to such information.</i></li> <li>- set acceptable levels of ITEs for the financial conglomerate; and - <i>these are group risk exposures – not an uncommon concept in financial institutions</i></li> <li>-adopt governance and risk procedures that apply across the financial conglomerate – <i>group policies do apply across subsidiaries in a group</i></li> </ul> <p>While the Draft Standards impose several far-reaching duties on the Board, neither the Draft Standards nor the FSR Act afford the Board any additional rights or powers that would enable it to fulfil such duties. As a consequence, the Board may only exercise control as shareholder or exert influence. It is submitted that given the extensive duties imposed on Boards, and the fact that boards of subsidiary companies owe a fiduciary duty to the subsidiary, it may be practically impossible for the Board to effectively fulfil its duties under the Draft Standards. When read with section 164(1) of the FSR Act which requires that the holding company of a financial conglomerate must comply with the standards made in relation to financial conglomerates, a Board may well find itself in the position where it lacks the power to give effect to the Draft Standards thereby placing in breach of the Draft Standards and/or FSR Act. – <i>Not factual as the FSR Act does provide powers to the board of the holding company to receive information from the members of the financial conglomerate.</i></p> <p>Further, section 164(2)(b) of the FSR Act states that in addition to the matters referred to in sections 105 and 108 of the FSR Act, a prudential standard contemplated in section 164(1) may include requirements relating to the governance and management arrangements for holding companies of financial conglomerates. In our view, the Draft Standards are broader than what is contemplated in section 164 of the FSR Act and may well lead to potential review in light of the conflicts highlighted above. <i>In terms of Section 164 of the Financial Sector Regulation Act, the PA may make prudential standards with respect to financial and other exposures of companies within the financial conglomerate – this is not referring to only financial</i></p>
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	<p><i>institutions but members of the financial conglomerate, reporting of information about companies within the financial conglomerate that are not financial institutions and reducing and managing risk to the safety and soundness of an eligible financial institution from other members of the financial conglomerate (not the holding company).</i></p> <p><i>So the financial conglomerate framework is not only about the holding company and the eligible financial institution but about the risks that the members (both financial and non-financial companies) of the financial conglomerate can pose to the eligible financial institution.</i></p>
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Full set of comments received from the formal consultation process embarked on between October 2020 and November 2020

## SECTION B - COMMENTS ON DRAFT PRUDENTIAL STANDARD FC02 – INTRAGROUP TRANSACTIONS AND EXPOSURES

NO	SOURCE	STANDARD REF	COMMENT ON STANDARD	PA comment
1	SAIA		No comments	Noted.
2	WEBBER WENTZEL	5.3	There is no prescribed period for compliance with such request. A reasonable amount of time must be allowed for compliance with such request.	"If requested to do so", a holding company of the financial conglomerate is required to be compliant with this standard from the effective date of 1 January 2022, subsequent to this date the PA can request the FC to provide assurance that the FC complies with the requirements of the Standard.
3	WEBBER WENTZEL	6.2	If the board is obliged to disclose material or significant ITEs, it should be empowered by statute to enact binding corporate rules to demand information from subsidiaries similar to the powers contemplated in section 12(4)(b) of the Insurance Act, 2017. Please refer to the letter accompanying the comments in relation to the Companies Act in this regard.	Kindly see section 162(5) of the Financial Sector Regulation Act that make this provision.

4	WEBBER WENTZEL	7.1	The definition of 'material or significant ITEs' does not provide much clarification on what would be a 'material or significant ITE' as the definition itself refers to a "material impact". As the discretion rests with the board to determine what is material or not, separate boards may arrive at different conclusions in respect of the same circumstances. A more precise framework is required for the determination of the materiality or significance of ITEs.	The objective of the Standard is for the boards to determine their own criteria for material or significant ITEs to reflect the risk of the specific FC.
5	WEBBER WENTZEL	7.1	We propose that quantitative and qualitative factors should be included to assess materiality.	The objective of the Standard is for the boards to determine their own criteria for material or significant ITEs to reflect the risk of the specific FC.
6	WEBBER WENTZEL	7.1	Given the absence of any clear guidance on materiality, there is a possibility that the board could consider an ITE as not being material in instances where the PA may consider the ITE to be material.	The objective of the Standard is for the boards to determine their own criteria for material or significant ITEs to reflect the risk of the specific financial conglomerate which will form part of the supervisory assessment and challenge.
7	WEBBER WENTZEL	8.1(a)	Is this restricted to all ITEs which fall outside the scope of Level 2 regulation? 8.1(d) specifically refers to ITE's outside of the scope of solo and consolidated supervision – could that be a useful factor in determining which ITE's are reported to PA?	Correct.
8	WEBBER WENTZEL	8.1(b)	The board of the holding company of the financial conglomerate has no direct power to enforce these acceptable levels vis-à-vis the members of the financial conglomerate. Presumably the shareholder representative on the board of member of financial conglomerates would have to exert influence. Please refer to the letter accompanying the comments in relation to the Companies Act in this regard.	In this regard, the financial conglomerate is required to adopt group policies on governance and risk management to ensure that the subsidiaries apply the same principles and do not create undue risk that may affect the eligible financial institution(s) within the financial conglomerate.
9	WEBBER WENTZEL	8.1(c)	Must these systems and controls sit at the level of the holding company of the financial conglomerate or at a member level? If the former, holding companies will need to acquire additional staff and resources in order to fulfill this duty.	The PA is not prescriptive in terms of the level that these systems and controls sit.
10	WEBBER WENTZEL	9.2	The thresholds should be set out in this Standard.	At a <b>future</b> date the PA <b>may</b> require the financial conglomerate to report based on a threshold determined by the PA.

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11	WEBBER WENTZEL	10.1	It is submitted that regulatory enforcement cannot be undertaken in relation to a contravention of a "principle". The PA may only undertake enforcement action for the reasons set out in the Financial Sector Regulation Act 9 of 2017 ("FSR Act"). Furthermore, it is unnecessary to include this part herein as the power of the PA to take regulatory action arises from the FSR Act and not Standards.	Noted. The standard has been amended to refer to a requirement only.
12	SAHL IH		No Comments	Noted.
13	OLD MUTUAL		No comment	Noted.
14	NEDBANK	6.4(e)	"transactions among eligible financial institutions belonging to different sectors of the financial conglomerate. If not already reported to the Prudential Authority in terms of financial sector laws." If these transactions are all included in the BA600 consolidated supervision reporting should it be excluded here?	Correct.
15	NEDBANK	6.3(c)	"central management of short-term liquidity within the financial conglomerate" Does this requirement refer to Intergroup Debtors/Creditors or other specific Liquidity/Funding products?	Transactions that are short term in nature and fall under the treasury department's control could be included in the central management of short-term liquidity within the financial conglomerate. Examples include short term bond/security lending agreements, funding provided to another entity within the conglomerate, daily cash management and placements.
16	NEDBANK	6.3(f)	"exposures to major shareholders of eligible financial institutions (including loans and off-balance sheet exposures, such as commitments and guarantees)" What would be defined as a major shareholder? Obtaining this information could be extremely difficult as the Shareholders register is being kept up to date by a third-party supplier and are subject to consistent changes (shareholders that is). Including these exposures in the FINANCIAL CONGLOMERATE submissions would require substantial system changes.	Please refer to paragraph 4.1 "The terms used in this Standard, unless indicated otherwise, are defined in the FSR Act and the financial sector laws, and have the same meaning in this Standard." Due to the vast differences in the structures and holdings of financial conglomerate, the determination of a major shareholder rests with the board of the financial conglomerate.
17	NEDBANK	9.2	"The holding company may also be required to report ITEs to the Prudential Authority based on a threshold determined by the Prudential Authority". Would the threshold be value based	At a <b>future</b> date the PA <b>may</b> require the FC to report based on a threshold determined by the PA.

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			or a percentage of for example Total loans and advances (or any other reference point)? It is imperative that this threshold is finalised and agreed as soon as possible, in order for system changes to be defined and implemented to enable FINANCIAL CONGLOMERATE reporting.	
18	INVESTEC		No comments	Noted.
19	HOME LOAN GUARANTEE COMPANY		No Comment - Not Applicable to Home Loan Guarantee Company NPC	Noted.
20	FIRSTRAND LTD		No comment	Noted.
21	DELOITTE	6.3(j)	The sentence may create interpretation differences as to whether, transactions to shift third-party-related risk exposures between members of the financial conglomerate, has to include the holding company, and therefore if a holding company is not a party to the shift in third-party-related risk exposure agreement/transaction, then it would not be considered an ITE – consider changing “...members of the financial conglomerate as well as the holding company...” to rather read “...members of the financial conglomerate and/or the holding company...”	Noted. The standard has been amended to make this clearer.
22	DELOITTE	7.1	The paragraph currently require the assessment of materiality in terms of financial or operational impacts. Consider amending the assessmet scope, to include the assessment of direct and indirect material impacts, therefore where an impact is not directly linked to a financial/operational impact, but may cause a material indirect effect which could be financial or operational in nature (a direct reputational impact may lead to indirect financial impacts if not managed and mitigated appropriately).	Noted. The standard has been amended to insert “direct and indirect material impacts” in order to make this clearer - however the critical point to note is that it must result in a material impact. .
23	DELOITTE	8.2(b)	The paragraph states that the board should review the ITE policy at least annually, but does not state the frequency at which internal audit or the external auditors should review the ITE policy.	Noted. The PA decided to delete 8.2(b) from the Standard.

			Consider either adding an appropriate frequency for the internal/external audit review or state that the review by internal/external audit should be done in line with the audit planning approved by the Audit Committee of the Holding Company.	
24	DELOITTE	9	Consider adding to the reporting requirements, in section 9, that the Holding Company should report to the PA its board approved definition of “material or significant” ITE. Consider adding this requirement as a reporting line in the FCS Reporting Template, FC200.	Noted. A line has been added in the FC200 reporting template, requesting confirmation of submission of the definition of a material or significant ITE.
25	AFRICAN BANK	1.1	<b>Commencement date</b> No comment	Noted.
26	AFRICAN BANK	2.1	<b>Legislative authority</b> No comment	Noted.
27	AFRICAN BANK	3.1	<b>Application</b> No comment	Noted.
28	AFRICAN BANK	4.1, 4.2	<b>Definitions and interpretations</b> The group with simple business model like African Bank has a low risk profile intragroup transactions	Noted.
29	ABSA BANK		<b>No additional comments</b>	Noted.
30	MOMENTUM BSM		<b>No comments</b>	Noted.

## SECTION B GENERAL COMMENTS

NO	SOURCE	STANDARD REF	GENERAL COMMENT	
31	WEBBER WENTZEL		Given the duty imposed on Holding Companies to assess ITEs, the Standard must empower the Holding Company to demand information from members of the financial conglomerate.	<p>The Financial Sector Regulation Act caters for these information requests. Kindly see section 162(5) in this regard:</p> <p>(5)</p> <p>(a) If:-</p> <p>(i) the Prudential Authority gives a holding company a notice in terms of subsection (1); or</p> <p>(ii) a holding company is licensed in terms of a financial sector law,</p> <p>Each other member of the group of companies in the financial conglomerate, including the eligible financial institution, must, on demand by the holding company, provide any information to the holding company that is needed to enable the holding company to comply with its obligations in terms of this Act or a specific financial sector law.</p> <p>(b) To give effect to paragraph (a), a holding company of a financial conglomerate must impose</p>

				binding corporate rules on, or enter into a binding agreement with, members of the conglomerate, that includes terms regarding the processing of information, including personal information, within the financial conglomerate.
32	SAHL IH		No Comments	Noted.
33	OLD MUTUAL		No comment	Noted.
34	NEDBANK		No comment	Noted
35	INVESTEC		No comments	Noted
36	HOME LOAN GUARANTEE COMPANY		No Comment - Not Applicable to Home Loan Guarantee Company NPC	Noted
37	FIRSTRAND LTD		No comment	Noted
38	DELOITTE		No comment	Noted
39	ASISA		No comment	Noted
40	AFRICAN BANK		African Bank Holdings Limited (including its 100% held subsidiaries African Bank Limited and African Insurance Group Limited) referred to as the Group has a simple business model with intragroup transactions that are not complex in nature.	Noted
41	ABSA BANK		No additional comments	Noted
42	MOMENTUM BSM		No comments	Noted

## SECTION C - COMMENTS ON PRUDENTIAL STANDARD FC03 – AUDITOR REQUIREMENTS

NO	SOURCE	STANDARD REF	COMMENT ON STANDARD	
43	SAIA		No comments	Noted.
44	WEBBER WENTZEL	6.3	The board of a controlling party has no say over this process and therefore should not be responsible for compliance with this provision.	Noted. The standard was amended to include the responsibility of the auditors. Consider including the following paragraph in section 3:  The “Objectives and key requirements of Prudential Standard FC03” block at the beginning of the Standard would also have to be updated.
45	WEBBER WENTZEL	6.6	How is sufficient understanding of the nature of the business of the financial conglomerate determined? Is there a general principle from accounting that can be utilised?	As part of the PA’s auditor approval process, the industry knowledge and experience of the proposed partner will be assessed. In most cases it will be required that the proposed

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				audit partner is knowledgeable with regard to at least one of the major industries in which the conglomerate operates.
46	WEBBER WENTZEL	6.7	The PA may require a holding company of a financial conglomerate to appoint more than one audit firm. This has not been limited to a specific number so it is open to the appointment of multiple auditors. This is at significant cost and also assumes that the holding company of an FC has access to information of all members of the FC, presumably those members are conducting separate auditors?  .	The terminology is aligned to international auditing standards.
47	WEBBER WENTZEL	6.8	This standard, in terms of provision 3 does not apply to auditors. On what basis will an auditor have to comply with this duty?	See response to comment 44 above. .
48	SAHL IH		No Comments	Noted.
49	OLD MUTUAL		No comment	Noted.
50	NEDBANK	Principles and requirements	<p>The majority of the concerns relate to:</p> <ul style="list-style-type: none"> <li>• Joint auditors – not a new issue for Nedbank, thus we have the necessary processes in place to manage the issues related to mandatory audit firm rotation and the appointment of new audit partners. We took a specific paper to the GAC on 28 October covering off a number of the concerns other commenters have raised.</li> <li>• Notification of the JSE – we have experience of this point where you need to notify the JSE and indicate the appointment is subject to regulatory scrutiny and approval.</li> <li>• Distinction between audit services, audit related services and other consulting services. The changes made bring the PA's template in line with Nedbank's non-audit services policy and thus again we have process and procedures in place to ensure we have this information available to complete this template.</li> </ul>	<p>Noted</p> <p>Noted.</p> <p>Noted.</p>
51	NEDBANK	Part A: Information required by the	The draft Standard provides for the Auditors to make application to be approved as auditors.	As the requirements of section 94(8)(a) – (c) of the Companies Act, 2008 pertain to the audit committee, the PA will not be able to include them in the application form which must be completed by the auditors themselves. However, it



		Prudential Authority in considering the approval of the appointment of an audit firm for the holding company of a financial conglomerate	<p>As part of the application form, the auditors should provide certain confirmations. One of these is the item quoted below on page 6</p> <p><b>iv) Disqualification of the audit firm</b></p> <p>a. Is the engagement partner qualified to act as the auditor, specifically taking into consideration the disqualification criteria stated in section 90 of the Companies Act, 2008 (Act No. 71 of 2008)?</p> <p>We propose the following insertion after section 90: “and the independence assessment criteria required to be taken into account by the audit committee in terms of section 94(8)(a) to (c)”.</p> <p>Section 94(8)(a)- (c) can be summarised as follows:</p> <ul style="list-style-type: none"> <li>a. Auditor is not receiving any direct or indirect remuneration or other benefit from the company, except as auditor or for rendering services as permitted;</li> <li>b. Whether the auditor’s independence may have been prejudices as a result of previous appointment as auditor or having regard to the extent of any consultancy, advisory or other work undertaken; and</li> <li>c. Compliance with independence criteria prescribed by IRBA.</li> </ul>	does not preclude the PA from asking for this information separately from the Holding Company of the Conglomerate.
52	INVESTEC		No comments	Noted.
53	HOME LOAN GUARANTEE COMPANY		No Comment - Not Applicable to Home Loan Guarantee Company NPC	Noted.
54	FIRSTRAND LTD		No comment	Noted.
55	DELOITTE		No comment	Noted.
56	ASISA	6.2	We note the PA’s response regarding our proposal that recognition should be given to existing auditors of a holding company of a financial conglomerate. However, perhaps our comments have not been properly understood or conveyed sufficiently clearly. What we are proposing is a solution to avoid the situation where, upon the application of this Standard to a designated financial conglomerate, the existing auditor (who will invariably be conducting an audit at that time) be able to continue with and complete the relevant engagement/s. Failing such recognition, the risk arises that such auditor is not approved by the PA in the middle of an engagement	Noted. An auditor that is engaged by the financial conglomerate when the standard becomes effective will need to apply for approval for the PA. The PA will take into consideration the fact that the auditor is in the middle of an audit engagement.

			etc, which would create many difficulties for all concerned and also result in inefficiencies and potentially significant wasted costs. We propose that the audit that is then in progress be permitted to continue, and that the Standard provide that this provision (PA approval) would apply only in respect of the subsequent audit as well as any subsequent appointments.	
57	AFRICAN BANK		No comments	Noted.
58	ABSA BANK		No additional comments	Noted
59	MOMENTUM BSM		No comments	Noted

## SECTION C GENERAL COMMENTS

NO	SOURCE	STANDARD REF	GENERAL COMMENT	
60	WEBBER WENTZEL		This Standard only applies to the Holding Company. However, in several instances, the Standard seeks to impose duties on auditors of the Holding Company notwithstanding the fact that the auditors are not bound to the Standard. This structural defect should be addressed. The roles and responsibility of holding company versus member of FC is not easy to follow.	See response to comment 44.
61	SAHL IH		No Comments	
62	OLD MUTUAL		No comment	Noted.
63	NEDBANK		No comment	Noted.
64	INVESTEC		It is not clear from the standard the type of assurance, and for which specific areas of the conglomerates framework, that the PA may require from auditors. For example, will the PA only require auditors to provide assurance on the reporting templates or both on the	The auditing requirements for financial conglomerates will be published in a prudential standard in due course. The prudential standard will be published for public consultation.

			reporting templates and the relevant prudential standard?	
65	INVESTEC		Most of the underlying information in the reporting templates will be audited as part of Investec's financial year end reporting to the PA on 31 March. Should assurance be required for June and December templates, it will result in duplicate effort and costs for the Group.	Noted, this will be considered when determining the audit requirements for financial conglomerates.
66	HOME LOAN GUARANTEE COMPANY		No Comment - Not Applicable to Home Loan Guarantee Company NPC	Noted.
67	FIRSTRAND LTD		Where there are already auditors appointed for regulatory reporting for the controlling company (holding company), will the a separate process/approval still be required for the reporting under the financial conglomerates standards?	Noted.  Yes. The application for the approval of an auditor for an insurer is conducted in terms of the Insurance Act, 2017 or Banks Act, 1990 whilst the application for the approval of an auditor for a financial conglomerate is effected in terms of the Financial Sector Regulation Act, 2017. The processes are separate. The evaluation of the auditor (firm/engagement partner) for the financial conglomerate is different from the evaluation of the auditor for an insurer. The PA will take into consideration auditors that are currently engage in an audit. .
68	DELOITTE		No comment	Noted.
69	ASISA		No comment	Noted.
70	AFRICAN BANK		No comment	Noted.
71	ABSA BANK		No additional comments	Noted.
72	MOMENTUM BSM		No comments	Noted.

## SECTION D - COMMENTS ON PRUDENTIAL STANDARD FC04 – GOVERNANCE AND RISK MANAGEMENT

NO	SOURCE	STANDARD REF	COMMENT ON STANDARD	
73	SAIA	Definitions and Interpretation –	The terms used in this Standard, unless indicated otherwise, are defined in the	Noted and agreed. The Standard will be amended to reflect financial sector laws as stated in Schedule 1 of the FSRA.

		4.1	Financial Sector Regulation Act (Act No. 9 of 2018) (FSR Act) and financial sector laws, and have the same meaning in this Standard. It is requested that the "financial sector laws" referred to be identified to ensure consistent application of terminology. It is noted that there are variations that exist across current financial sector laws, some of which are being addressed in the Conduct of Financial Institutions (CoFI) Bill consultation.	
74	WEBBER WENTZEL	3.3	In the case of conflicts of laws, will the provisions of this Standard prevail?	Noted. Inconsistencies of that nature should be addressed to the PA for consideration. If there is a conflict between the FSR Act and the financial sector laws, the FSR Act will prevail.
75	WEBBER WENTZEL	5.1	Other than its ability to exercise voting rights as shareholder, a holding company has no rights to compel a subsidiary to adopt or agree to any governance or risk management procedures. Given the potential overlap between Level 1, Level 2 and Level 3 regulation and the fiduciary duty owed by a board to the company, it may be practically impossible to give effect to this duty.	It is common practice that a group adopts group policies and frameworks. As the holding company, the board must ensure that the financial conglomerate does not pose risk to the eligible financial institution. The PA does not view the Level 1, 2 and 3 frameworks will cause potential overlap and will monitor this closely as it applies the financial conglomerate framework.
76	WEBBER WENTZEL	5.2	May a holding company outsource these functions, or must these functions be fulfilled by employees of the holding company? If employees, this is a significant additional cost to holding company with limited commensurate value given the level 1, 2 and 3 regulation imposed on member of the FC.	Outsourcing arrangements can only be conducted after prior approval of the PA.
77	WEBBER WENTZEL	6.	These principles should be set out at the beginning of this Standard.	Noted, and not agreed. The format is in line with the internal style of the PA.
78	WEBBER WENTZEL	7.3	Given the purpose of financial conglomerate supervision is to capture risks not adequately addressed by level 2 regulation (i.e. insurance/ banking group supervision), it is proposed that such governance framework should be limited in scope to only those areas not	Noted. The Standards are not intended to remove the requirements set out in level 1 and 2, however, the expectation is that the board will demonstrate compliance with the Standard for the whole conglomerate. In addition, we could have situation where a financial conglomerate is designated and there are no applicable level 2 requirements. Hence the full requirements for a conglomerate are stated herein

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			addressed by level 2 governance in order to avoid the complexities over several overlapping governance systems.	
<b>79</b>	<b>WEBBER WENTZEL</b>	7.4(c)	This is unduly onerous on a holding company to ensure especially in light of the limited oversight of the holding company on members of the FC where independent boards are in place.	Disagree. The Standards are developed in order to enhance the oversight of members of a group of companies that have been designated as a financial conglomerate. In a group – despite there being independent boards – groups policies can be applied – it is part of the purpose of most governance policies to ensure compliance with applicable legislation and to ensure that the business is run in an effective and prudent manner.
<b>80</b>	<b>WEBBER WENTZEL</b>	7.5	If a Holding Company is the holding company of a financial conglomerate and an insurance/ banking group, is it required to adopt both an insurance/banking group governance framework <u>and</u> a conglomerate framework or will it be permitted to adopt a single consolidated framework?	Noted. Given that level 3 supervision is intended to be an overlay to existing level 1 and 2 supervision, the requirement is that the Holding Company must be able to demonstrate compliance with this Standard and may organise its internal policies as required, ensuring that all relevant requirements, where issued in level 1, 2 or 3, are met.
<b>81</b>	<b>WEBBER WENTZEL</b>	11.5	Why are eligible financial institutions addressed herein? Should these requirements not be set out in the relevant solo regulation (i.e. the Banks Act or Insurance Act)?	Noted. This provides the level 1 or 2 an option to state that if a board committee is established at level 3 – the solo bank or banking group for example can apply for an exemption under the sector laws from having to establish their own board committees. The standard has been amended to make this clear.
<b>82</b>	<b>WEBBER WENTZEL</b>	13.1(b)	A director of a holding company has a fiduciary duty towards the holding company. To the extent that a holding company has shareholding in addition to its shareholding in the members of the FC, the requirement to act in the best interest of the FC and owing a duty to the FC is problematic. Are these financial customers of the conglomerate or more broadly (i.e. all financial customers in South Africa)?	The expectation is that a director appointed to the board of the holding company will owe a fiduciary duty to the financial conglomerate. This is an expectation of a director that has been appointed to the holding company. The holding company is responsible for the subsidiaries and from a group perspective we require the director to consider the best interest of the whole group. These conflicts are catered for under section 15. Financial customers for purposes of this Standard refers to the financial customers of the financial conglomerate.
<b>83</b>	<b>WEBBER WENTZEL</b>	15.3	See comment above regarding conflicts of interest of the FC and other associates in the group (although not part of the FC) Will these measures be binding on members of the financial conglomerate?	The requirement that the financial conglomerate must develop processes to be able to deal with the conflict of interest should be a group policy that will be binding on members of the financial conglomerate.

84	WEBBER WENTZEL	18.1	This should be limited to an acquisition or disposal of a subsidiary which would be material to the financial conglomerate as a whole?	Disagree. Acquisitions and disposals that are not subsidiaries of the financial conglomerate can also have an impact on the financial soundness of the financial conglomerate. The FSR is not restrictive as to what needs to be prescribed.
85	WEBBER WENTZEL	18.4(a)	Is reference to "controlling interest" meant to mean an indirect interest of 50%+1?	Controlling is the 50%+1 but also includes any interest whereby the holder is able to control the financial institution – through strategic decision making, deciding on board representation etc.
86	WEBBER WENTZEL	21	It is proposed that such risk policies should be limited in scope to only those areas not addressed by level 2 supervision.	The financial conglomerate's scope will be determined by the sufficiency of its policies which must enable the financial conglomerate to meet the minimum requirements set out in 21.2 and in the Standard generally. It is also advised that the PA could designate a holding company that does not have a level 2 group and need to be sufficiently prescriptive of the requirements of the holding company.
87	WEBBER WENTZEL	24.2	Would 'funding needs' include the ability to access debt markets?	Yes, it includes access to debt markets. Sectoral laws will apply in the case of banking and insurance entities. This will be addressed in the capital standard with regard to any permissions required by the holding company from the PA.
88	WEBBER WENTZEL	24.5(a)	To be amended to "take account of the fact..."	Noted and agreed. The standard has been amended accordingly.
89	WEBBER WENTZEL	24.5(b)	Delete "must"	Noted and agreed. The standard has been amended accordingly.
90	WEBBER WENTZEL	25	It should be clarified if the risk management system is only to take into account risks at the holding company level – again noting the comment of supervision already in place at level 2. See general comment below.	Once designated as a financial conglomerate, The board becomes responsible for ensuring that the financial conglomerate complies with the principles and requirements of the Standard, including ensuring that the financial conglomerate has effective governance and systems internal controls in place to address the key risks to which the financial conglomerate is exposed. A holding company may be designated without a level 2 group and thus the PA must prescribe the requirements at level 3.
91	WEBBER WENTZEL	33.4(a)	We assume that documentation / correspondence which is legally privileged may be withheld in terms of such a request?	In terms of information gathering - See section 130 of the FSR Act that provides that: A person does not have to answer a question asked, or comply with a requirement to produce a document or information, in terms of this Chapter to the extent that the person is entitled to claim legal professional privilege in relation to the answer, contents of the document or the information.
92	WEBBER WENTZEL	36.	It is submitted that regulatory enforcement cannot be undertaken in relation to a contravention of a "principle". The PA may only undertake	Noted. The FSR Act defines a regulatory instrument made in terms of the FSR Act as a financial sector law. The PA is empowered to take regulatory action for non-compliance with the requirements

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			<p>enforcement action for the reasons set out in the FSR Act.</p> <p>Furthermore, it is unnecessary to include this part herein as the power of the PA to take regulatory action arises from the FSR Act and not Standards.</p>	<p>of the Standard. The standard has been amended to make it clear that it relates to requirements.</p> <p>The provision does not purport to or suggest that the Standard will override the enforcement powers of the PA set out in the FSR Act, but states that non-compliance with the principles and requirements will invite regulatory action.</p>
<b>93</b>	<b>SAHL IH</b>		No Comments	Noted.
<b>94</b>	<b>OLD MUTUAL</b>		No comment	Noted.
<b>95</b>	<b>NEDBANK</b>	Reporting in terms of Prudential Standard paragraph 33.2 of FC04 - Governance and risk management requirements for financial conglomerates (Standard)	<p>The request for more details on "Information Flow Framework":</p> <p>The information currently flows through the Group via the Governance structures established and dual reporting by the subsidiaries. The Group has not documented the process, however we are of the view that if the standard is implemented the Group will be required to develop the Information Flow Framework which has to be approved by the Board. In this regard it is important for SARB PA to provide more details on what specifically the Framework should include, to avoid the situation where the Framework is approved by the Board but fails the SARB PA's expectations.</p>	<p>The information flow framework must enable the board of the financial conglomerate to comply with the principles and requirements in clause 33 of the Standard. The framework must be developed based on the unique structure and holdings of the financial conglomerate. It must be developed in terms of the nature, scale and complexity of the financial conglomerate.</p> <p>More guidance can be provided on this post the implementation of the standard through a guidance notice if necessary.</p>
<b>96</b>	<b>NEDBANK</b>	FC400 – Section A2 Governance – A2.13 and A2.14. Section A3 Risk Management – A3.1; A3.2; A3.4; A3.9; and A3.13.	<p>Whether the FC400 submission will be replacing the Regulation 39 and 40 Report:</p> <p>"The information required in this document is provided annually as part of the Regulation 39 &amp; 40 Report. This document will be required bi-annually. SARB PA has to confirm if this document will be replacing the Annual Reg 39 &amp; 40 Report or will it be an additional requirement."</p> <p>In terms of regulation 40(4) of the Banks Act the Board of Directors of Nedbank Limited ('Nedbank') must report annually on its internal control environment, while in terms of regulation 40(5) a similar report is required for Nedbank Group</p>	<p>No it will not be replacing the reports. It will be a requirement applicable to financial conglomerates which may not necessarily have to comply with regulation 39 and 40.</p>

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			Limited ('Nedbank Group'). Both Nedbank and Nedbank Group confirm that the respective boards have adequately discharged their duties by assessing the processes relating to corporate governance, internal controls, risk management, capital management and the adequacy thereof, as stipulated in regulation 39(18) for Nedbank and regulation 39(20) for Nedbank Group. The information required in terms of FC04 is similar and more detailed compared to the Reg 39 & 40 Report. Hence if the standard is implemented, will Conglomerates be required to submit this form as well as the Regulation 39 & 40 Reports?	
97	INVESTEC		No comments	Noted.
98	HOME LOAN GUARANTEE COMPANY		No Comment - Not Applicable to Home Loan Guarantee Company NPC	Noted.
99	FIRSTRAND LTD	22.3	Suggestion to include wording in red below. In para 3.1 it states that where ' <i>a requirement applies to a financial conglomerate, the requirement is imposed on the holding company</i> '. Therefore the below should apply to all members/entities within the financial conglomerate. This consideration should include the regulatory, legal and other impediments to the transfer of capital across members of the financial conglomerate, sectors and jurisdictions in which <i>members of</i> the financial conglomerate operates.	Noted. The Standard applies to the designated financial conglomerate and once a member/ entity in the financial conglomerate is affected, the requirements will apply. The standard has been amended to make this clear.
100	FIRSTRAND LTD	18.4 (d)	Does point (d) only apply to on acquisition will results in an intragroup exposure?	Yes.
101	FIRSTRAND LTD	18.4	The material thresholds for the acquisition and disposal differ to the materiality thresholds for in the final	These are two difference thresholds. The one threshold is used to designate the financial conglomerate (and include the members of the financial conglomerate) and this limit applies



			paper 'Designation of a financial conglomerate (part 4). Should these be aligned?	to the acquisitions and disposal of a designated financial conglomerate.
102	DELOITTE		No comment	Noted.
103	ASISA	4.1 "substantial shareholder"	Please provide clarity on the term "total nominal value of shares" i.e. is this par value or market value of the shares?	It is the market value of the shares.
104	ASISA	8.5, 8.6 and 8.8	<p>We note the PA's response regarding our comments on (the corresponding) items 7.6, 7.6c, 7.9 &amp; 7.10 (and 7.8) of the prior draft Standard in regard to independence and non-executive directors, where the PA notes that their proposed requirements align with Directive 4 of 2018 issued under the Banks Act. However, we still believe our prior comments are valid in that financial conglomerate supervision can and will apply in cases where a bank is not part of the designated financial conglomerate; in addition, we would not have participated in any consultation process under the Banks Act, and finally, we believe consideration must be given to King IV as previously proposed.</p> <p><b>See below***</b></p> <p>In addition, we note that whilst exceptions can be made in terms of 8.5(b) and 8.6(b) (as well as in 8.8), this is only in "exceptional cases". We humbly propose and request that "In exceptional cases" be removed, as this otherwise presents an exceptionally high if not impossible bar to meet. Without that wording, the provisions would still require the various conditions to be met in order to obtain an exemption or approval, as the case may be.</p> <p><b>***For ease of reference, our prior submissions are restated below:</b></p> <p><u>Re 7.6 (now 8.5 and 8.6): We don't understand why the chairpersons of the</u></p>	<p>Noted. However, this Standard followed the consultation process outlined in the FSR Act and thus an opportunity to comment has been provided to ASISA and other interested parties. The consultation process undertaken under the Banks Act followed the same process we have provided in relation to this Standard in so far as requirements relating to comments periods are concerned.</p> <p>The standard that is being created here for financial conglomerate is the standard that the PA believes is necessary for a financial conglomerate. It is the view that financial institutions are special entities as they do not only deal with shareholder funds but funds of the direct public and that the governing bodies in this regard, must be held to a higher standard.</p> <p>The PA is of the view that the comments have been responded to.</p>

			<p>board and of all sub-committees needs to be an independent non-executive director. We believe that the role of chair can be and is often well served by a non-executive who is not classified as "independent" according to an objective set of criteria, and that, for example, certain matters can or may need to be chaired by a lead-independent in certain instances (<u>some of our existing financial sector laws already provide for this</u>). We therefore propose that the chairperson should be non-executive, but need not be independent, and similarly for board committees. In any event, and as King IV expressly provides, all members of a board, regardless of how they are categorised, have as a matter of law, a duty to act with independence of mind in the best interests of the organisation, and that independence, as important as it is, is but one consideration in achieving a balanced governing body composition. King IV goes further to state that the overriding concern is whether the board (governing body) is knowledgeable, skilled, experienced, diverse and independent enough to discharge fully its governance role and responsibilities.</p> <p>To the extent that the chairperson must be an independent non-executive director, we still propose that this need not be required at committee level. Committees operate and are required to operate in such a way that the chairperson of the board is in any event ultimately responsible for the functioning of those committees, and which committees also report to the board. King IV does not provide for committee chairpersons to be independent.</p> <p>...</p>	
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			<p><i>Re 7.6c (now 9.2): Please consider our comments regarding independence of the board chair and board committees. This section would need to be amended accordingly if our proposal is accepted that board committee chairs need not be independent</i></p> <p>...</p> <p><i>Re 7.9 &amp; 7.10 (and 7.8) (now 8.7 &amp; 8.8):</i>  <i>The proposed criteria regarding the circumstances in which a director can't be classified as 'non-executive' are, if anything, appropriate for the inquiry of independence* as opposed to the classification of a person who holds a non-executive board position. Either way, if a person has served as an executive and then steps down to take on a non-executive role, that is a factual enquiry (which we believe 7.8 duly recognises) and we do not believe that for 12 months, that person must or can remain classified as an executive director when that person is not performing an executive role. If this clause were to remain as is, even with 7.10 which provides for dispensation in 'exceptional' cases, this would cause various unreasonable and/or practical problems for existing entities and structures. (*but please note our comments on "independence")</i>  <i>We therefore propose that these clauses be deleted.</i>  <i>In addition, King IV even recognises that non-executive members of a board can be classified as independent if the board concludes that there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making</i></p>	
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			<p><i>in the best interests of the company. King IV encourages substance over form.</i></p> <p><i>In addition, we do not understand why factors c and d (external auditor etc and curator) should prevent such persons holding non-executive positions <u>and</u> being classified as such even if a and b were to remain</i></p> <p><i>....</i></p> <p><i><u>Re 7.10 (now 8.8):</u> To the extent that 7.9 and 7.10 are not deleted as we have proposed above:</i></p> <p><i>1. The wording “after such a period shorter than twelve months” is confusing and we propose it be amended to read: “... where such person has held any such position specified in paragraph 7.9 during the 12 month period immediately preceding that person’s appointment”.</i></p> <p><i>We also propose consistency should be maintained, and whereas 7.9 refers to ‘classification’, 7.10 refers to ‘serve’. We again reiterate our comment that an enquiry as to whether a person holds an executive directorship is factual</i></p> <p><i>...</i></p> <p><i><u>Re 7.11 (now 8.9):</u> We propose the requirement that the majority of non-executive directors “must” be independent, should be amended to “should” be independent, in line with King IV i.e. it should not be a mandatory requirement for the majority of non-executive directors to be independent. Please refer to our other comments regarding King IV and independence.</i></p> <p><i><u>Re 7.11 (now 8.10):</u> .... It is suggested that the ... sentence be amended to read “For the purposes of this Standard,</i></p>	
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			<p><i>any of the following constitute prima facie evidence that a person lacks independence” and that the listed factors then be amended accordingly.</i></p> <p>...</p> <p><i>Re 7.11(k) (now 8.10k): We recommend that the PA adopt the approach of King IV whereby a director serving longer than 9 years can remain independent subject to an annual assessment by the board (alternatively an external assessment).</i></p> <p><i>We do not agree that tenure automatically inhibits a director’s ability to act independently. We are concerned that the automatic re-designation of long serving independent directors as non-executive will detrimentally impact the efficient operation of board committees who require an independent chair. It is vital to the continuity of these committee’s that long serving directors, who have the benefit of a wealth of knowledge about the company are permitted to continue in their capacity as independent members and/or chairs of these committees...</i></p>	
105	ASISA	10.5(f)	<p>This sub-clause read with the lead-in does not make sense. Read with the lead-in, it reads that “<i>The board must ensure that the relevant governance policy of the financial conglomerate clearly specifies: prevents any potential conflict of interest between the business interests of the financial conglomerate and the personal interests of directors or key persons.</i>” An amendment is thus required, and we further propose that such amendment include provision for reasonable steps to be taken if the intention is that a board is (unreasonably we would note) expected to absolutely</p>	Noted and agreed. The standard has been amended accordingly.

			prevent conflicts of interest, as well as for the mitigation of such conflicts e.g. <i>“that reasonable steps are taken to prevent or mitigate any potential conflict of interest between the business interests of the financial conglomerate and the personal interests of directors or key persons”</i> .	
106	ASISA	10.4/10.6	The section that follows 10.5 is incorrectly numbered as 10.4, it should be 10.6.	Noted. The standard has been amended accordingly.
107	ASISA	11.1	<p>The requirement that a holding company establish “a directors’ affairs committee” is a new requirement in this draft. The draft Standard does not indicate what functions this committee should fulfil, whereas 11.3 requires that committee (like all other committees) to have the necessary authority, independence resources to perform its functions effectively. Further, 11.5 provides that the PA can exempt the entity from appointing this committee where another committee will perform the functions of that committee. In the absence of the draft Standard providing some indication of what functions a directors’ affairs committee is required to fulfil, it becomes difficult not only to establish the committee in accordance with the composition requirements, but also to obtain an exemption from establishing such committee. Whilst it is relatively common knowledge which functions the other prescribed committees (audit, risk or risk and capital management, and remuneration) are required to fulfil, this does not hold true for a directors’ affairs committee.</p> <p>We propose that the requirement of such committee to be formed from the</p>	Noted. The standard has been amended to provide some requirements for the directors’ affairs committee.

			onset be removed, and instead replaced with a requirement that provides for the PA to require such a committee to be formed in specified circumstances and what functions such committee need perform over and above the functions which the other committees are required to fulfil, but of course retaining the ability to obtain an exemption, as well as to duly recognise that to the extent that this committee is expected to attend to “general” board matters, that the board as a whole may well perform those duties at the outset without the need to establish such committee i.e. that exemption from forming this committee not be the default position in the Standard.	
107	ASISA	18.3	We propose that 18.3 (a)-(c) should be qualified to include wording regarding “adverse” impact, to align with 18.3(d) which provides for “increases the risk” i.e. to ensure that where the disposal or acquisition of an asset improves the risk profile or profitability etc, PA approval is not required in terms of 18.1.	The requirement appears in primary legislation without the qualifier as proposed. Therefore the requirement will be maintained.
108	ASISA	21.4	It is unclear why risk management policies need to be annually reviewed by internal audit or the auditors. This was not part of the prior draft. We propose that these need not be reviewed by either, given the responsibility on the relevant management function and board to ensure they are kept up to date etc in terms of the other provisions of the draft Standard.	Noted, the standard has been amended accordingly.
109	ASISA	4.1 The terms used in this Standard, unless indicated otherwise,	It is requested that the “financial sector laws” referred to are identified in order to ensure consistent application of	The financial sector laws are defined in Schedule 2 to the FSR Act and will be applicable to the eligible financial institution based on the composition of the financial conglomerate. The

		are defined in the Financial Sector Regulation Act (Act No. 9 of 2018) (FSR Act) and financial sector laws, and have the same meaning in this Standard.	terminology. It is noted that there are variations which exist across current financial sector laws, some of which are being addressed in the CoFI Bill consultation.	definition has been captured to refer to the definition in the FSR Act that makes reference to Schedule 2 to create certainty.
110	ASISA	4.1 Definition of 'associate'	The CoFI Bill has introduced the term "associate", whilst it does not provide for a definition in the CoFI Bill, the Insurance Act refers to the IFRS definition. Is it the Authority's intention to deviate from the IFRS definition, if yes an explanation for this decision is requested. In order to ensure consistent application, it is requested that the term is aligned to the current reference in the Insurance Act and/ or future CoFI legislation.	The term has been defined in this manner to aid interpretation of this Standard which will be applicable to a variety of financial conglomerates.
111	ASISA	4.1 Definition of 'executive officer'	(i) Not all managers hold enough seniority at an executive level. It is recommended that "executive officer" within this context is restricted to an executive manager level or persons who report directly to the CEO or similar. It is requested that the definition of an "executive officer" as is proposed for a bank is applied for other members of a financial conglomerate. (ii) How does the definition of a key person in the FSRA relate to the definition of an executive officer in the Prudential Standards given that the key person definition in the FSRA includes a chief executive officer?	The use of the term executive officer in the standard does not justify why the PA would want to limit the scope of the definition of executive officer.  When interpreting this Standard, the term will be interpreted in terms of the definition provided in this Standard. An executive officer is a type of key person.
112	ASISA	4.1 Definition- 'material provider of funding'	Clarity is required regarding the context of persons 'indirectly providing funding to the Holding Company'? When would the indirect provision of funding to the	The term "indirectly" has been used in its ordinary grammatical meaning. Where the person has not directly provided funding to the Holding Company, but has nevertheless provided such



			Holding Company constitute a 'material provider of funding'? Could the Authority kindly provide an example of what would constitute 'indirectly'?	funding through legal entities can be construed as an indirect provision.
113	ASISA	4.1 Definition- 'significant provider of equity or other sources of capital'	Clarity is required regarding the context of 'indirectly providing equity or other sources of capital to any member of the financial conglomerate or the Holding Company'. When would the indirect provision of equity or other sources of capital constitute a significant provider? Could the Authority kindly provide an example of what would constitute 'indirectly'?	The term "indirectly" has been used in its ordinary grammatical meaning. Where the shareholder has not directly provided equity or other source of capital to any member of the financial conglomerate or the Holding Company, but has nevertheless provided such equity or other sources of capital can be construed as an indirect provision.
114	ASISA	4.1 Definition- 'unregulated entity'	Technical application of the term "unregulated entity" includes entities not regulated by any regulator. Is it the Authority's intention to exclude entities regulated by other regulators such as the Financial Sector Conduct Authority?	The term refers to non-prudentially regulated entities, that is, entities not falling within the regulatory remit of the PA.
115	ASISA	5.2	Could the Authority please provide clarity on the following: (i) what is the Authority's guidance on the format and frequency of such 'opinion'? (ii) Would the provision of the Annual Combined Assurance reports suffice to meet this requirement?	(i) This opinion refers to the key person's professional judgement The objective is that the opinion expressed by the key person should enable the board and relevant committees to understand the operations, efficiency and effectiveness of the components of the systems for risk management and internal controls of the financial conglomerate. The PA will not prescribe which reports will satisfy this requirement.
116	ASISA	8.10 (k)	Does the nine year period referred to herein, indicate a consecutive period of nine years or any period collectively amounting to nine years and not necessarily in the period prior to appointment?	The period is a 9 year consecutive period.
117	ASISA	10.4 (f)	A definition for "cooling-off period" is required within the context of this clause.	The phrase is to be interpreted in its ordinary grammatical meaning.

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				-Consider adding italics to the phrase
118	ASISA	10.5	In light of other legislation which will govern members of a financial conglomerate and the requirements in such other legislation for governance arrangements to be in place rather than a governance policy, it is requested that the same requirements are aligned for this section e.g. the Insurance Act and the CoFI Bill requires a governance framework/ arrangements to be in place as opposed to a direct requirement for a policy.	The comment is noted, however the PA will retain the requirements for policies in this Standard. This is done in order to provide clarity on what needs to be covered by the framework.
119	ASISA	11.1	Guidance is required regarding the mandate of and/ or terms of reference or scope for this committee. Is it the Authority's intention for this committee to align to what is contained in the Banks Act?	The PA will not prescribe the terms of reference of these committees. Given the diversity in the entities captured by this Standard, the terms of reference will be guided by the nature of the specific entity, bearing in mind the provisions of clause 11.4 which provides that "The requirements and responsibilities of board committees prescribed in the relevant provisions of the Banks Act, 1990 to banks or controlling companies and the Insurance Act, 2017 to insurers or controlling companies will, with the appropriate changes, apply to the committees listed in paragraph 11.2 where the Holding Company is also licensed in terms of the Banks Act, 1990 or the Insurance Act, 2017." The standard has been amended however to provide clarity on the purpose of the committee.
120	ASISA	16.1	Will the Authority provide a timeframe for the retention of records in this regard?	The PA may issue further guidance in the future on requirements relating to periods of records retention. However, in light of no prescriptions being provided herein, the holding company must apply sector law prescriptions and other primary law relevant to retention and archiving of information.
121	ASISA	23.2	Is the reference to "non-regulated entities" the same as the definition provided for "unregulated entities"?	Yes. The terms are used to refer to entities not prudentially regulated by the PA.
122	ASISA	25.3	Could the Authority please provide a definition for a 'key policy' within this context?	The words 'key' and 'policy' are used in its ordinary grammatical meaning.
123	AFRICAN BANK		No comment	Noted.

124	ABSA BANK	Clause 34.2 :	<p>Please clarify what is meant by “without prejudice to governance to the member of the conglomerate. What is understood by governance in this context.</p> <p>The issue behind the comment, there may be entities within the Group from a financial crime perspective, that are not required to adhere to certain policies/ regulatory requirements of the Group, however could be designated as part of the larger conglomerate and thereby subject to it. Therefore we are trying to understand how the above clause impacts such situation with regards to alignment/ deviation from the conglomerate’s policies, ie. what is the expectation of the Prudential Authority with regards to these entities that legally not required to adhere to certain regulatory requirements.</p>	<p>The proviso in clause 34.2 provides that where a prejudice does exist, the board must approve a decision to deviate or align to the policies of the financial conglomerate and this approval must at the minimum ensure conformity to the overall strategy of the financial conglomerate. Given the diversity in the composition of entities captured by the Standard, the PA cannot determine whether alignment or deviation would be prejudicial, therefore the board must be approve the alignment or deviation based on its judgement.</p>
125	ABSA BANK	A2.2.	<p>A2.2. “The board has established a comprehensive, consistent and effective governance framework across the financial conglomerate that provides for the prudent management and oversight of the financial conglomerate.”</p> <p>What does this mean for existing firms? Is this an additional requirement to section 52?</p>	<p>We presume the comment related to A2.3. The Standard applies to the Holding Company and the board will need to ensure that the Holding Company meets that requirement.</p>
126	MOMENTUM BSM	4	<p>“Direct or indirect claims” between entities as referenced in this paragraph are not defined. There is also no guidance in the FSR Act. Further guidance would be required on this</p>	<p>No certain what is being referred to in this comment? Comment does not correlate to the Standard or the reporting template.</p>
127	MOMENTUM BSM	5	<p>Clarity is required as to whether this would be an annual or half yearly attestation. This needs to be clearer for planning purposes. We would recommend a semi-annual attestation in line with the other FSG and FC reporting requirements</p>	<p>We presume that the comment relates to section 5.4 of the Standard. The frequency of the attestation will be determined by the financial conglomerate, taking into account that the requirements of the Standard must be met on an ongoing basis.</p>

128	MOMENTUM BSM	9	What would be the purpose of this threshold? Would this be a rand threshold? How would it be determined? Our proposal would be that the Prudential Authority take the materiality into account in determining the relevant threshold so as to align the ongoing risk management and reporting with the reporting required under the threshold.	Which threshold is being referred to in this comment? Comment does not correlate to the Standard or the reporting template.
129	MOMENTUM BSM	10	<p>Standard does not allow for consultative action. There is no room for engagement before the Regulator takes action. Proposal is for PA to provide guidance on the consultative steps or at least make provision for that in the standards.</p> <p>We also propose the inclusion of guidance on transitional arrangements. Companies with financial years ending after 1 January 2022 should be required to start reporting in the first half year period post this date. Companies should be required to start with the semi-annual attestation and to have policies in place by the end of the first financial year after 1 January 2022.</p>	<p>In line with the consultation requirements set out in section 98 of the FSR Act, the PA is required to consult on the Standard for a period of 6 weeks and where the consultation outcomes require the PA to change any provision of the Standard in such a manner that the changed version differs materially from the version which was consulted upon with the industry, the PA will consult again for a further period of 6 weeks. The details of that consultation process will need to be set out in a consultation report.</p> <p>The PA will consider including transitional arrangements based on the comments received from the consultation process.</p>

## SECTION D GENERAL COMMENT

NO	SOURCE	STANDARD REF	GENERAL COMMENT	
130	SAIA	<b>Definitions and Interpretation</b> – 'associate'	(a) in relation to a natural person, means- (i) a close relative of that person; or (ii) any person who has entered into an agreement or arrangement with the first-mentioned person, relating to the acquisition, holding or disposal of, or the exercising of voting rights in respect of, shares in juristic persons within the financial conglomerate; The CoFI Bill has introduced the term "associate", whilst it does not provide for a definition in the CoFI Bill, the Insurance Act refers to the International	See response to comment 110.

			<p>Financial Reporting Standards (IFRS) definition. Please confirm if it is the Prudential Authority (PA)'s intention to deviate from the IFRS definition. If this is the case, kindly please provide a reason for this deviation.</p> <p>We also recommend that to ensure consistent application, the term must be aligned to the current reference in the Insurance Act 18 of 2017 and/ or future CoFI legislation.</p>	
131	SAIA	Definitions and Interpretation –	<p>'executive officer', in relation to any institution- (a) that is not a bank, includes any manager, the compliance officer, the secretary of the company and any director who is also an employee of such an institution; As not all managers hold enough seniority at an executive level, it is recommended that "executive officer" within this context be restricted to an executive manager level or persons who report directly to the chief executive officer or similar. Accordingly, it is requested that the definition of an "executive officer" as is proposed for a bank is applied for other members of a financial conglomerate.</p> <p>Please also clarify how the definition of a key person in the Financial Sector Regulation Act 9 of 2017 (FSRA) relates to the definition of an executive officer in the Prudential Standards given that the key person definition in the FSRA includes a chief executive officer?</p>	For purposes of interpreting this Standard, the defined terms will be applicable.
132	SAIA	Definitions and Interpretation –	<p>'material provider of funding' means any person directly or indirectly providing funding to the Holding Company, which in aggregate is equal to or exceeds five (5) per cent of the aggregate amount of total liabilities of the Holding Company; Clarity is required regarding the context of persons 'indirectly providing funding to the Holding Company'? When would the indirect provision of funding to the Holding Company constitute a 'material provider of funding'?</p> <p>Could the PA kindly provide an example of what would constitute '<i>indirectly</i>' providing funding to the Holding Company.</p>	See response to comment 112.
133	SAIA	Definitions and Interpretation –	<p>significant provider of equity or other sources of capital' means any person directly or indirectly</p>	See response to comment 113.

			<p>providing equity or other sources of capital to any member of the financial conglomerate or the Holding Company which in aggregate is equal to or exceeds five (5) per cent of the aggregate amount of total qualifying capital and reserve funds of any member of the financial conglomerate or the Holding Company; Clarity is required regarding the context of 'indirectly providing equity or other sources of capital to any member of the financial conglomerate or the Holding Company'. When would the indirect provision of equity or other sources of capital constitute a significant provider? Could the PA kindly provide an example of what would constitute 'indirectly' providing equity or other sources of capital to any member of the financial conglomerate or the Holding Company.</p>	
134	SAIA	<b>Definitions and Interpretation –</b>	<p>'unregulated entity' means a juristic person not regulated by the Prudential Authority; and As the technical application of the term "unregulated entity" includes entities not regulated by any regulator, please confirm if it the PA's intention to exclude entities regulated by other regulators such as the Financial Sector Conduct Authority?</p>	See response to comment 114.
135	SAIA	<b>Roles and Responsibilities –</b>	<p>5.2 The key persons responsible for risk management, compliance and actuarial functions of the financial conglomerate are responsible for providing input and expressing an opinion to the board and/or board committees about the operations, efficiency and effectiveness of the components of the systems for risk management and internal controls of the financial conglomerate, relevant to their respective areas of responsibility. The PA is requested to provide clarity on the following:</p> <ul style="list-style-type: none"> <li>a) What is the PA's guidance on the format and frequency of such 'opinion'?</li> <li>b) Would the provision of the annual combined assurance reports suffice to meet this requirement?</li> </ul>	See response to comment 115.
136	SAIA	<b>Board Composition –</b>	<p>8.10 (k) has not served as an independent non-executive director of the Holding Company for a period of nine (9) years, provided that should the</p>	See response to comments 104 and 116

			<p>Holding Company decide to reappoint a person who already served as an independent non-executive director of the Holding Company for a period of nine f(9) years or longer, to remain a member of the board after the aforementioned period of nine (9) years, that person shall for purposes of this Standard be regarded as a non-executive director of the Holding Company concerned, but not as an independent non-executive director of the Holding Company;</p> <p>Please clarify if the nine-year period referred to herein, indicates a consecutive period of nine years or any period collectively amounting to nine years and not necessarily in the period before the appointment?</p>	
137	SAIA	<b>Roles and Responsibilities of the Board –</b>	<p>10.4 (f) during any relevant required cooling-off period, the relevant person does not hold any position or is not associated with the Holding Company or the members of the financial conglomerate in a manner that would cause bias in decision-making, when judged from the perspective of a reasonable and informed third party;</p> <p>We recommend that a definition for "cooling-off period" within the context of this clause be included.</p>	Noted. The phrase has been used in its ordinary grammatical meaning.
138	SAIA	<b>Roles and Responsibilities of the Board –</b> :	<p>10.5 The board must ensure that the relevant governance policy of the financial conglomerate clearly specifies In light of other legislation which will govern members of a financial conglomerate and the requirements in such other legislation for governance arrangements to be in place rather than a governance policy, it is requested that the same requirements are aligned for this section e.g. the Insurance Act and the CoFI Bill requires a governance framework/ arrangements to be in place as opposed to a direct requirement for a policy.</p>	See response to comment 118.
139	SAIA	<b>Board Committees –</b>	<p>11.1 Board committees support the board by providing specific expertise for considering complex or specialised matters and making recommendations for consideration by the board.</p> <p>(b) a directors' affairs committee; Guidance is required regarding the mandate of and/or terms of reference or scope for this committee.</p>	Noted. The Standard has been amended to provide direction this regard.

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			Please confirm if it is the PA's intention for this committee to align with what is contained in the Banks Act?	
140	SAIA	<b>The Roles and Responsibility of Senior Management –</b>	16.1 Subject to appropriate delegation from the board, senior management of the Holding Company is responsible for and must: (d) maintain adequate and orderly records of the financial conglomerate; Please confirm if the PA will provide a timeframe for the retention of records in this regard.	No, not at this stage. Legislation at a sector level and other legislation dealing with retention and archiving of information will be applicable.
141	SAIA	<b>Business Continuity Management –</b>	23.2 The board is responsible for ensuring that the BCM requirements in this Standard are applied appropriately to members of the financial conglomerates, including in relation to non-regulated entities. Please confirm if the reference to "non-regulated entities" is the same as the definition provided for "unregulated entities"?	Yes, it is the same, both referring to entities not prudentially regulated by the Prudential Authority. The standard has been amended to align the terms.
142	SAIA	<b>Internal Controls –</b>	25.3 At a minimum, the internal control system must provide for the following: (b) appropriate controls for all key business processes and policies, including for major business decisions; and (h) an inventory of all key policies and procedures, and the controls in respect of each policy and procedure The PA is requested to please provide a definition for a 'key policy' within this context.	The terms "key" and "policy" are used in their ordinary grammatical meaning.
143	SAIA		We kindly request that all definitions and terms of reference that are contained in the Draft Standards are aligned to the same as contained in current financial sector laws, specifically those that apply to eligible financial institutions.	Noted. However, account has been taken of the fact that aligning to definitions in industry specific legislation may give rise to difficulties in interpretation. As such, these Standards have as far as possible been drafted to include definitions that would be applicable in the context of interpreting the requirements in these standards specifically.
144	WEBBER WENTZEL	FC04	Other than its ability to exercise voting rights as shareholder, a Holding Company has no rights to compel a subsidiary to adopt or agree to any governance or risk management procedures. Given the potential overlap between Level 1, Level 2 and Level 3 regulation and the fiduciary duty owed by directors of a company to the company, it may be practically impossible to give effect to several of the duties contained in this Standard. As noted above, it	A holding company has the ability to develop group policies. The purpose of financial conglomerate supervision is to facilitate the prudential supervision of the eligible financial institutions. The PA needs to consider the risk to effective prudential supervision of the eligible financial institution from the structure of the group of companies (members of the financial conglomerate). One way of giving effect to financial conglomerate supervision is through group policies.



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			is proposed that the governance framework should be limited in scope to only those areas not addressed by level 2 governance in order to avoid the complexities over several overlapping governance systems. This point has application throughout the Standard.	As previously stated, the PA could designate a holding company that does not have a level 2 group so we are as prescriptive as possible. These companies could also not be an existing financial institution and would need to license as a financial institution and would this detailed requirements to ensure the financial soundness of the financial conglomerate.
145	SAHL	18.4 (d)	<p><i>Clarity regarding acquisitions and disposals which occur simultaneously or contemporaneously would be required, specifically:</i></p> <ul style="list-style-type: none"> <li><i>with regard to intra-group transactions or transactions entered into with entities managed by the financial conglomerate or its subsidiaries;</i></li> <li><i>in the context of redemption of securitised structures and the refinance of the securitised assets.</i></li> </ul> <p><i>For regular issuers of securitised assets, it will be possible for the thresholds to be frequently reached, necessitating frequent applications to the Prudential Authority.</i></p>	This is a requirement of the FSR Act, and will be maintained.
146	OLD MUTUAL		No comment	Noted.
147	NEDBANK		No comment	Noted.
148	INVESTEC		No comments	Noted.
149	HOME LOAN GUARANTEE COMPANY		No Comment - Not Applicable to Home Loan Guarantee Company NPC	Noted.
150	FIRSTRAND LTD		No comment	Noted.
151	DELOITTE		No comment	Noted.
152	ASISA		<p><u>MEMBER 1</u></p> <p>Re “skills”: In 2 instances, “proportionate skills” is used (10.4(c), 10.5(d)(i)), in 2 other instances “relevant skills” is used (8.2 and 8.3), and in 1 instance “skills” is used (28.3). We propose that “proportionate skills” be used in all instances for consistency</p>	Noted. The standard has been amended to reflect relevant skills.
153	ASISA		<p><u>MEMBER 1</u></p> <p>We propose that provision is included generally to recognise / acknowledge that in some cases, the holding company of the financial conglomerate is or could be a non-operating company and, as a</p>	Whether operational and non-operational the standard will apply to holding companies of financial conglomerates. Exemptions will be dealt with on a case by case basis.

			consequence, some of these provisions cannot and should not apply e.g. see 12.1 regarding delegation; 16.1(a).	
154	ASISA		<u>MEMBER 2:</u> It is kindly requested that all definitions and terms of reference that are contained in the Draft Standards are aligned to the same as contained in current financial sector laws, specifically those that apply to eligible financial institutions.	Noted. However, account has been taken of the fact that aligning to definitions in industry specific legislation may give rise to difficulties in interpretation. As such, these Standards have as far as possible been drafted to include definitions that would be applicable in the context of interpreting the requirements in these standards specifically.
155	AFRICAN BANK		The proposed requirements are activities that are already undertaken by the Group and there should be no challenges for the Group to comply	Noted.
156	ABSA BANK		Concern: The COFI Bill references the Financial Conglomerate status of a group as well as for the expansion of Risk and Governance. Request clarity on whether the intention is for FIC Reporting and FAIS requirements to be extended to members of the group that under the existing laws would not have to.	The PA is unable to determine this on behalf of another regulator. This Standard must be complied with by the entities that have been scoped into its application. This enquiry should be directed to the COFI Bill consultation process.
157	MOMENTUM BSM		No comments	Noted.

## SECTION E - COMMENTS ON PRUDENTIAL STANDARD FC05 – RISK CONCENTRATION

NO	SOURCE	STANDARD REF	COMMENT ON STANDARD	PA Response
158	SAIA		No comments.	Noted.
159	WEBBER WENTZEL	3.2	The board of a Holding Company has no rights in respect of subsidiaries beyond voting rights. Please refer to the letter accompanying the comments in relation to the Companies Act in this regard.	The holding company can ensure that the subsidiaries apply group policies to ensure that the risk to the eligible financial conglomerate is contained or mitigated.
160	WEBBER WENTZEL	8.1	As a Holding Company must report to the PA in relation to the financial conglomerates largest exposures to single counterparties or groups of connected counterparties, the Holding Company must be empowered by statute to demand information relating to risk concentration from members of the financial conglomerate.	Kindly see section 162(5) of the Financial Sector Regulation Act.
161	OLD MUTUAL		No comment	Noted.

162	NEDBANK	6.2	<p>“Risk concentrations can arise from a financial conglomerate’s assets, <u>liabilities</u> or off-balance sheet commitments, through the execution or processing of transactions ...” Our interpretation of the form FC500 is that it only caters for lending type exposures, will the form be amended, or most specific guidance be issued in terms of the completion of the form to include liabilities (funding instruments).</p>	<p>Paragraph 6.2 relates to the principles underlying risk concentration and more specifically how risk concentration may arise.</p> <p>Paragraph 7 of the Draft Standard specifies that an internal policy should be in place in order to identify, measure, manage and monitor all exposures that pose concentration risk to the financial conglomerate.</p> <p>Paragraph 7 further specifies the minimum requirements relating to the internal risk concentration policy which relates to any risk concentrations the financial conglomerate may be exposed to.</p> <p>The reporting requirements for FC500 is specified under paragraph 8 of the Draft Standard and only relates to exposures to single counterparties or groups of connected counterparties. The exposure amount to single counterparties or groups of connected counterparties includes on-balance sheet, off-balance sheet and equity exposures.</p>
163	INVESTEC		No comments	Noted.
164	HOME LOAN GUARANTEE COMPANY		No Comment - Not Applicable to Home Loan Guarantee Company NPC	Noted.
165	FIRSTRAND LTD	8.2(a)	This paragraph refers to the large exposure as prescribed by the regulations. The exposure value under the large exposure framework (effective April 2021) allows for allowable credit risk mitigation and application of CCFs to the offbalance sheet. Should the reference to ‘gross exposure’ in this para be removed. Rather refer to the exposure amount as defined in the regulations relating to banks.	Since there is currently no limit proposed(imposed) for exposures to single counterparties or groups of connected counterparties at a Financial Conglomerate level, the 10 largest exposures should be determined and reported based on a gross exposure basis (i.e. before taking into consideration any mitigation).calculation.
166	FIRSTRAND LTD	8.2 (c)	Should the off balance sheet be post CCFs (similar to how it would be calculated for the new large exposure framework)?	Paragraph 8.2(c) of the Draft Standard relates to institutions other than a bank or an insurer. There are no prescribed CCF’s for these type of institutions and therefore the full off-balance sheet exposure should be added to the exposure.
167	FIRSTRAND LTD	8.3 and definitions	Significant institution is defined as 10% of total assets of the financial conglomerate. This differs to the FC designation paper (refers to 1% of total assets) and risk governance (5% of total assets). Is it the intention	The 10% specified is specific to the FC05 Standard.

			that the materiality thresholds across the FC standards differ?	
168	DELOITTE	4.1	In the definition of “a group of connected counterparties”, sub-paragraph (a) refer to “control” – what definition of “control” should be applied? The Financial Sector Regulation Act (FSRA) does not define “control” in section 1, but includes what should be considered “control” in section 157(2) relating to “significant owners” determination. Should the definition of control in terms of section 157(2) of the FSRA be applied or is there another definition that should be referenced for this Standard?	For determining “control” for a group of connected counterparties, “control” as determined by the accounting standards should be applied.
169	ASISA		No comment	Noted.
170	AFRICAN BANK		No comment	Noted.
171	ABSA BANK		No additional comments	Noted.
172	MOMENTUM BSM		No comments	Noted.

## SECTION E GENERAL COMMENTS

NO	SOURCE	STANDARD REF	GENERAL COMMENT	PA RESPONSE
174	WEBBER WENTZEL		Other than its ability to exercise voting rights as shareholder, a Holding Company has no rights to compel a subsidiary to adopt or agree to any governance or risk management procedures. Given the potential overlap between Level 1, Level 2 and Level 3 regulation and the fiduciary duty owed by directors of a company to the company, it may be practically impossible to give effect to several of the duties contained in this Standard.	The holding company can require the subsidiaries to adopt group policies and procedures. The subsidiaries will be aware that they have been scoped into the financial conglomerates as well. The holding company is also required to ensure that conflicts of interests are also addressed.
175	SAHL IH		<b>No comments</b>	Noted.
176	OLD MUTUAL		No comment	Noted.
177	NEDBANK		No comment	Noted.
178	INVESTEC		No comments	Noted.
179	HOME LOAN GUARANTEE COMPANY		No Comment - Not Applicable to Home Loan Guarantee Company NPC	Noted.

180	FIRSTRAND LTD		No comment	Noted.
181	DELOITTE	4.2	The definition of “significant institution” refers to an institution within the financial conglomerate which assets contribute to at least 10 per cent of the total assets of the financial conglomerate. - Is the intention to use total net assets or total gross assets?	A significant institution would be classified as significant if the total net assets of the institution within the financial conglomerate is greater than 10%.
182	ASISA		No comment	Noted.
183	AFRICAN BANK		In case the Group is designated as a Financial conglomerate, the Risk concentration will be consistent with the current regulations relating to the Banks act	FC05 will only be applicable to designated financial conglomerates.
184	ABSA BANK		No additional comments	Noted.
185	MOMENTUM BSM		No comments	Noted.

## SECTION F - COMMENTS ON REPORTING TEMPLATES

NO	SOURCE	STANDARD REF	COMMENT ON STANDARD	
186	SAIA		No comments.	Noted
187	SAHL IH		No comments	<b>Noted</b>
188	OLD MUTUAL	FC001: STATEMENT OF FINANCIAL POSITION	The footnote reference for “Other” should be numbered “3”. Could you please clarify if amounts disclosed in the Banking (1), Insurance (2) and Other (3) columns should be before elimination of intragroup balances and consolidation adjustments. Please consider including a footnote and explanation for the column “Consolidation adjustments”.	Agreed – change has been made to the reporting template. .  Yes, the columns 1-3 are the status before making any adjustments such as intragroup balances.  Consolidation adjustments would invariably include intragroup eliminations, but should follow IFRS principles regardless.
189	OLD MUTUAL	FC002: OFF-BALANCE SHEET ACTIVITIES	Could you please clarify if Off-balance sheet activities should include both intragroup and third party exposures.	Yes, it needs to include intragroup and third party exposures.
190	OLD MUTUAL	FC003: STATEMENT OF COMPREHENSIVE INCOME	There is no column for “Consolidation adjustments” as was the case for FC001: Statement of Financial Position. Is this intentional? Could you please clarify if amounts disclosed in the Banking (1), Insurance (2) and Other (3) columns should be before or after elimination of intragroup transactions and consolidation adjustments.	The template has been corrected to include a column for consolidation adjustment.

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191	NEDBANK	FC200	Will further detail be provided regarding completion of the template? In particular does the "Counterparties" column cater for the lending party to the intragroup exposure?	Counterparties are the specific parties to the Intragroup Exposure. Please refer to 4.1 wherein 'ITEs' means intragroup transactions and exposures that can take the form of a direct or indirect claim between members of the financial conglomerate or between the holding company and members of the financial conglomerate.
192	NEDBANK	FC200	If two contra exposures are recorded, for example both legs of a securities lending transaction between the Bank Solo entity and a Securities entity, is the Total intragroup exposure to be recorded the direct sum of these two exposures?	Only one leg to be reported.
193	NEDBANK	All templates – principals and requirements	Further comments on the templates to follow, as insufficient time was giving to populate the templates to establish any salient challenges that might be encountered.	Noted
194	NEDBANK	All templates – principals and requirements	It is imperative that the forms and the Financial Conglomerate groupings be finalised and agreed as soon as possible, as widespread system changes might be required to enable FC reporting.	Noted.
195	INVESTEC	FC001	Should footnote/column 4 not reference footnote 3, i.e. other?	Template amended
196	INVESTEC	FC001	It appears that column 5 is the sum of columns 1 to 4? Please confirm.	Agreed
197	INVESTEC	FC003	Please confirm if column 4 is the sum of columns 1 to 4 and column 8 the sum of columns 5 to 7.	The numbering has been amended but the principle is correct i.e. column is the sum of 1 to 4 and column 10 is the same of 5 to 9.
198	INVESTEC	FC200	Consider defining a generic list of transactions and counterparties for columns 2,3,5 and 6.	Not a consideration at this stage.
199	INVESTEC	FC400	To what extent can the PA leverage off information disclosed in the BA 020, financial statement risk report disclosures and regulation 39 and 40 reports?	This is a separate reporting process to the sector laws.
200	INVESTEC	FC500	Will concentration risk limits be imposed similar to the new banking rules effective 1 April 2020, or be specific for the conglomerate standards?	<p>Although the draft FC05 standard and the FC500 reporting template requires the financial institution within the financial conglomerate which is licensed as a bank to calculate its exposure based on the banking legislation in effect, there are currently no limits imposed in the draft FC05 Standard at a financial conglomerate level.</p> <p>However, paragraph 7 of the Draft FC05 Standard specifies the minimum requirements relating to a risk concentration policy that the financial</p>

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				conglomerate would need to have in place in order to limit risk concentration within its business.
<b>201</b>	<b>INVESTEC</b>	FC500	Please confirm how the exposure and adjusted exposure amount is defined, i.e. only credit and equity exposures similar to the current banking regulations (i.e. only the asset side of the conglomerates balance sheet) or also inclusive of funding and liquidity concentrations (i.e. the liability side of the balance sheet)?	<p>Paragraph 6.2 relates to the principles underlying risk concentration and more specifically how risk concentration may arise.</p> <p>Paragraph 7 of the Draft Standard specifies that an internal policy should be in place in order to identify, measure, manage and monitor all exposures that pose concentration risk to the financial conglomerate.</p> <p>Paragraph 7 further specifies the minimum requirements relating to the internal risk concentration policy which relates to any risk concentrations the financial conglomerate may be exposed to.</p> <p>The reporting requirements for FC500 is specified under paragraph 8 of the Draft Standard and only relates to exposures to single counterparties or groups of connected counterparties. The exposure amount to single counterparties or groups of connected counterparties includes on-balance sheet, off-balance sheet and equity exposures.</p>
<b>202</b>	<b>INVESTEC</b>	FC200	Should footnote 1 not rather reference ITE's as defined in FC02 rather than related parties?	Reporting template to include a reference to ITE's as defined in FC02.
<b>203</b>	<b>HOME LOAN GUARANTEE COMPANY</b>		No Comment - Not Applicable to Home Loan Guarantee Company NPC	Noted
<b>204</b>	<b>FIRSTRAND LTD</b>	FC200	If the related party exposures are to be reported/monitored against a limit, should a column be included for the limit?	At a future date the PA may require the FC to report based on a threshold determined by the PA.
<b>205</b>	<b>FIRSTRAND LTD</b>	FC300	What will be covered in this return?	This will be removed as there are no reporting requirements that need to be captured in this template.
<b>206</b>	<b>DELOITTE</b>		No comment	Noted
<b>207</b>	<b>ASISA</b>		No comment	Noted
<b>208</b>	<b>AFRICAN BANK</b>	FC001 (STATEMENT OF FINANCIAL POSITION)	The landscape form is well designed. The details on the form can be automated with ease. The details are in line with IFRS. The template is consistent with the BA100 return	Noted.

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209	AFRICAN BANK	FC002 (OFF-BALANCE SHEET ACTIVITIES)	The landscape form is well designed. The details on the form can be automated with ease. The template is consistence with the form BA110 return	Noted
210	AFRICAN BANK	FC003 (STATEMENT OF COMPREHENSIVE INCOME)	Well-designed report and illustrations to communicate quickly and effectively. It has elements to draw the reader's eye to the information that is most important that your company has accomplished. The return is consistent with BA120.	Noted.
211	AFRICAN BANK	FC100 (CAPITAL RETURN)	Not yet designed	Noted.
212	AFRICAN BANK	FC200 (INTRAGROUP EXPOSURES)	The landscape form is well designed. The details on the form can be automated with ease.	Noted.
213	AFRICAN BANK	FC300	Not yet designed	Noted.
214	AFRICAN BANK	FC400 (GOVERNANCE AND RISK MANAGEMENT)	The form is detailed and compliments the existing corporate governance requirements in respect of the Banks act	Noted.
215	AFRICAN BANK	FC401 (GOVERNANCE AND RISK MANAGEMENT)	Details of appointed directors and executives of the holding company of the financial conglomerate will easily be supplied in case the group is designated as a conglomerate	Noted.
216	AFRICAN BANK	FC500 (RISK CONCENTRATION - EXPOSURES TO SINGLE COUNTERPARTIES AND GROUPS OF CONNECTED COUNTERPARTIES)	The landscape form is well designed. The details on the form can be complied with and automated with ease. The template is consistent with the form BA200 return	Noted.
217	ABSA BANK	FC001-FC003	What are the full definitions for Insurers and Banks?	Kindly refer to definitions in the Banks Act and Insurance Act.
218	ABSA BANK	FC003	Are non-financial companies such as property and I.T companies included in the definition of Total Financial Conglomerates and Other? What is the threshold for determining conglomerate?	This question is based on the designation of a financial conglomerate and the entities that are scoped under the holding company.
219	ABSA BANK	FC200	Is there a defined list for the 'Nature of transactions'? Subsequently the above will assist in clarifying the counterparty we populate in column 3.	Not a consideration at this stage.
220	MOMENTUM BSM		<b>No comments</b>	Noted.



## SECTION F GENERAL COMMENTS

NO	SOURCE	STANDARD REF	GENERAL COMMENT	
221	WEBBER WENTZEL	Application form for approval of auditor(s) for the holding company of a financial conglomerate	There are several questions contained herein which relate to the business of the auditor (and not the Holding Company). As the Holding Company is not in possession of this information, it will be unable to complete this questionnaire.	The obligations rests with the auditor to complete the application form.
222	WEBBER WENTZEL	Application form for approval of auditor(s) for the holding company of a financial conglomerate – Part A – (iii) Independence of the audit firm	The Holding Company does not have access to this information.	The obligation rests with the auditor to complete the application form.
223	SAHL IH		No comments	Noted
224	OLD MUTUAL		Will the Prudential Authority issue specific guidance on how financial conglomerates should complete the different reporting templates, similar to the log files issued for Solo and Insurance Group QRT's? When determining the deadline of submission of these reporting templates, due consideration should be given to the reporting (including audit) obligations in terms of the Insurance Act.	Guidance notices may be developed where necessary. Due consideration will be given to Level 1 and Level 2 submissions.
225	NEDBANK		No comments	Noted.
226	HOME LOAN GUARANTEE COMPANY		No Comment - Not Applicable to Home Loan Guarantee Company NPC	Noted.
227	FIRSTRAND LTD		No comment	Noted
228	DELOITTE		No comment	Noted
229	ASISA		Columns I, J and K provide for “year to date” data. We assume this could be in respect of the entity's fiscal year 230and propose that this be confirmed and the template amended accordingly to avoid uncertainty.	The template has been amended to provide for the financial year of the reporting bank.
230	AFRICAN BANK		Overall, the reporting templates and the layouts are well designed and clear for a Group with simple business model like African Bank to complete. The forms will display the true financial and risk profiles of the Conglomerates.	Noted.
231	ABSA BANK		No additional comments	Noted.

232	MOMENTUM BSM	No comments	Noted.
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### GENERAL COMMENTS ACROSS THE STANDARDS

233	BANK OF CHINA	<ul style="list-style-type: none"> <li>• BOC JHB in terms of section 160 (1) and section 160 (2) of the Financial Sector Regulations Act of 2017, is a level 1 (single operating Bank);</li> <li>• BOC JHB is a registered foreign bank and has been operating independently as a corporate bank in South Africa for twenty (20) years;</li> <li>• BOC JHB is not affiliated with any other financial institution in South Africa;</li> <li>• Bank of China Head Office is based in China; and</li> <li>• BOC JHB operates as a Branch in South Africa of the Bank of China.</li> </ul> <p>In conclusion the Financial Conglomerate standards do not apply to BOC JHB and hence the Branch has no comments.</p>	Noted.
234	AFRICAN BANK	<p>African Bank Holding Limited (ABHL) “the Group” has a relatively simple business model with no operations outside the republic. The Group consolidates into an unlisted, privately held bank controlling company i.e. ABHL. The Group has two 100% directly held subsidiaries, which are African Bank Limited (ABL) and African Bank Insurance Group Ltd (AIG). AIG holds shares in the Guardrisk Limited cell captive which provides a level of credit protection for the Bank in the event of death, disability and retrenchments.</p> <p>The risk concentration is therefore within the Bank in respect of credit risk. The Holding company (ABHL) and the Insurance company (AIG) are neither loan granting nor deposit taking entities. Hence they are insignificant and will not constitute significant industry systemic risks respectively.</p> <p>The recent draft regulations issued for comments in this regard indicate that the Prudential Authority (PA) will designate an entity as a conglomerate. Should ABHL be designated as a financial conglomerate, ABHL will be able to furnish the required information as set out in the financial conglomerates reporting templates.</p>	Noted.
235	WEBBER WENTZEL	<p><b>Treatment of financial conglomerates</b></p> <p>2.1 In several instances, the Draft Standards refer to a “financial conglomerate” in the unitary. While we appreciate that the reference to a “financial conglomerate” in the context of the Draft Standards will assume the same meaning in the Financial Sector Regulation Act, 9 of 2017 (“<b>FSR Act</b>”), namely “a <i>group of companies designed as a financial conglomerate in terms of section 160</i>”, the singular reference to a financial conglomerate read with the duties imposed on the board of a holding company of a financial conglomerate (“<b>Board</b>”) has the potential to create the impression that the Board must exercise its duties in relation to all members of the financial conglomerate.</p>	<p>The standards do not take away any responsibilities of the board of the subsidiaries or the members of the financial conglomerate. The holding company is expected to implement group governance and risk policies and procedures which is not a new requirement in the context of groups. The holding company in terms of section 162(5) empowers the holding company to be able to get information from members of the</p>

		<p>2.2 In terms of the Companies Act 71 of 2008 ("<b>Companies Act</b>"), a controlling and/or holding company and each subsidiary within a group of companies are considered separate legal entities (known in our law as the doctrine of separate juristic personality). This is an important distinction, as the business and affairs of each of the companies within the group must be managed by or under the direction of the board of directors of each such company.</p> <p>2.3 The board of the holding company and the board of the relevant subsidiary will each be required to act in the best interests of the company (i.e. the holding company board will be required to act in the best interests of the holding company and arguably, in the best interests of the group as a whole, whereas the subsidiary board will only be required to act in the best interests of that specific subsidiary). It is a trite principle of law that a director owes a fiduciary duty to the company in respect of which he/she serves as a director, and does not owe any such fiduciary duty to subsidiaries or other related or inter-related companies.</p> <p>2.4 The imposition of onerous duties on the Board purports to create duties on the Board in relation to subsidiaries which, under company law, do not exist. The Draft Standards require the Board to, amongst other things:</p> <p>The imposition of onerous duties on the Board purports to create duties on the Board in relation to subsidiaries which, under company law, do not exist. The Draft Standards require the Board to, amongst other things:</p> <p>2.4.1 disclosure material or significant ITEs;</p> <p>2.4.2 set acceptable levels of ITEs for the financial conglomerate; and</p> <p>2.4.3 adopt governance and risk procedures that apply across the financial conglomerate.</p> <p>2.5 While the Draft Standards impose several far-reaching duties on the Board, neither the Draft Standards nor the FSR Act afford the Board any additional rights or powers that would enable it to fulfil such duties. As a consequence, the Board may only exercise control as shareholder or exert influence. It is submitted that given the extensive duties imposed on Boards, and the fact that boards of subsidiary companies owe a fiduciary duty to the subsidiary, it may be practically impossible for the Board to effectively fulfil its duties under the Draft Standards. When read with section 164(1) of the FSR Act which requires that the holding company of a financial conglomerate must comply with the standards made in relation to financial conglomerates, a Board may well find itself in the position where it lacks the power to give effect to the Draft Standards thereby placing in breach of the Draft Standards and/or FSR Act.</p> <p>2.6 Further, section 164(2)(b) of the FSR Act states that in addition to the matters referred to in sections 105 and 108 of the FSR Act, a prudential standard contemplated in section 164(1) may include requirements relating to the governance and management arrangements for holding companies of financial conglomerates. In our view, the Draft Standards are broader than what is contemplated in section 164 of the FSR Act and may well lead to potential review in light of the conflicts highlighted above.</p>	<p>financial conglomerate. It even provides for binding rules to be entered into for the provision of information.</p> <p>The purpose of financial conglomerate regulation and supervision is to facilitate the prudential supervision of the eligible financial institution.</p> <p>When designating financial conglomerates, the PA has to consider the risk to effective prudential supervision from the structure of the group of companies.</p> <p>Section 164 of the Financial Sector Regulation Act, the PA may make prudential standards with respect to financial and other exposures of companies within the financial conglomerate – this is not referring to only financial institutions but members of the financial conglomerate, reporting of information about companies within the financial conglomerate that are not financial institutions and reducing and managing risk to the safety and soundness of an eligible financial institution from other members of the financial conglomerate (not the holding company).</p> <p>So the financial conglomerate framework is not only about the holding company and the eligible financial institution but about the risks that the members (both financial and non-financial companies) of the financial conglomerate can pose to the eligible financial institution.</p>
236	WEBBER WENTZEL	<b>Interplay between group supervision and financial conglomerate regulation</b>	The financial sector law introduces level 1 supervision and level 2 supervision – not the

		<p>3.1 As you are well aware, the FSR Act introduced supervision at an entity level (Level 1), at a group level (Level 2) and at financial conglomerate level (Level 3).</p> <p>3.2 We understand that the object of Level 3 regulation is to capture the risks that are not adequately caught under Level 1 or Level 2 regulation.</p> <p>3.3 With this object in mind, the Draft Financial Standards seek to impose obligations in relation to the entire financial conglomerate (which includes Level 1 and Level 2 supervision). This creates a duplication of governance, risk and reporting structures across the three levels.</p> <p>3.4 It is respectfully submitted that the delineation between Level 2 and Level 3 supervision is not adequately detailed in the Draft Standards. In effect, it is difficult to assess where "Level 3 starts and ends and where Level 2 begins".</p> <p>3.5 It is proposed that Level 3 supervision should align with the object of financial conglomerate regulation, namely to capture risks that fall outside of Level 2 supervision. Accordingly, the Draft Standards should only address areas of risk that are not suitably captured under Level 2 regulation.</p>	<p>FSR Act. The FSR Act introduces level 3 supervision. The purpose of level 3 is to capture risks not captured under level 1 and level 2. It does not replace level 1 or level 2. The PA would also need to license holding companies that are not licensed in terms of a financial sector law and may not have level 2 rules applicable in the group and thus it is necessary to include detailed governance requirements.</p>
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**Comments received during the informal industry consultation held from March to June 2020****COMMENTS ON PRUDENTIAL STANDARD FC02 - INTRAGROUP TRANSACTIONS AND LARGE EXPOSURES**

	No	SOURCE	Paragraph of the Standard	Comment	Response
D				<b>1. COMMENTS ON STANDARD</b>	
D				<b>1. Commencement</b>	
D	1)	SAIA		No comments.	Noted.
D	2)	ASISA	1.1	Member A A commencement date of 1 January 2021 is provided, whereas the other draft Standards provide a commencement date of 1 January 2022. We suspect this is a drafting error but if not, propose that it be amended to align with the 2022 date as it is an otherwise overly ambitious if not unrealistic date given that we are in the course of an informal consultation process and these Standards still have to go through the formal consultation process.	Amended.
D	3)	OLD MUTUAL		No comment	Noted.
D	4)	FIRSTRAND	1.1	The commencement dates are conflicting (2020 and 2021) – also don't align with the papers on capital. Assume this should be 1 January 2022?	Amended
D	5)	ALBARAKA BANK LIMITED		No comments	Noted.
D	6)	BANK OF TAIWAN SA		No comments	Noted.
D	7)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
D	8)	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.	Chapter 12 of the Financial Sector Regulation Act, 2017 (FSR Act) 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 is not new to the sector.  It is expected that the standard will be finalised in early 2021 and only effective in 2022 to provide financial conglomerates with time to

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	No	SOURCE	Paragraph of the Standard	Comment	Response
					<p>prepare. The challenges faced by financial institutions as a result of COVID-19 will be taken into consideration when deciding on the date of implementation.</p> <p>The exact date of implementation will be communicated after the standard has been through the formal consultation process as required in terms of the FSR Act.</p> <p>The Financial Conglomerate Intragroup Standard implementation date will align to the other PA Financial conglomerate standards.</p>
	9)		1.1 (160(3)(a) and (b))	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?	The Financial Conglomerate Intragroup Standard implementation date will align to the other PA Financial conglomerate standards.
	10)			The date for this Standard is different from the Technical and Principle approach papers.	Amended
	11)			The final requirements and forms and formats required for disclosure also impacts this date.	The Financial Conglomerate Intragroup Standard implementation date will align to the other PA Financial conglomerate standards.
	12)			A Holding company is to be invited to make a submission on the proposed designation by the Prudential Authority and given reasonable period to do so.	Comment relates to designation of a Financial Conglomerate and not Intragroup exposures.
	13)	JSE		No comments	Noted.
	14)	SAHL		No comments	Noted.
D				<b>2. Legislative authority</b>	
D	15)	SAIA		No comments.	Noted.
D	16)	ASISA		No comments	Noted.
D	17)	OLD MUTUAL		No comments	Noted.
D	18)	FIRSTRAND		No comments	Noted.
D	19)	ALBARAKA BANK LIMITED		No comments	Noted.
D	20)	BANK OF TAIWAN SA		No comments	Noted.
D	21)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
D	22)	BASA	Preamble and 2.1	This standards preamble starts stating that the objectives and key requirements are made in terms of Sections 105 and 164 in the Act. Section 164 in turn refers to sections 105 as well as Section 108, that is not referenced. FCO2 is the only draft standard whose paragraph 2.1 refers to Sections 105 and 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.	Amended as per recommendation.
	23)	BASA	2.1	Will separate Regulations be published regarding more specific disclosure requirements or will the Standard leverage off Financial reporting Regulations already promulgated/published?	Standards to be issued in terms of section 105 of the Financial Sector Regulation Act, 2017 and regulations issued in terms of the financial sector laws applicable to the specific institution type.
	24)	JSE		No comments	None
	25)	SAHL		No comments	None
D	26)			<b>3. Application</b>	
D	27)	SAIA		No comments.	Noted.
D	28)	ASISA		No comments	None
D	29)	OLD MUTUAL		No comments	None
D	30)	FIRSTRAND		No comments	None
D	31)	ALBARAKA BANK LIMITED		No comments	None
D	32)	BANK OF TAIWAN SA		No comments	None
D	33)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	None
D	34)	BASA	3.1 (160(7) to (9))	The Prudential Authority may designate members of a group of companies to a conglomerate without fully complying with subsections (3) & (4) under certain conditions. The impact of this designation and the structural reporting requirements of such a group of companies may create delays or may not have been set up in that manner as yet. What is the timeframe envisaged in such a scenario of company to comply?	This comment is relevant to financial conglomerates in general, and not an Intra-group specific issue.
D	35)	BASA	3.1 (160(8)(b))	Does the written submission here refer to the entity possibly providing reasons why this is not feasible (disagreement) or does this merely refer to the entity noting the designation and providing a specific timeline from when such a disclosure is feasible?	Refer to a PA Financial Designated Conglomerate entity. Reporting and disclosure in terms of this standard only applicable to the afore-mentioned.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
D	36)	BASA	3.1 (161)	Notification implies that the controlling entity has the sole discretion of the structure of the Conglomerate post the designation as long as it notifies the Prudential Authority within 30 days. Is this interpretation correct?	This comment is relevant to financial conglomerates in general, and not an Intra-group specific issue.
D	37)	BASA	3.1 (161)	If the reading of section 161 above is correct, at what point (should entities be reduced) would the Prudential Authority reconsider any designation?	This comment is relevant to financial conglomerates in general, and not an Intra-group specific issue.
D	38)	BASA	3.2	This is repeated in paragraph 5.1 together with 5.2	Deleted paragraph 3.2 in order to address duplication.
D	39)	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 as well as Section 2 of the proposed guidance note "Guidance on criteria to be followed by the Prudential Authority when designating financial conglomerates".	Agreed. Paragraph 3.2 added to state the following "This Standard applies in addition to the financial sector laws which may be specific to institution type".
D	40)	JSE		No comments	Noted.
D	41)	SAHL		No comments	Noted.
D				<b>4. Definition and interpretation</b>	
D	42)	SAIA		No comments.	Noted.
D	43)	ASISA		No comments	Noted.
D	44)	OLD MUTUAL	4.2	The meaning of "entities" should be defined - is this significant entities as defined only or wider?	Disagree, in this paragraph reference is made to definition of intragroup transactions and not to materiality levels.
D	45)	FIRSTRAND		No comments	Noted.
D	46)	ALBARAKA BANK LIMITED		No comments	Noted.
D	47)	BANK OF TAIWAN SA		No comments	Noted.
D	48)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
D	49)	BASA	4.2	Further clarification around direct and especially indirect claims between entities is required (BS & OBS?).	Indirect shareholding is an example of indirect claims.
	50)	JSE		No comments	Noted.
	51)	SAHL		No comments	Noted.
D				<b>5. Roles and responsibilities</b>	
D	52)	SAIA		No comments.	Noted.
D	53)	ASISA		No comments	Noted.
D	54)	OLD MUTUAL		No comments	Noted.



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	No	SOURCE	Paragraph of the Standard	Comment	Response
D	55)	ALBARAKA BANK LIMITED		No comments	Noted.
D	56)	BANK OF TAIWAN SA		No comments	Noted.
D	57)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
D	58)	BASA		Repeat of 3.2.	Noted.
	59)	SAHL		No comment	Noted.
D				<b>6. Principles and requirements for intragroup transactions and exposures</b>	
D	60)	SAIA		No comments.	Noted.
D	61)	ASISA		No comments	Noted.
D	62)	OLD MUTUAL	6.2	It should be clarified that disclosure of material intragroup transactions and exposures to the Prudential Authority should be subsequent to the transaction occurring and linked to the semi-annual requirement per 9.1.	Agreed, cross reference to paragraph 9.
D	63)	FIRSTRAND	6.2	There is requirement for the disclosure of intragroup exposures to the Prudential Authority – will there be some alignment to current IFRS and regulatory disclosures for intragroup exposures/transaction (where all transactions greater than 1% of CET1 must be reported)? Currently the Regulations relating to Banks (BA210), reference is made to the CET1 capital. For the banking holding company/solo entities, will this result in different reporting for banking regulations (referencing CET1) and financial conglomerates (referencing eligible capital).	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	64)	ALBARAKA BANK LIMITED		No comments	Noted.
D	65)	BANK OF TAIWAN SA		No comments	Noted.
D	66)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
D	67)	BASA	6.1	Cross reference to section 7 for definition of material / significant.	Cross reference included in paragraph 4.6.
D	68)	BASA	6.1	Please provide a definition for contagion risk.	
D	69)	BASA	6.2	Is this necessary if there is a reporting requirement in terms of the standard and the standard already designates this the responsibility of the Board?	Deleted paragraph 3.2 in order to address duplication.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
D	70)	BASA		There is requirement for the disclosure of intragroup exposures to the Prudential Authority – will there be some alignment to current IFRS and regulatory disclosures for intragroup exposures/transaction (where all transactions greater than 1% of CET1 must be reported)? Currently the Regulations relating to Banks (BA210), reference is made to the CET1 capital. For the banking holding company/solo entities, will this result in different reporting for banking regulations (referencing CET1) and financial conglomerates (referencing eligible capital)?	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	71)	BASA	6.3	“through 1” – is the 1 meant to be a superscript linking this section to the footnote?	Agreed, amended.
D	72)	BASA	6.3 (a to l)	This will need to be fully unpacked and further questions may arise in this regard.	Noted.
D	73)	BASA		Each designation within the Group would be able to eliminate exposures within the designation/conglomerate to avoid double counting within that group and exposures between designations/conglomerates be seen as a third-party exposure.	There will only be one designation of a group of companies that meet the definition of a financial conglomerate. The PA will not designate financial conglomerates within financial conglomerates.
D	74)	BASA	6.3 (f)	As per the above, we would appreciate clarity as regards what is considered to be a major shareholder for purposes of the Standard. We would also appreciate guidance as regards what details of the major shareholders will be required.	Please refer to paragraph 4.1 “The terms used in this Standard, unless indicated otherwise, are defined in the FSR Act and the financial sector laws, and have the same meaning in this Standard.” Major shareholders are defined in the FSR Act. Reporting template covers the requirement detail.
D	75)	BASA	6.3 (g)	Does this mean cash assets held at bank are affected, since we are placing assets with another group company?	Yes, agreed.
D	76)	BASA	6.3 (k)	What would the implications be for group scheme and cell captive arrangements? Would these need to be removed from calculations?	There shouldn't be any implications for group schemes and cell captives as these are not legal entities
D	77)	JSE		No comment	Noted.
D	78)	SAHL		No comment	Noted.
D				<b>7. Material or significant intragroup transactions</b>	
D	79)	SAIA		No comments.	Noted.
D	80)	ASISA	7.1	Member B Comments are requested on both the Technical Capital Requirements (FC01) and Principle Based Capital Requirements	The PA decided to base the reporting requirement on a risk based approach whereby

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				(FC01) however this section bases materiality of an intragroup transaction on eligible capital calculated in accordance with the technical provisions. Does this mean that the technical capital calculation will be implemented?	the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	81)	OLD MUTUAL	7.1, 7.2	These definitions and principles should be aligned to FC01 Capital Technical – comment at 4.11.	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	82)	FIRSTRAND	7.1	Refers to a single intragroup transaction above 1% of eligible capital. It refers to due consideration where cumulative transactions increase the amount. Are these transactions that start below 1% and cumulatively exceed 1% or is it where the cumulative amount is well in excess of 1%.	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	83)	ALBARAKA BANK LIMITED		No comments	Noted.
D	84)	BANK OF TAIWAN SA		No comments	Noted.
D	85)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
D	86)	BASA		We suggest removing the intragroup liquidity exposures from this paragraph. Liquidity and funding are listed in the concentration standard and are in existing prudential treatment not normally related to capital, but to liabilities.	Disagree, there is only reference made to the liquidity position of the financial conglomerate.
D	87)	BASA	7.1	Elaboration is required regarding the 'Sequential transactions' principle put forward as part of a reporting entity's process for determining the material of such intragroup transactions.	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	88)	BASA		Threshold/Material is =>1% of QCR of the conglomerate with consideration for structure, complexity and location. Does this mean exposures below the threshold may also be required to be reported? If so, would the consideration be prescriptive or provide guidelines in line with specific requirements? Would this assessment be based on a prior period's QCR, and if so, which prior period would be used (prior month or prior submission)?	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	89)	BASA		Refers to a single intragroup transaction above 1% of eligible capital. It refers to due consideration where cumulative transactions increase the amount. Are these transactions that start below 1%	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				and cumulatively exceed 1% or is it where the cumulative amount is well in excess of 1%?	
D	90)	BASA	7.1 and 7.2	Regarding the determination of intragroup transactions as material – is 7.2 meant to be read as a non-exhaustive list of qualitative factors that may indicate the materiality of a transaction? If so, is the Standard allowing for judgement to be applied in broadening the classification further than merely 7.1 (quantitative assessment)?	Portions of Paragraph 7.2 was deleted and the remainder of the paragraph moved to section 6 as paragraph 6.4.
D	91)	BASA	7.2	Requires consideration for structure, complexity, location and the possibility of other factors. Does this mean exposures below the threshold may also be required to be reported? If so, would the consideration be prescriptive in nature or provide guidelines in line with specific requirements?	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	92)	BASA		We propose moving this paragraph to section 6, to create a paragraph 6.4.	Agreed. Portions of paragraph 7.2 deleted and the remainder of the paragraph moved to section 6 as paragraph 6.4.
D	93)	JSE		What informs the 1% hurdle? The concern is that this hurdle could result in transactions being deemed significant when indeed the underlying transaction does not pose significant risk to the conglomerate.	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	94)	JSE		Clarity required on the period in terms of sequential transactions is (e.g. calendar year, financial year or longer).	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	95)	JSE		It is noted that the holding company of a financial conglomerate must identify material intragroup transactions, but as this is dependent on interpretation, the outcome may be that there is inconsistent treatment across the industry or from one conglomerate to the next. Will the PA review these assessments?	Portions of Paragraph 7.2 was deleted and the remainder of the paragraph moved to section 6 as paragraph 6.4.
D	96)	Outsurance	7.1	The approach to the supervision of intra-group transactions is sound. We however respectfully submit that the threshold set for identifying is too low and will possibly lead to over-reporting of transactions and balances that could arise in the ordinary course of business such a central services. For on balance sheet exposures, we suggest a threshold of 3% of eligible capital. The low materiality threshold can create more onerous processes in the origination for operational transactional balances arising out of the ordinary course of business. The low materiality threshold can also lead to over-reporting, more extensive auditing and therefore introduces further cost to the organisation.	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
D	97)	SAHL		No comments	Noted.
D				<b>8. Intragroup transactions and exposures policy</b>	
D	98)	SAIA		No comments.	Noted.
D	99)	ASISA		No comments	Noted.
D	100)	OLD MUTUAL		No comments	Noted.
D	101)	FIRSTRAND	8.1a	Refers to material intragroup exposures – does this align to the 1% rule or is there another definition for 'material'? How will this align to existing large exposure frameworks that are already in place – will it reference the eligible capital of the block or the standalone entity? As it may differ from, e.g., the Bank Regulations.	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
D	102)	ALBARAKA BANK LIMITED		No comments	Noted.
D	103)	BANK OF TAIWAN SA		No comments	Noted.
D	104)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
D	105)	BASA	8.1 (a)	Refers to material intragroup exposures – does this align to the 1% rule or is there another definition for 'material'? How will this align to existing large exposure frameworks that are already in place? Will it reference the eligible capital of the block or the standalone entity? As it may differ from, e.g., the Bank Regulations.	The PA decided to base the reporting requirement on a risk based approach whereby the Board of the Financial Conglomerate determine the material Intragroup transactions.
	106)	BASA	8.1(d)	Would there be a specific requirement to provide specific treatment of Intergroup exposures outside the scope of consolidation (Solo & Consolidation) of a conglomerate or would a group policy regarding the treatment of any Intergroup exposures suffice?	Group policy should suffice as long it is at the Financial Conglomerate level.
	107)	BASA		Further clarification of exposures outside the scope of consolidation is required. Is this over and above the definitions provided in Regulation 36 of the Regulations relating to the Banks Act?	Group policy should suffice as long it is at the Financial Conglomerate level.
	108)	JSE		How would contravention of limits be dealt with from a Board and PA perspective, particularly where an unforeseen circumstance requires intervention from the Holding Company?	The limits referred to are the FCs own limits. The breach of a FC's own limits will be dealt with on a case by case basis.
	109)	Outsurance	8.1	The standard recognizes the benefits of intra-group arrangements. This is especially true in a well diversified group and can free up capital to enable growth and expansion of services which ultimately benefits consumers in the form of increased competition and the reduced cost of financial services products.	Disagree. No need to remove such ITEs. Let them be reported so that their risks be understood.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				<p>The principles governing intra-group transactions should not be different for financial conglomerates versus Level 2 insurance groups. For this reason, the existence of material intra-group transactions should in itself not be a material driving factor to determine whether a group is a financial conglomerate.</p> <p>We further suggest that the PA remove from the scope, intra-group creditor and debtor balances which arise out of the ordinary course of business and which is document by service level agreements, including where such balances are expected to be settled within 30 days.</p>	
	110)	Outsurance	8.1	Remove from the scope, intra-group creditor and debtor balances which arise out of the ordinary course of business and which is document by service level agreements, including where such balances are expected to be settled within 30 days.	Disagree. No need to remove such ITEs. Let them be reported so that their risks be understood.
	111)	SAHL		No comment	Noted.
D				<b>9. Reporting requirements</b>	
D	112)	SAIA		No comments.	Noted.
D	113)	ASISA		No comments	Noted.
D	114)	OLD MUTUAL	9.1	It should be clarified that reporting of material intragroup transactions and exposures to the Prudential Authority on a semi-annual basis should be based on past transactions which have been concluded during the reporting period (i.e. 6 months prior to the report).	Reportable ITEs are those that exist at the time of reporting. No need to report ITEs over a six-month period even those that have been settled.
D	115)	FIRSTRAND	9.1	All material intragroup exposures must be reported on a six-monthly basis. Must any new exposures be reported immediately with a summary on the six-monthly basis? Would there be any hard limit that may trigger non-compliance?	ITEs to be reported at a point in time. No need for continued reporting on new exposures.
D	116)	ALBARAKA BANK LIMITED		No comments	Noted.
D	117)	BANK OF TAIWAN SA		No comments	Noted.
D	118)	BASA	9.1	The insurance annual return 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, therefore how will 60-day submission work?	The reporting period has been change to semi-annually in June and December.
D	119)		9.1	All material intragroup exposures must be reported on a six-monthly basis. Must any new exposures be reported immediately with a	ITEs to be reported at a point in time. No need for continued reporting on new exposures.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				summary on the six-monthly basis? Would there be any hard limit that may trigger non-compliance?	
D	120)	JSE		No comment	Noted.
D	121)	SAHL		If the material exposures are to be audited, then it would make sense for the date of submission of the reports to be aligned to the submission of the audited financial statements.	Reporting requirement is semi-annually in June and December.
D				<b>10. Additional required capital and reserved funds</b>	
D	122)	SAIA		No comments.	Noted.
D	123)	ASISA		No comments	Noted.
D	124)	OLD MUTUAL		No comments	Noted.
D	125)	FIRSTRAND		No comments	Noted.
D	126)	ALBARAKA BANK LIMITED		No comments	Noted.
D	127)	BANK OF TAIWAN SA		No comments	Noted.
D	128)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
D	129)	BASA	10.1	Would these requirements be in line with Regulatory Framework changes under Basel III and based on the thresholds specified under Section 73 of the Banks Act and Regulation 24?	Paragraph 10.1 was revised such that reference to holding of additional capital is removed. This was also raised before the standards went out for consultation.
D	130)			Will action be taken retrospectively, or would there be a guide as to the extent of any additional Capital an entity may be required to hold should it breach a limit? This influences the capital requirements and planning of entities.	Paragraph 10.1 was revised such that reference to holding of additional capital is removed. This was also raised before the standards went out for consultation.
D	131)	JSE		No comment	Noted.
D	132)	Outsurance		Heading: Regulatory Action: If in the view of the Prudential Authority, that intragroup transaction and exposure risks are not adequately covered or taken into account by the financial conglomerate, the Prudential Authority may take any regulatory action including requiring the financial conglomerate to hold or maintain additional capital. It seems that this stipulation makes provision for a subjective opinion which may result in regulatory action and a requirement for holding of additional capital. It is recommended that guidance is set out for	Paragraph 10.1 was revised such that reference to holding of additional capital is removed. This was also raised before the standards went out for consultation.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				how it will be determined that the intragroup transaction and exposure risks are not adequately covered or taken into account.	
D	133)	SAHL		No comment	Noted.
D				<b>11. GENERAL COMMENTS</b>	
D	134)	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.	Agreed
D	135)	ASISA		No comments	Noted.
D	136)	OLD MUTUAL		No comments	Noted.
D	137)	FIRSTRAND		No comments	Noted.
D	138)	ALBARAKA BANK LIMITED		No comments	Noted.
D	139)	BANK OF TAIWAN SA		No comments	Noted.
D	140)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
D	141)	BASA		No comments	Noted.
D	142)	JSE		No comments	Noted.
D	143)	SAHL		No comments	Noted.



COMMENTS ON PRUDENTIAL STANDARD FC03 – AUDITOR REQUIREMENTS

No	SOURCE	Paragraph of the Standard	Comment	Response
E			<b>1. COMMENTS ON STANDARD</b>	
E			<b>1. Commencement</b>	
E 1)	SAIA		No comments.	Noted
E 2)	ASISA		No comments	Noted
E 3)	OLD MUTUAL		No comments	Noted
E 4)	FIRSTRAND		No comments	Noted
E 5)	ALBARAKA BANK LIMITED		No comments	Noted
E 6)	BANK OF TAIWAN SA		No comments	Noted
E 7)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted
E 8)	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.	Chapter 12 of the Financial Sector Regulation Act, 2017 (FSR Act) 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 is not new to the sector.  It is expected that the standard will be finalised in early 2021 and only effective in 2022 to provide financial conglomerates with time to prepare. The challenges faced by financial institutions as a result of COVID-19 will be taken into consideration when deciding on the date of implementation. The exact date of implementation will be communicated after the standard has been through the formal consultation process as required in terms of the FSR Act.
E 9)	BASA		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?	See response provided above.
E 10)	JSE		No comments	Noted
E 11)	SAHL		No comments	Noted

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No	SOURCE	Paragraph of the Standard	Comment	Response
E 12)	MMH		Commencement date of 1 January 2022 would be dependent on other considerations set out below specifically the approval of auditors by the PA as well as the potential requirement of dual auditors.	Noted, please also see response provided for comment 8 above
E			<b>2. Legislative authority</b>	
E 13)	SAIA		No comments.	Noted
E 14)	ASISA		No comments	Noted
E 15)	OLD MUTUAL		No comments	Noted
E 16)	FIRSTRAND		No comments	Noted
E 17)	ALBARAKA BANK LIMITED		No comments	Noted
E 18)	BANK OF TAIWAN SA		No comments	Noted
E 19)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted
E 20)	BASA	Preamble and 2.1	This standard's preamble starts by stating the objectives and key requirements are made in terms of Sections 105 and 164 in the Act. Section 164 in turn refers to Section 105 as well as Section 108 that are 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.	Noted, the standard will be amended to reflect the suggestion.
21)	JSE		No comment	Noted
22)	SAHL		No comments	Noted
23)	MMH		No comments	Noted
E 24)			<b>3. Application</b>	
E 25)	SAIA		No comments.	Noted
E 26)	ASISA		No comments	Noted
E 27)	OLD MUTUAL		No comments	Noted

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No	SOURCE	Paragraph of the Standard	Comment	Response
E 28)	FIRSTRAND		No comments	Noted
E 29)	ALBARAKA BANK LIMITED		No comments	Noted
E 30)	BANK OF TAIWAN SA		No comments	Noted
E 31)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted
E 32)	BASA	3.1	The requirements are more onerous for the external auditors of financial conglomerates as opposed to the financial conglomerate itself. This can however result in increased audit fees as external auditors are taking on more risk. Audit firms should also be given the opportunity to comment on this Standard.	Do not agree that the requirements are more onerous than for the financial conglomerate itself. The requirement states that the PA must approve the auditor which is currently also required for banks and insurers under the respective financial sector laws.  Noted, the standards were distributed by the SAICA Banking Project Group (BPG) which includes audit firms. According to our records the BPG did not submit a comments. Another opportunity will be provided for comments in terms of the formal consultation period.
E 33)	BASA	3.2	This is repeated in paragraph 5.2.	Do not agree. 3.2 describes the extent of the application of the standard.
E 34)	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 as well as Section 2 of the proposed guidance note "Guidance on criteria to be followed by the Prudential Authority when designating financial conglomerates".	Agreed. Standard has been amended accordingly.
E 35)	JSE		No comment	Noted
E 36)	SAHL		No comments	Noted
37)	MMH		No comments	Noted
E 38)			<b>4. Definition and interpretation</b>	
E 39)	SAIA		No comments.	Noted
E 40)	ASISA		No comments	Noted
E 41)	OLD MUTUAL		No comments	Noted
E 42)	FIRSTRAND		No comments	Noted
E 43)	ALBARAKA BANK LIMITED		No comments	Noted

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No	SOURCE	Paragraph of the Standard	Comment	Response
E 44)	BANK OF TAIWAN SA		No comments	Noted
E 45)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted
E 46)	BASA	4.2	This paragraph is a repeat of paragraph 4.1 above it.	Agreed, the repetition has been removed.
E 47)	JSE		No comment	Noted
E 48)	SAHL		No comments	Noted
E 49)	MMH		No comments	Noted
E			<b>5. Roles and responsibilities</b>	
E 50)	SAIA	5.1	The phrase ' <i>information provided to the Prudential Authority for regulatory purposes</i> ' is wide. Accordingly, clarity is required as to whether all information provided to the PA by or on behalf of a designated holding company must be verified by the auditor.	This will be done as part of a separate process where the PA will determine which supervisory information will be audited and at what level of assurance. We will also engage with the IRBA on audit reports to be issued.  Added the word "specified" to the paragraph.
E 51)	ASISA	5.1	Member C The term 'information provided to the PA for regulatory purposes' is wide and requires clarity as to whether all information provided to the PA by or on behalf of a designated holding company must be verified by the auditor. Recommend clarifying the information to be verified by the auditor.	See response above.
E 52)	OLD MUTUAL		No comments	Noted
E 53)	FIRSTRAND		No comments	Noted
E 54)	ALBARAKA BANK LIMITED		No comments	Noted
E 55)	BANK OF TAIWAN SA		No comments	Noted
E 56)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted
E 57)	BASA		No comment	Noted

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No	SOURCE	Paragraph of the Standard	Comment	Response
E 58)	JSE		No comment	Noted
E 59)	SAHL		No comments	Noted
60)	MMH		No comments	Noted
E			<b>6. Principles and requirements</b>	
E 61)	SAIA		No comments.	Noted
E 62)	ASISA	6.2	<p>Member A</p> <p>In the vast majority if not all cases, the holding companies of designated financial conglomerates will already have engaged and are being audited by an auditor. We propose that recognition be provided to avoid a scenario where an existing auditor needs to be approved i.e. a deeming provision that all existing audit arrangements are deemed to be approved as at the Commencement Date of the Standard. Our comment in relation to the auditor applies to the engagement partner of the auditor.</p>	Disagree, The financial conglomerate framework is set over and above existing frameworks and it is important for the PA to be satisfied with the competence, independence etc. of the auditor of the holding company of financial conglomerates. Audit firms don't change often and audit partners are only required rotate after 5 years therefore it may be a long time before the PA has the opportunity to evaluate the audit firm/partner.
E 63)	ASISA	6.5	<p>Member A</p> <p>As the PA is aware, in June 2017, the Independent Regulatory Board for Auditors (IRBA) issued a rule prescribing that auditors of public interest entities (PIEs) in South Africa must comply with mandatory audit firm rotation (MAFR) with effect from 1 April 2023. In many cases, entities that become subject to these (Financial Conglomerate) standards will be PIEs, and will, from time to time, be required to rotate their audit firms. The proposed requirement that an auditor to be appointed by the 'holding company of the financial conglomerate must have sufficient understanding and experience of the business of the financial conglomerate' is impractical and unreasonable in that, for example, a new auditor will not have experience of the business of the financial conglomerate itself. We accept that it is reasonable to expect a new auditor to have a</p>	Noted, the paragraph has been reworded to take into consideration the proposal.

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No	SOURCE	Paragraph of the Standard	Comment	Response
			good understanding of the industry and the nature of business conducted by financial institutions and assume this is the key intention of this provision. We propose it be amended to make this clearer failing which compliance with this provision will be extremely difficult if not impossible and, in addition, be contrary to one of the objectives of MAFR.	
E 64)	ASISA	6.6	Member A As the PA is aware, the conducting of an audit occurs for a number of sound reasons, and is both a costly and intensive exercise. This is more so for groups of companies. The proposal that the PA can require the holding company of a financial conglomerate to appoint two audit firms to jointly conduct an audit of the financial conglomerate is problematic. This includes in relation to costs, but also in respect of how a joint audit would be conducted or required to be conducted, such as in relation to co-ordination, confidentiality, methodologies, consistency etc. [I am not an auditor and suspect this is something that would be really troublesome for auditors if not the entity being audited]	This noted, however, joint audits is common practice for large banks and will be applied on the insurance side as well. The IRBA is in the process of issuing guidance on joint audit engagements.
E 65)	ASISA	6	Member B In terms of the Governance of Insurers Standards (GOI) an insurer is required to apply to the Prudential Authority for the approval of its appointed auditor, which in most cases is the same auditor for the group. Will this be an additional application to the PA for the approval of the same auditor? If so, it will result in duplication of process.	The application for the approval of an auditor for an insurer is conducted in terms of the Insurance Act, 2017 whilst the application for the approval of an auditor for a financial conglomerate is effected in terms of the Financial Sector Regulation Act, 2017. The processes are separate. The evaluation of the auditor (firm/engagement partner) for the financial conglomerate is different from the evaluation of the auditor for an insurer.
E 66)	OLD MUTUAL	6.2 – 6.4	It is recommended that the standard be amended to confirm that the relevant REGULATOR (in our case JSE) may be notified of the change in auditor but clearly noting that it is subject to Prudential Authority approval. JSE Listing Requirement 3.75 requires that by no later than the end of the business day	Disagree, that the standard should be amended. The JSE should be informed as required by the listing requirements but noting that the appointment is subject to the approval of the PA

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No	SOURCE	Paragraph of the Standard	Comment	Response
			following the decision to appoint an auditor, the JSE must be notified. Guidance is required regarding the practicalities surrounding this i.e. at what point should the JSE be notified – would it be following the approval obtained from the Prudential Authority or would we still be required to notify the JSE, but note that it is subject to approval of the Prudential Authority.	
E 67)	FIRSTRAND		No comments	Noted
E 68)	ALBARAKA BANK LIMITED		No comments	Noted
E 69)	BANK OF TAIWAN SA		No comments	Noted
E 70)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted
E 71)	BASA	6.4	We suggest splitting into 2 paragraphs to match the separate actions required.	Agreed. The amendments have been made to the standard.
72)	JSE	6.4	6.4 What are the turnaround times for approval from a PA perspective? Delays in approval could impact audit timelines and upfront planning.	We have an internal process that covers auditor applications and provides for efficient turnaround times. It is a valid concern that delays in the PA approval process could be disruptive. Regulated entities are advised to apply well in advance of financial year-ends.
73)		6.6	6.6 To what extent will the conglomerate be involved in the decision making, and to what extent will the conglomerate have an opportunity to address the nature, scale, complexity and other factors contributing towards its risk profile that potentially gives rise to the inclusion of a second audit firm?	The appointment of joint auditors is not mandatory but rather at the discretion of the PA based on the risk profile of the financial conglomerate. The PA will engage with the financial conglomerate on the appointment of a joint auditor.
74)	Outsurance	6.6	Any requirement for a financial conglomerate to appoint two auditors will place a high cost burden on groups which are traditionally insurance groups. The increased auditing time and associated management cost of the engagement will lead to a material increase in audit costs which will ultimately flow to policyholders impacting the cost of insurance.	The appointment of joint auditors is not mandatory but rather at the discretion of the PA based on the risk profile of the financial conglomerate. The PA will engage with the financial conglomerate on the appointment of a joint auditor.

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No	SOURCE	Paragraph of the Standard	Comment	Response
			The mandatory audit-firm rotation requirement by IRBA should sufficiently mitigate independence related risks and dilute the need for dual auditors.	
75)	SAHL		No comments	Noted
76)	MMH	6.4	It would be appreciated if the PA can specific a specified turnaround time from when an application for approval of the auditor is submitted to the Prudential Authority and when approval is received. This will allow for better planning of audit transition, especially in a case where auditors may be changed unexpectedly due to unlikely events (e.g. force majeure). An extended delay of six months between submission and approval will lead to practical challenges – our current auditor transition experience has shown that it takes between 9 and 12 month to transition a new group auditor to be fully equipped for an effective and efficient audit of full year financial reports and/or statements.	We have an internal process that covers auditor applications and provides for efficient turnaround times. It is a valid concern that delays in the PA approval process could be disruptive. Regulated entities are advised to apply well in advance of financial year-ends.
77)	MMH	6.6	<p>It would appreciated that it could be more clearly specified in which cases two audit firms would be required to audit the financial conglomerate. This has significant complications including:</p> <ul style="list-style-type: none"> <li>• Auditors are already required to be mandatorily rotated every 10 years (effective 1 April 2023)</li> <li>• Work would naturally be expected to be shared amongst the dual auditors and therefore from a continuity perspective the rotation appointments would be staggered in such a way to replace one auditor every 5 years. As noted in 6.4 above, auditors can only be rotated at the start of the financial year due to the</li> </ul>	The appointment of joint auditors is not mandatory but rather at the discretion of the PA based on the risk profile of the financial conglomerate. The PA will engage with the financial conglomerate on the appointment of a joint auditor.



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No	SOURCE	Paragraph of the Standard	Comment	Response
			<p>length of time it takes to transition a new auditor into the company.</p> <ul style="list-style-type: none"> <li>Specifically for financial conglomerates with subsidiary insurance entities, the audit firm would be required to have sufficient actuarial resources to perform the audit, which (for practical purposes) limits insurance groups to the use of one of the big 4 audit firms (EY, PwC, KPMG or Deloitte). For continuity purposes described in bullet above, both audit firms will need to have actuarial teams.</li> <li>Similarly, audit firms of larger insurance firms requires significant resources in terms of people, technical referral offices, processes etc. in order to effectively address all the relevant aspects of an audit. A smaller firm might not be able to adequately address this or it may be too costly for them to resource sufficiently. Should they be able to do the latter, they will be mandatorily rotated off after a few years, resulting in the audit firm having to reduce/increase capacity many times which could threaten the financial stability of the smaller firm.</li> <li>These challenges largely only leaves the big 4 audit firms to choose from. Taking into account mandatory rotation, need for actuarial practices in the audit firm, and sufficient capacity, it may leave only 2 firms to choose from which would make dual auditing as well as frequent rotation logistically challenging and costly.</li> </ul>	

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No	SOURCE	Paragraph of the Standard	Comment	Response
			<ul style="list-style-type: none"> <li>Furthermore, many large financial services also use the big 4 audit firms for non-audit consulting services on projects, or outsourced functions including, internal audit. Depending on the size of the consulting appointment, some auditors may choose not to be included in the tender for audit services, which would limit the firms to choose from an even smaller universe.</li> <li>An audit of a financial conglomerate is inherently complex due to different systems and processes being used. To be able to not only understand these but also identify the risks would take significant time from new audit teams and having two teams would increase this complexity. This would also cause significant disruption to the business.</li> </ul> <p>An audit carries a significant cost and the mandatory use of dual auditors would result in the cost potentially doubling, negatively impacting clients, shareholders and potentially employees.</p>	
E			<b>7. Attachment 1</b>	
E 78)	SAIA		No comments.	Noted
E 79)	ASISA		No comments	Noted
E 80)	OLD MUTUAL		No comments	Noted
E 81)	FIRSTRAND		No comments	Noted
E 82)	ALBARAKA BANK LIMITED		No comments	Noted
E 83)	BANK OF TAIWAN SA		No comments	Noted

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No	SOURCE	Paragraph of the Standard	Comment	Response
E 84)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted
E 85)	BASA	Part A (1)(c)	<p>Audit and consulting - these service types need to be clearly defined and consideration should be given to the independence of the proposed auditor – if they currently provide consulting services the auditor will not be viewed as independent. We propose that the engagements should be differentiated between:</p> <ul style="list-style-type: none"> <li>o Statutory audit of annual financial statements</li> <li>o Non-audit services – audit-related (e.g. required by a regulator/law that the services be performed by the appointed statutory auditor) and permitted services (e.g. Attest and assurance services such as Comfort and consent letters in securities offerings</li> <li>o Other (which can include consulting work)</li> </ul> <p>Active - need to be clearly defined – does this refer to work-in-progress/work approved to be done or work performed during the current financial year under review. We propose that it only includes work completed in the past year to the date of the application.</p>	Agreed. The attachment was amended in consideration of the comment.
86)		Part A(1)(d)	<p>Audit and consulting - these service types need to be clearly defined and consideration should be given to the independence of the proposed auditor – if they currently provide consulting services the auditor will not be viewed as independent. We propose that the engagements should be differentiated between:</p> <ul style="list-style-type: none"> <li>o Statutory audit of annual financial statements</li> <li>o Non-audit services – audit-related (e.g. required by a regulator/law that</li> </ul>	See response above.

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No	SOURCE	Paragraph of the Standard	Comment	Response
			the services be performed by the appointed statutory auditor) and permitted services (e.g. Attest and assurance services such as Comfort and consent letters in securities offerings Other (which can include consulting work)	
87)		Part(1)(c)	Completed during the past five years – past four years to be considered in this section as the past year/year-to-date will be covered in c. above	Noted and amended.
88)	JSE		No comment	Noted
89)	SAHL		No comments	Noted
90)	MMH		No comments	Noted
E 91)			<b>2. GENERAL COMMENTS</b>	
E 92)	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 and supported.
E 93)	ASISA		Member D -We support a combined technical and principle-based approach.	Related to capital standard.
E 94)	OLD MUTUAL		No comments	Noted
E 95)	FIRSTRAND		Will the auditors appointed be the same as those for the statutory and regulatory audits – continuity and understanding of the business to date should be considered when approving the appointment of the auditors.	Noted. Ideally the firms responsible for the entities within the conglomerate should also be responsible for the holding company of the conglomerate. That is why we included par 6.5 in the Prudential Standard.
E 96)	FIRSTRAND		Part A – is the information required for the auditor the same as the information for the appointment by a banking entity? Is it a requirement that the current auditor of a banking group need to be reappointed by the financial conglomerate holding company if it is the same entity?	The application for the approval of an auditor for an insurer or a bank is conducted in terms of the Insurance Act, 2017 or the Banks Act, 1990 whilst the application for the approval of an auditor for a financial conglomerate is effected in terms of the Financial Sector Regulation Act, 2017. The processes are separate. The evaluation of the auditor (firm/engagement partner) for the financial conglomerate is different from the evaluation of the auditor for an insurer/bank.
E 97)	ALBARAKA BANK LIMITED		No comments	Noted
E 98)	BANK OF TAIWAN SA		No comments	Noted

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No	SOURCE	Paragraph of the Standard	Comment	Response
E 99)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted
E 100)	BASA		Banks and Insurance entities already comply with the requirements of this standard.	Agreed, however this standard applies to the financial conglomerate.
E 101)	BASA		Will the auditors appointed be the same as those for the statutory and regulatory audits? Continuity and understanding of the business to date should be considered when approving the appointment of the auditors.	See response to 87 above.
E 102)	BASA		Part A – is the information required for the auditor the same as the information for the appointment by a banking entity? Is it a requirement that the current auditor of a banking group need to be reappointed by the financial conglomerate holding company if it is the same entity?	See response to 88 above.
E 103)	JSE		The PA, IRBA and SAICA would have to be aligned in terms of balancing skills and experience with the development of the audit profession. Skills and experience are concentrated in a few large firms and they naturally attract the top talent.	Noted, the PA is aware of this condition.
E 104)	JSE		The fact that there are a handful of audit firms that could perform complex audits means that a conflict of interest could arise, in the case where the PA disallows one particular audit firm and the remaining audit firms perform consultation services to the said conglomerate. This could potentially limit the available options to both the conglomerate and the PA.	Noted, the PA is aware of this condition.
E 105)	JSE		A list of approved audit firms and partners is required to ensure that time and resources are not wasted on the engagement of an audit firm that would not meet the PA's requirements.	The PA is unable to provide a list of preferred audit. It is the responsibility of the regulated entity to engage the services of an auditor that has experience in the relevant sector and other essential conditions.
E 106)	Outsurance		The need for audit requirements for regulatory reporting at Level 3 is understood. It is however our submission that this framework should not be materially different to the requirement at an	Agreed, the exact nature of what will have to be audited at conglomerate level is still to be determined and this comment will be considered at that point.

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No	SOURCE	Paragraph of the Standard	Comment	Response
			<p>insurance group level (which is currently absent).</p> <p>These audit requirements will undoubtedly place a high cost burden on financial conglomerates which will impact the ultimate cost of insurance. The scope of such audits and therefore the scope of additional regulatory reporting should be practical and limited. The review of the consolidated group capital requirement and eligible capital should be the focus of the audit.</p> <p>Additional auditing requirements should be limited to the unique matters arising at a group level. Over-reporting and duplicative reporting (when compared to Level 1 and Level 2) should be strictly avoided.</p>	
E 107)	SAHL		No comments	Noted.
108)	MMH		No comments	Noted

## COMMENTS ON PRUDENTIAL STANDARD FC04 – GOVERNANCE AND RISK MANAGEMENT

	No	SOURCE	Paragraph of the Standard	Comment	Response
				<b>1. COMMENTS ON STANDARD</b>	
				<b>1. Commencement</b>	
F	1)	SAIA		No comments.	Noted
F	2)	ASISA		No comments	Noted
F	3)	OLD MUTUAL		No comments	Noted
F	4)	FIRSTRAND		No comments	Noted
F	5)	ALBARAKA BANK LIMITED		No comments	Noted
F	6)	BANK OF TAIWAN SA		No comments	Noted
F	7)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted
F	8)	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.	Chapter 12 of the Financial Sector Regulation Act, 2017 (FSR Act) 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 is not new to the sector.  It is expected that the standard will be finalised in early 2021 and only effective in 2022 to provide financial conglomerates with time to prepare. The challenges faced by financial institutions as a result of COVID-19 will be taken into consideration when deciding on the date of implementation. The exact date of implementation will be communicated after the standard has been through the formal consultation process as required in terms of the FSR Act.
F	9)	BASA	1.1	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.	See response to comment 9.
F	10)	JSE		No comments	Noted

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	No	SOURCE	Paragraph of the Standard	Comment	Response
F	11)	SAHL		No comments	Noted
F				<b>2. Legislative authority</b>	
F	12)	SAIA		No comments.	Noted
F	13)	ASISA		No comments	Noted
F	14)	OLD MUTUAL		No comments	Noted
F	15)	FIRSTRAND		No comments	Noted
F	16)	ALBARAKA BANK LIMITED		No comments	Noted
F	17)	BANK OF TAIWAN SA		No comments	Noted
F	18)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted
F	19)	BASA	Preamble and 2.1	<p>This standards preamble starts stating that the objectives and key requirements are made in terms of Sections 105 and 164 in the Act. Section 164 in turn refers to Section 105 as well as Section 108 that are not referenced. Paragraph 2.1 in the standard then only refers to Section 164.</p> <p>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.</p>	<p>Noted. Section 164(1) of the FSR Act states that the power of the PA to make prudential standards extends to making prudential standards that must be complied with by holding companies of financial conglomerates. Section 164(2)(a) and (d) states that such a prudential standard may include requirements with respect to governance and management for holding companies of financial conglomerates; and for reducing or managing risks to the safety and soundness of an eligible financial institution arising from the other members of the financial conglomerate. Section 105(2) provides that the prudential standard must be aimed at ensuring the safety and soundness of the financial institution. Section 108(a), (b), (c), (d), (g), (h), (i), (j), (k) of the FSR provides that a prudential standard can be in terms of fit and proper requirements, governance, risk management and internal control requirements, control functions, outsourcing, record keeping and data management. In this regard, the standard has been amended to refer to sections 164, 105 and 108 of the FSR Act.</p>
F	20)	JSE		No comments	Noted
F	21)	SAHL		No comments	Noted
F				<b>3. Application</b>	
F	22)	SAIA		No comments.	Noted
F	23)	ASISA	3.1	<p>Member B</p> <p>We are an entity in a Group. The PA is currently in the process of determining which entities will be designated as the “insurance group” in terms of the Insurance Act 18 of 2017. Is it the PA’s intention to designate us as a “financial</p>	<p>Financial conglomerate is in common terms referred to as Level 3 supervision. Group supervision is referred to Level 2 and solo supervision as level 1. The intention behind Level 3 supervision is to address risks to an eligible financial institution (s) that are not captured under Level 2 and solo supervision.</p> <p>The standard does not deal with the designation process.</p>



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	No	SOURCE	Paragraph of the Standard	Comment	Response
				conglomerate” in terms of the FSR Act in addition to an insurance group? If so, then this may result in duplication placing an additional regulatory burden on the holding company and its resources.	
F	24)	ASISA	3.4	Member A Please refer to our General Comment regarding “Conflicts”.	Noted. See response to comment 280.
F	25)	OLD MUTUAL		No comments	Noted.
F	26)	FIRSTRAND	3.3	Clarity around the type of entities that will be excluded from the financial conglomerate group (or wider group) will be appreciated. It is still difficult to assess the relevance any exclusion.	Exclusions may occur where it is in the view of the PA that the entity does not pose material risk to the eligible financial institution. An exclusion of an entity will be clearly communicate during the designation process.
F	27)	ALBARAKA BANK LIMITED		No comments	Noted.
F	28)	BANK OF TAIWAN SA		No comments	Noted.
F	29)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
F	30)	BASA	3.1	This is the only draft financial conglomerate standard that refers specifically to a paragraph in the FSR Act 164. We suggest alignment with other draft standards.	Noted. Paragraph 3.1 does not refer to section 164 but rather 160(1). Standards will be reviewed to ensure that there is alignment where appropriate.
F	31)	BASA	3.1	Criteria / guidance needs to be provided regarding the definition of a “holding company” in respect of the various scenarios. Reference is made to holding company of a financial conglomerate - will it ever be possible that a holding company of the Group is a different legal entity?	The holding company will be identified when the financial conglomerate is designated. A holding company of a financial conglomerate in certain cases can be the holding company of a Group (Level 2). It is possible that the holding company of the financial conglomerate is different from the holding company of the Group (Level 2). In this case the holding company of the group will be required to comply with standards or regulations pertaining to the Group. It may also be possible that the holding company of a financial conglomerate is not the ultimate holding company of a Group (not Level 2). These concepts will be clarified when a financial conglomerate is designated.
F	32)	BASA	3.2	There needs to be an appreciation for the fact that there are a range of entities (including unregulated entities within a Group structure). It may not be possible, practical or required in	The compliance requirement rests with the holding company of the financial conglomerate. The PA is concerned with the risk that is posed by the unregulated entities to the eligible financial institution. The role of the holding

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				the circumstances for there to be full compliance by all group entities.	company is to ensure that it has prudent oversight of the entities within the financial conglomerate so that the risk does not materialise.
F	33)	BASA	3.3	We suggest that the explanation of “wider group” move to section 4 of this standard.	Noted, the explanation of the wider group has moved to the definition section of the standard.
F	34)	BASA		A reference to the ‘wider group’ shall be read as a reference to the companies that are within the group, but which have not been included as members of the group designated as a financial conglomerate. Clarity around the type of entities that will be excluded from the financial conglomerate group (or wider group) will be appreciated. It is still difficult to assess the relevance of any exclusion.	See response to comment 26.
F	35)	BASA	3.4	This explanation is only provided in FC 04, as well as the draft financial conglomerate identification guidance note. We suggest that this section be included in all of the draft standards FC 01 to FC 05 - “This Standard applies in addition to the financial sector laws which may be specific to institution type.”	Noted.
F	36)	BASA	3.4	We suggest deleting as follows: “This Standard applies in addition to the financial sector laws which may be specific to institution type. <del>Therefore, this Standard may not cover all areas of corporate governance as such areas are sufficiently dealt with in financial sector laws. Therefore, this Standard applies in addition to other financial sector laws and good corporate governance prescripts for boards. The requirements of this Standard do not derogate from the existing corporate governance requirements of financial sector laws that apply to regulated entities whether at solo entity or group level.</del> ”	Noted. The standard has been amended accordingly.
F	37)	BASA	3.4	Clarity is requested on what happens in the event of a conflict. Where do the standards fit in in terms of priority of compliance? Where there is conflict between the Standards,	Examples of potential conflicts were not provided.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				Companies Act, JSE Listing Requirements and King IV, which one will prevail?	
F	38)	BASA	3.6	Key person is defined in the FSR Act. Please provide clarity on the meaning in this context and whether there is a difference.	There is no difference in the definition.
F	39)	BASA	3.6	We suggest moving this item to section 4 of this standard.	Key person is defined in the FSR Act.
F	40)	JSE		No comment	Noted.
F	41)	Investec	3.1	Confirmation that the financial conglomerate standards will be applied at Investec Limited (INL) level.	Unable to provide confirmation. The holding company will be determined based on the assessment of the group by the PA. The standards are drafted to ensure applicability across a financial conglomerate.
F	42)	Investec	3.3	Clarification required regarding definition of “wider group”.	A financial conglomerate may be designated without including all the companies in a group. The definition of wider group applies in this instance.
F	43)	Investec	3.4	Does the financial conglomerate comply with sector specific regulations / laws first and then with the financial conglomerate standards?	An eligible financial institution must comply with the regulations and legislation that applies to it whether at a group or solo level. The holding company will apply the standards that are applicable to it.
F	44)	Investec	3.6	Clarification required as to whether the head of control function of the holding company can also be the head of the control functions for the entities within the financial conglomerate.	This will depend on the requirements of the financial sector laws that applies to the eligible financial institutions.
F	45)	SAHL		No comments	Noted.
F				<b>4. Definition and interpretation</b>	
F	46)	SAIA	4	<p>It is requested that the PA align the definition and requirements of independent directors with that which is stipulated in the Companies Act 71, 2008 (section 66), Banks Act 94, 1990 (section 60 and the Governance Directive), Insurance Act 18, 2017 (Governance and Operational Standards for Insurers) and King IV (Recommendation 28).</p> <p>It is requested that the PA also apply the principle that any director who is regarded as independent at the holding company level, is also considered to be independent for any</p>	The requirement for an independent director aligns with the Banks Act – Directive 4 of 2018.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				subsidiary within the group as is the case under the Insurance Act.	
F	47)	ASISA	4.6	Member B The threshold of 5% for a substantial shareholder is low – recommend that the threshold be increased to 10% which is consistent with the JSE’s definition of “material shareholder”.	The thresholds align with Directive 4 of 2018 issued in terms of the Banks Act and is considered appropriate in terms of entities that provide financial services.
F	48)	ASISA	4.8	Member B Recommend that the 5% threshold for material funder be increased to 10% which is consistent with the JSE’s view of materiality.	The thresholds align with Directive 4 of 2018 issued in terms of the Banks Act and is considered appropriate in terms of entities that provide financial services.
F	49)	ASISA		Member C It is requested that the PA align the definition and requirements of independent directors with that which is stipulated in the Companies Act 71, 2008 (section 66), Banks Act 94, 1990 (section 60 and the Governance Directive), Insurance Act 18, 2017 (Governance and Operational Standards for Insurers) and King IV (Recommendation 28).  It is requested that the PA also apply the principle that any director who is regarded as independent at the holding company level, is also considered to be independent with respect to any subsidiary within the group as is the case under the Insurance Act.	See response to comment 46 .
F	50)	OLD MUTUAL	4.3	It is indicated that the term ‘material’ should be read in terms of the significance of the impact on the financial conglomerate. The meaning of “significant” and “material” should be elaborated on and should be consistently interpreted across the Standards.	The terms material and significant are used in different contexts across the standards. In this standard, the terms have been defined in relation to shareholder and provider of equity.
F	51)	OLD MUTUAL	4.6	The definition of “substantial shareholder” requires simplification / clarification. Is the intention that “significant” mean individuals that hold 5% shareholding, but also include shareholders holding less than 5%, but who have associates holding a percentage	Yes, this also include voting rights on issued shares. The requirements are clear that an independent non-executive director that has such shareholding will not be considered independent.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				<p>shareholding, which in total equals 5% or more? This will have a direct correlation on Director independence as well as Board composition, owing to the ability to attract and retain independent non-executive Directors.</p> <p>The meaning of “associate” should also be defined in this context.</p>	Noted. The standard has been amended to define ‘Associate’
F	52)	OLD MUTUAL	4.6	<p>The Term “<b>shareholder</b>” is not defined by the Insurance Act / Financial Sector Regulation Act, but rather refers to “<b>significant owners</b>”</p> <p>FC04 refers to “<b>major</b> shareholders” which is not defined. (Clause 14.4 c &amp; e)</p> <p>LTIA and STIA refers to Shareholder as shareholding not exceeding <b>15%</b></p> <p>The FSRA (Section 157) defines a <b>Signification Owner</b> as - (a) the person, directly or indirectly, alone or together with a related or inter-related person has the power to appoint 15% of the members of the governing body of the financial institution; (b) the consent of the person, alone or together with a related or inter-related person, is required for the appointment of 15% of the members of a governing body of the financial institution, or (c) the person, directly or indirectly, alone or together with a related or inter-related person, holds a qualifying stake in the financial institution.</p> <p>Alignment required to avoid misunderstanding</p>	<p>It is not necessary to define ‘shareholder’ as the definition is clear as to the meaning.</p> <p>In this section, the PA is saying that a non-executive director is considered as non-independent because he/she has a significant shareholding or voting rights in the company on which board he/she sits. It is not concerned with significant owners of financial institutions which is triggered by a 15% threshold.</p>
F	53)	<u>FIRSTRAND</u>	4.6	<p>Is there a definition of ‘associates’ included in the ‘substantial shareholder’ definition</p> <p>Is the meaning of substantial shareholder the same as ‘significant owners’ dealt with in Chapter 11 of the FSR Act?</p>	<p>See response to comment 51.</p> <p>No the definition of substantial shareholder is used to assess the independence of a director. It is not the same as a significant owner.</p>

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	No	SOURCE	Paragraph of the Standard	Comment	Response
F	54)	ALBARAKA BANK LIMITED		No comments	Noted.
F	55)	BANK OF TAIWAN SA		No comments	Noted
F	56)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted
F	57)	BASA	4.3	Significance should be defined – is it in terms of financial terms, reputation impact etc.?	See response to comment 50.
F	58)	BASA	4.6	Is there a definition of ‘associates’ included in the ‘substantial shareholder’ definition? Is the meaning of substantial shareholder the same as ‘significant owners’ dealt with in Chapter 11 of the FSR Act?	See response to comment 53.
F	59)	BASA	4.6 – 4.8	If the criteria is the same, then the wording/terms should be consistently applied.	The criteria is not the same as significant owners. Based on the limited information in the comment we are unable to understand the need for alignment.
F	60)	JSE		No comments	Noted
F	61)	SAHL		No comments	Noted
F				<b>5. Roles and responsibilities</b>	
F	62)	SAIA		No comments.	Noted
F	63)	ASISA	5.2	Member A Please refer to our comment on 5.6 of FC01 regarding “Control Functions”.  “..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)...”– extracted from FC-01.	This requirement is specific to financial conglomerate standards and has been amended.
F	64)	OLD MUTUAL		No comments	Noted
F	65)	FIRSTRAND		No comments	Noted
F	66)	ALBARAKA BANK LIMITED		No comments	Noted
F	67)	BANK OF TAIWAN SA		No comments	Noted
F	68)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted

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	No	SOURCE	Paragraph of the Standard	Comment	Response
F	69)	BASA	5.3	“Auditor” to be clearly defined – does this make reference to the conglomerate’s externally appointed statutory auditor?	The standard has been amended to define ‘Auditor’.
F	70)	JSE		No comment	Noted.
F	71)	Investec	5.2	Banks Act regulation 39 report is produced at Investec Ltd level. Additional reporting layer is introduced by the financial conglomerate standards.	Noted. Please refer to the impact assessment.
F	72)	Investec	5.3	Additional layer of reporting introduces possible additional audit fees.	Noted. Please refer to the impact assessment.
F	73)	SAHL		No comments.	Noted.
F				<b>6. Principles underlying governance and risk management</b>	
F	74)	SAIA		No comments.	Noted
F	75)	ASISA		No comments	Noted
F	76)	OLD MUTUAL	6.4c	The Application of a Combined Assurance Framework, is best closest to where there are operations. There are some challenges in aggregating granular information whilst making sure it still provides valuable insights.	This has been addressed in the standard and will now be referred to as part of the risk management framework.
F	77)	FIRSTRAND	6.4	On risk aggregation, will BCBS239 be applied to non-bank (and hence, unregulated, entities).	Risk aggregation requirements in terms of BCBS239 will apply to entities registered in terms of the Banks Act.
F	78)	ALBARAKA BANK LIMITED		No comments	Noted.
F	79)	BANK OF TAIWAN SA		No comments	Noted.
F	80)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
F	81)	BASA	6.4	“Appropriate combined assurance framework” and “appropriate information flow framework” (the latter is dealt with in 11 as well) are vague and should be defined/clarified in terms of what is required.	<p>The requirement to have an appropriate combined assurance framework has been removed from the standard and will not be referred to as part of the risk management framework.</p> <p>The PA cannot be prescriptive in this regard, due to the varied nature, scaled and complexity of financial groups. The PA, through supervision will assess the framework and whether it is appropriate to the financial conglomerate.</p>

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	No	SOURCE	Paragraph of the Standard	Comment	Response
					Should guidance be required based on supervisory evidence, then the PA will issue a guidance notice to provide clarity.
F	82)	BASA	6.4	Guidance should be given on how each bank is expected to evidence these frameworks (as the interpretation might be quite different by each).	See response to comment 81
F	83)	BASA	6.4	“Key Persons” - the term should have a clear interpretation.	Key person is defined in the FSR Act.
F	84)	BASA	6.4	On risk aggregation, will BCBS 239 be applied to non-bank (and hence, unregulated, entities)?	See response to comment 77
F	85)	BASA	6.4 (e)	Clarity is required on the development of an appropriate information flow framework. Does the “ <u>information flow</u> ” mean a unique information flow architecture or expand the current governance structure to include information flows?	Current governance and risk management framework must cater for information flows from all members of the financial conglomerate, where legally possible.
F	86)	JSE		No comment	Noted.
F	87)	Investec		Note: Several listed entities exist within the Group. All entities are not entitled to have access to the information of all entities within the Group at all times. Can you utilise a Group policy for INL purposes or should a separate policy be drafted for INL?	Noted. Information must be collected where it is legally possible and after any embargoes on information.  Group policies may be used – approved by the holding company of the financial conglomerate.
F	88)	SAHL		No comment	Noted
F				<b>7. Board composition and governance framework</b>	
F	89)	SAIA		No comments.	Noted
F	90)	ASISA	7.1	Member A Please see below our important “General Comment” on this Standard. We propose that mention also be made of a governance code such as King IV. We appreciate that King IV is not law, but it is a code that is respected and applied quite broadly.	The section was amended to delete the Companies Act.
F	91)	ASISA	7.5	Member B Does 7.5 envision an annual assessment of current directors/senior managers? Are there	Yes, an annual assessment is necessary. The standard has been amended to make this clear.



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	No	SOURCE	Paragraph of the Standard	Comment	Response
				guidelines on what the PA determines as “appropriate” skills?	It is difficult to be prescriptive due to the varied nature, scale, complexity of entities within the financial sector to define what is appropriate for the entire sector. Guidelines may be issued once there a supervisory view on the guidance needed.
F	92)	ASISA	7.6	Member A Grammatical issue. We propose the following wording to replace the introductory section of this section: “The chairperson of the board and the chairpersons of sub-committees of the board must be independent non-executive directors...” i.e. so that the board chair doesn’t also have to be the chair of all or any committees. Also see para 7.6.c.ii and ii) which could be read to imply that a board chair must chair all committees.	Noted. The standard has been amended to make this clear.
F	93)	ASISA	7.6	Member A We don’t understand why the chairpersons of the board and of all sub-committees needs to be an independent non-executive director. We believe that the role of chair can be and is often well served by a non-executive who is not classified as “independent” according to an objective set of criteria, and that, for example, certain matters can or may need to be chaired by a lead-independent in certain instances (some of our existing financial sector laws already provide for this). We therefore propose that the chairperson should be non-executive, but need not be independent, and similarly for board committees. In any event, and as King IV expressly provides, all members of a board, regardless of how they are categorised, have as a matter of law, a duty to act with independence of mind in the best interests of the organisation, and that independence, as important as it is, is but one consideration in achieving a balanced governing body composition. King IV goes further to state that the overriding concern is whether the board (governing body) is knowledgeable, skilled,	Noted. The requirements are aligned to the requirements of Directive 4 of 2018, issued under the Banks Act.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				<p>experienced, diverse and independent enough to discharge fully its governance role and responsibilities.</p> <p>To the extent that the chairperson must be an independent non-executive director, we still propose that this need not be required at committee level. Committees operate and are required to operate in such a way that the chairperson of the board is in any event ultimately responsible for the functioning of those committees, and which committees also report to the board. King IV does not provide for committee chairpersons to be independent.</p>	
F	94)	ASISA	7.6 c	<p>Member A</p> <p>Please consider our comments regarding independence of the board chair and board committees. This section would need to be amended accordingly if our proposal is accepted that board committee chairs need not be independent.</p>	See response to comment 93.
F	95)	ASISA	7.9 & 7.10 (and 7.8)	<p>Member A</p> <p>The proposed criteria regarding the circumstances in which a director can't be classified as 'non-executive' are, if anything, appropriate for the inquiry of independence* as opposed to the classification of a person who holds a non-executive board position. Either way, if a person has served as an executive and then steps down to take on a non-executive role, that is a factual enquiry (which we believe 7.8 duly recognises) and we do not believe that for 12 months, that person must or can remain classified as an executive director when that person is not performing an executive role. If this clause were to remain as is, even with 7.10 which provides for dispensation in 'exceptional' cases, this would cause various unreasonable and/or practical problems for existing entities</p>	These requirements are aligned to the requirements of Directive 4 of 2018, issued under the Banks Act.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				<p>and structures. (*but please note our comments on “independence”) We therefore propose that these clauses be deleted.</p> <p>In addition, King IV even recognises that non-executive members of a board can be classified as independent if the board concludes that there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making in the best interests of the company. King IV encourages substance over form.</p> <p>In addition, we do not understand why factors c and d (external auditor etc. and curator) should prevent such persons holding non-executive positions <u>and</u> being classified as such even if a and b were to remain.</p>	
F	96)	ASISA	7.9	<p>Member A</p> <p>Sentence structure issue. To the extent that this section were to remain, we propose the following wording to replace the introductory section of this section: “For <u>the</u> purposes of this Standard, a director cannot be classified as a non-executive <u>director</u> if he or she, in relation to the financial conglomerate, has at any time during the preceding twelve months...”</p>	Noted. Amendments made to the Standard.
F	97)	ASISA	7.9 b	<p>Member A</p> <p>To the extent that 7.9 remains (see our proposal for its deletion), we propose clarifying that the chief executive officer would be limited to the chief executive officer “of the holding company of the financial conglomerate”.</p>	Noted. Amendments made to the Standard.
F	98)	ASISA	7.10	<p>Member A</p> <p>To the extent that 7.9 and 7.10 are not deleted as we have proposed above:</p> <p>2. The wording “after such a period shorter than twelve months” is</p>	The wording is aligned to Directive 4 of 2018 issued under the Banks Act.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				<p>confusing and we propose it be amended to read: "... where such person has held any such position specified in paragraph 7.9 during the 12 month period immediately preceding that person's appointment".</p> <p>3. We also propose consistency should be maintained, and whereas 7.9 refers to 'classification', 7.10 refers to 'serve'. We again reiterate our comment that an enquiry as to whether a person holds an executive directorship is factual.</p>	
F	99)	ASISA	7.11	<p>Member A</p> <p>We propose the requirement that the majority of non-executive directors "must" be independent, should be amended to "should" be independent, in line with King IV i.e. it should not be a mandatory requirement for the majority of non-executive directors to be independent. Please refer to our other comments regarding King IV and independence.</p>	Disagree. The requirement being prescribed is that a majority of the non-executive directors must be independent.
F	100)	ASISA	7.11	<p>Member A</p> <p>The list of factors that follow (particularly from factor (d)) do not flow from the opening sentence. It is suggested that the second sentence be amended to read "For the purposes of this Standard, <u>any of the following constitute prima facie evidence that a person lacks independence</u>" and that the listed factors then be amended accordingly.</p> <p>Some of the factors will still need to be amended but generally, this section does not currently read well.</p>	The wording is aligned to Directive 4 of 2018 issued under the Banks Act.
F	101)	ASISA	7.11(i) 7.11 (o)	<p>Member A</p> <p>We propose specificity be provided as to what constitutes "immediate family". In any event, we note that this factor would apply to factors (a) to (h), while the factor "related" in (o) would apply to factors (a) to (n). With (o) being so much</p>	The wording is aligned to Directive 4 of 2018 issued under the Banks Act.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				broader than (i), we seek to understand the need for (i). That being said, (o) is extremely broad and would unduly and unreasonably rule out a number of persons who should be able to hold non-executive “independent” board roles.	
F	102)	ASISA	7.11(j)	Member A “CEO” is used as an abbreviation previously in the document without the full word. We propose defining “CEO” or always using the full term without abbreviation.	Noted. The standard was amended to reflect the full word.
F	103)	ASISA	7.11k	Member B We recommend that the PA adopt the approach of King IV whereby a director serving longer than 9 years can remain independent subject to an annual assessment by the board (alternatively an external assessment).  We do not agree that tenure automatically inhibits a director’s ability to act independently. We are concerned that the automatic re-designation of long serving independent directors as non-executive will detrimentally impact the efficient operation of board committees who require an independent chair. It is vital to the continuity of these committee’s that long serving directors, who have the benefit of a wealth of knowledge about the company are permitted to continue in their capacity as independent members and/or chairs of these committees.	The requirements are aligned to Directive 4 of 2018 issued under the Banks Act.
F	104)	ASISA	7.12	Member A Please see paragraph 3.5: “board” refers to the board of the holding company. The wording in paragraph 7.12 makes it appear that the board of the holding company must ensure that the holding company’s holding company complies. We propose that the sentence reads “...the board must ensure that <u>the</u> holding company...”	Noted. The standard has been amended.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				<p>We also propose that “financial conglomerates” be amended to the singular, “financial conglomerate”.</p> <p>There are grammatical issues with the paragraph as a whole. Proposed wording: “The board must ensure that the holding company and its subsidiaries have appropriate board committees including but not limited to audit committee(s), social and ethics committee(s) and remuneration committee(s), as applicable”</p>	
F	105)	ASISA	7.14	<p>Member A</p> <p>In the 2<sup>nd</sup> sentence, we propose amending “Board” to “board” for consistency and it is a defined term.</p>	Noted. The standard was amended.
F	106)	ASISA	7.16	<p>Member A</p> <p>We propose amending “Conflict of interest” to “Conflicts of interest” (plural).</p>	Noted. The standard was amended.
F	107)	OLD MUTUAL	7.5	<p>Guidance regarding the processes in place to effectively manage instances where the persons identified in 7.5 cease to be suitable i.e. are there minimum requirements for such processes?</p>	In terms of the standard, it is not the intention to prescribe minimum requirements. Based on supervisory findings, the PA can at a later stage prescribe requirements or issue guidance on this area.
F	108)	OLD MUTUAL	7.8, 7.9, 7.10	<p>“non-executive director” is defined as a director who is not a member of the financial conglomerate’s management and not an executive of any of the entities within the financial conglomerate. Furthermore, 7.9 indicates instances where a director cannot be classified as non-executive. Are paragraphs 7.8 and 7.9 applicable to all subsidiaries within a financial conglomerate and if so, will provision be made for exceptions to be granted? i.e. the inclusion of criteria per paragraph 7.10.</p>	The requirements are applicable to the board of the holding company.
F	109)	OLD MUTUAL	7.11d & 7.11g	<p>“substantial shareholder” to be defined and further “associated directly with a substantial shareholder”. This is important as due to BBBEE transactions and/or BBBEE share incentive schemes we might be excluding very</p>	<p>It is defined in the standard.</p> <p>Associate has also been defined in the Standard.</p> <p>These requirements align with Directive 4 of 2018 issued under the Banks Act.</p>

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				competent individuals from serving as independent non executives and potentially non-executive directors.	
F	110)	OLD MUTUAL	7.11k	Guidance is to be provided regarding the rationale for automatic reclassification of a director from independent to non-executive following a period of nine years.	It is the view of the PA that after 9 years the independence classification of a non-executive director of a financial institution has lapsed.
F	111)	OLD MUTUAL	7.11o	“related” and “associated” and “immediate family” seems to be used frequently and in the normal interpretation all of them have different meanings. Single term usage across the Standards and clearer definitions are required.	Noted. The standard has been aligned to define the terms.
F	112)	FIRSTRAND	7.1	Board composition and governance framework – how does this compare to existing requirements under the Companies Act and JSE listing requirements (where the holding company is listed)?	If the holding company is listed then it must comply with this standard and all other legislation that is applicable to it.
F	113)		7.5(b)	Based on the aforesaid, FirstRand seeks clear guidance and much more detail if there would be any specific occurrence’s/cases which would dictate circumstances under which a director would cease to be suitable under this provision. We are fully cognisant of the requirements set out in the Companies Act No 71. of 2008 which would inter alia apply to directors (i.e. ineligibility and disqualification of directors, removal of directors).	Over and above the Companies Act requirements, the financial institution would need to assess the suitability of the director in terms of the nature of the requirements of the board for a specific institution. It will be impossible to provide circumstances in a standard that caters for all eventualities.
F	114)	ALBARAKA BANK LIMITED		No comments	Noted
F	115)	BANK OF TAIWAN SA		No comments	Noted
F	116)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted
F	117)	BASA	7.1	Was consideration given to King IV report on corporate governance? Reference is made to Companies Act, 2008 (Act No. 71 of 2008) only.	Consideration was given to King IV. The standard has been amended to remove the Companies Act, 2008.
	118)	BASA	7.1	How does this compare to existing requirements under the Companies Act and	If the holding company is listed then it must comply with this standard and all other legislation that is applicable to it.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				JSE listing requirements (where the holding company is listed)?	
	119)	BASA	7.4	"Incentive arrangements" - what does this mean/include?	Noted. The standard has been amended to refer to remuneration and incentives.
	120)	BASA	7.4	"Interface" - what does this mean? Does it refer to engagement/ communication/ interconnectedness?	Noted. The standard has been amended to make this clearer.
	121)	BASA	7.5	"Key Persons" - as mentioned above in section 6.4, the term should have a clear interpretation.	Key person is defined in the FSR Act.
	122)	BASA	7.5	"Senior Management and Key Persons" - guidance should be provided on the criteria for inclusion of individuals i.e. how wide should these terms be applied by the organisation?	Noted – to amend to make this clear.
	123)	BASA	7.5 (b)	Based on the aforesaid, we seek clear guidance and much more detail if there would be any specific occurrence's/cases which would dictate circumstances under which a director would cease to be suitable under this provision. We are fully cognisant of the requirements set out in the Companies Act No 71. of 2008 which would inter alia apply to directors (i.e. ineligibility and disqualification of directors, removal of directors).	See response to comment 113.
	124)	BASA	7.6	Clarification is needed on the requirement that all sub-committees of the board need to be chaired by an independent non-executive director. There are certain committees that are non-statutory (such as a mergers and acquisitions; brand & marketing; transformation committee, etc.). Even an IT committee which is pursuant to King IV is non-statutory. In some cases, a non-executive director rather than an independent non-executive director is better suited to chair such committees.	Noted. The standard has been amended to specify statutory bodies.
	125)	BASA	7.8	In relation to the definition of "non-executive" the standard states a non-executive is "not a member of the financial conglomerate's management and not an executive of any of the entities within the financial conglomerate". In the case of a financial conglomerate, there may	The non-executive director status relates to the holding company We have amended the standard to make this clear.



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No	SOURCE	Paragraph of the Standard	Comment	Response
			be executives who are employed by a member of the financial conglomerate who may also serve as a non-executive director on other boards within the financial conglomerate. The wording in the standard does not allow for this, but suggests that they would be classified as executive directors. This could impact the balance of executive vs non-executive directors on these boards. E.g. if an executive in our Wealth Division is appointed to sit on the board of the group's insurance brokerage entity, would they now have to be classified as executive director even though they are not involved in the day-to-day running of the organisation and are independent from that entity?	
126)	BASA	7.11	<p><i>The majority of non-executive directors on the board must be independent Independence generally means the capacity to exercise objective judgement, free from conflicts or biases. In terms of this Standard, an independent director shall be one <u>that</u> is not...</i></p> <p>Comments:</p> <ul style="list-style-type: none"> <li>the word "<u>that</u>" in the last line above should be "who" and the start of each sub paragraph (a to o) should be checked grammatically so as to line up with the lead-in paragraph , e.g. the word "is" at the start of sub-paragraph (d) should be deleted</li> <li>Requires majority of non-executive directors to be independent. This is not a problem, unless the majority are also expected to have banking / insurance / financial services experience – generally banking skills are linked to those who may have recently worked in or been associated with the bank, so it is difficult for this person to be independent at the outset, so complying with this requirement</li> </ul>	<p>The standard has been amended to address grammatical issues.</p> <p>The requirements align with the requirements of Directive 4 of 2018.</p>

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No	SOURCE	Paragraph of the Standard	Comment	Response
			<p>at all times may be onerous. Some flexibility should therefore be considered.</p> <ul style="list-style-type: none"> <li>The clause should be reworded to differentiate between independence of mind and structural independence. Independence of mind is applicable to all directors whilst structural independence refers to the categorisation of directors as executive, non-executive or independent non-executive.</li> </ul> <p>The definition of independence is too stringent/broad which will result in a tick-box approach without consideration given to the nature of the business/organisation. An individual might be disqualified based on a single or minor criterion. The King approach seems to be more holistic and more outcomes based, so may be better to be adopted in its entirety.</p>	
127)	BASA	7.11	<p>This section states “In terms of this Standard, an independent director shall be one that is not:” then lists all the bullets relating to this statement, but some of the bullets do not flow properly (read correctly) with the above. Recommend amending the above wording to: “In terms of this Standard, an independent director shall be one that is not, <b>or has not been:</b></p> <p>(d) <del>is</del> a material substantial shareholder of the....</p> <p>(e) <del>has</del> within the last three years, <del>been</del> a principal of a material professional adviser</p> <p>(f) <del>is</del> a significant provider of equity or other...</p> <p>(g) <del>is</del> the recipient of a form of remuneration other than...</p> <p>(h) <del>is or has</del> within the last three years, <del>been</del> a significant or ongoing professional advisor to or an internal auditor of...</p> <p>(i) <del>is</del> a member of the immediate family of an individual...</p>	Noted. Amendments have been made to the Standard.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				(j) <del>has been</del> an executive director, the Chief Executive Officer.... (k) <del>has served as</del> an independent non-executive director of the... (l) <del>has been</del> the designated external auditor... (n) <del>has been</del> the curator of the holding company..."	
128)	BASA	7.12	This section states "In line with the Companies Act, the board must ensure that its holding company and boards of subsidiaries of the financial conglomerates consist of appropriate board committees including but not limited to audit committee, social and ethics committee and remuneration committee." Are exemptions to this allowed, under the conditions stipulated in the Companies Act. Also, where smaller entities within the conglomerate do not have their own remuneration committee, can they nominate the holding company's remuneration committee to consider the entity's remuneration matters on its behalf?	Noted. The Standard has been amended to address this comment.	
129)	BASA	7.14	Consideration should be given to the balance between compliance and execution of strategy. Management is under ever increasing pressure to deliver business results to investors and other stakeholders. The focus of regulators is on compliance; reporting; and risk considerations. There needs to be a balance struck. In the event that additional compliance related framework require more management time and attention, the pressure on business delivery goes up which can be counter-productive.	This is noted – see impact assessment.	
130)	JSE		No comment	Noted.	

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	No	SOURCE	Paragraph of the Standard	Comment	Response
	131)	Outsurance	7.11(k)	<p>We are concerned about the impact of this section which stipulates that a director is no longer an independent director if they have served as a director of the holding company for a period of 9 years. Generally, for an Independent Board Member to fully understand the Group and be able to challenge and ask relevant questions takes time. Therefore, to have a Board Member no longer be considered as independent after 9 years is not in the best interest of the Industry and ultimately the Conglomerate. A Board with experienced members is able to interrogate Board packs and Management on issues and provide great insight and guidance since they are aware of the challenges of the Conglomerate and in light thereof retaining their valuable knowledge, skills, experience and maintaining continuity is important. Care should be taken to simply impose a “one-size fits all” rule when it comes to suggesting a director loses independence after a 9 year tenure. It is suggested that a pragmatic and outcomes based approach be followed in line with King IV which does not lay down a fixed rule that no director can be considered independent after a 9 year tenure. This stipulation may result in significant unintended consequences with Boards requiring the replacement of many directors which were previously regarded as independent. We therefore suggest that this requirement be looked at, reworded, removed or the number of years that which a Board member may serve as an independent director with motivation as such be increased. That would be in line with what is proposed by King IV in that independent directors may serve for longer than 9 years if a vigorous assessment is conducted annually to establish that the director continues to exercise objective</p>	<p>The requirements are aligned to Directive 4 of 2018 issued under the Banks Act.</p>

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				judgement and that there is no interest, position, association or relationship, which when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision making. The contribution which a directors make to the board should be considered in determining independence and not just the tenure of service. Implementing a rule that a director will not be considered independent after 9 years may result in wholesale rotation of a board which risks losing institutional memory and which further in turn could compromise the boards ability to govern effectively.	
	132)	SAHL	7.11	There is potential for these clauses to result in Financial Conglomerates needing to appoint excessively large Boards of Directors in order to meet the requirements.	Not necessarily. The composition of the board must be appropriate to the nature, scale and complexity of the financial conglomerate.
				<b>8. Organisational structure</b>	
F	133)	SAIA		No comments.	Noted
F	134)	ASISA		No comments	Noted
F	135)	OLD MUTUAL		No comments	Noted
F	136)	FIRSTRAND		No comments	Noted
F	137)	ALBARAKA BANK LIMITED		No comments	Noted
F	138)	BANK OF TAIWAN SA		No comments	Noted
F	139)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted
F	140)	BASA	8.1	“Inter-relationships” need to be clearly defined and guidance needs to be provided in terms of the extent it needs to be document i.e. how deep should it go in terms of the level.	The PA is of the view that the meaning of inter-relationships is clear – it means relationships with entities within the conglomerate. It covers the whole financial conglomerate.
F	141)	BASA	8.2	Please clarify the meaning of “transparent organisational and management structure” – be specific and categorise accordingly i.e. is there a sample template on how organisational structures are to be reported to the PA to	8.1 and 8.2 (these numbers have changed based on amendments to the standards) must be read together. Transparent organisational structure – means that the PA must have a full view of the organisation structure, the business dealings of the relevant entities within the financial conglomerates and the risks posed by the relevant entities to the eligible financial institution.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				ensure that the same information is provided to the same level of detail by similar organisations?	A transparent management structure – the PA must have a view of how these entities are managed, what are the inter-relationships, who makes the decisions and what risk that this pose to the eligible financial institution.
F	142)	JSE		No comments	Noted
F	143)	SAHL		No comments	Noted
F				<b>9. Material acquisitions and disposals</b>	
F	144)	SAIA		No comments.	Noted
F	145)	ASISA	9.3	Member A For improved flow, we propose amending the opening paragraph to “In terms of the abovementioned sections of the FSR Act, the acquisition or disposal of the following are considered material:”. Following from this item, “(a)” should then be amended to “an entity regulated by a financial sector regulator or organ of state”.	Noted. The standard has been amended.
F	146)	ASISA	9.3(e)	Member A This clause does not flow from the existing or our proposed introductory paragraph. We propose using this as a closing paragraph in section 9, and not as part of the list. We also propose inserting “could” immediately after “aggregation” so that it would read “that on aggregation <u>could</u> become material to the ....”	Noted. The Standard has been amended.
F	147)	OLD MUTUAL	9.3b	Guidance is required regarding the rationale for 5% threshold indicated in respect of the acquisition and disposal of material assets. The percentage threshold should be increased. Furthermore, clarity is required regarding the scope of what is covered within the confines of this section – does it refer to everything that is not regulated by a financial sector regulator or organ of state?	The 5% threshold is based on prescriptions in GOI 7 and is applicable to insurance groups. It is deemed appropriate at this stage for financial conglomerates.  Yes.
F	148)	FIRSTRAND	9.3	Are the limits e.g. 5% of total assets of the financial conglomerate based on consolidated assets? Similarly, is it based on consolidated net income?	Yes. Standard has been amended to read total consolidated assets.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
F	149)	FIRSTRAND	9.3.a	Is the acquisition of a regulated entity in a jurisdiction (that is not considered to be equivalent) included in this requirement?	Yes. The standard has been amended to reflect this requirement.
F	150)	ALBARAKA BANK LIMITED		No comments	Noted
F	151)	BANK OF TAIWAN SA		No comments	Noted
F	152)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted
F	153)	BASA	9.3	Are the limits e.g. 5% of total assets of the financial conglomerate based on consolidated assets? Similarly, is it based on consolidated net income?	See response to comment 148.
F	154)	BASA	9.3. a	Is the acquisition of a regulated entity in a jurisdiction (that is not considered to be equivalent) included in this requirement?	See response to comment 149.
F	155)	BASA	9.3(d)	It is not clear what is meant by this sub-paragraph i.e. the reference to an “intra-group exposure” – this seems to refer to credit rather than acquisitions and disposals. Is this referring to an entirely internal transaction with one entity selling something to another and there being a debt owed as a result?	This requirements relates to the entity and the result of the acquisition of the entity.
F	156)	BASA	9.3 (e)	How would consideration of sequential acquisitions and disposals that on aggregation become material to the financial conglomerate? Would this be similar types of acquisitions by sector / license type, adding up to the materiality threshold over a period of X years?	Noted. 9.3 (e) has been deleted..
F	157)	JSE		The thresholds proposed (in b. and c.), in relation to the total assets and net income after tax of entities earmarked for acquisition relative to the financial conglomerate’s total assets and total net income after tax, appear to be too low and may potentially impede growth initiatives.	See response to comment 147
F	158)	Investec	9.1	Clarification required as to whether this refers to Section 52 of the Banks Act and if so, will banks be required to follow the guidelines in	This applies in addition to Section 52.

	No	SOURCE	Paragraph of the Standard	Comment	Response
				terms of “material asset / acquisition” in terms of the Banks Act.	
F 159)	SAHL	9.3	<p>(d) and (e) are vaguely drafted. Material assets are defined as <b>entities</b> acquired by or disposed of by the financial conglomerate.</p> <p><i>This clause does not seem to seek to govern the acquisition or disposal of <u>assets</u> (based on the ordinary meaning of the word) from the financial conglomerate.</i></p> <p><i>If this is an oversight and the intention is indeed to govern the disposal of assets generally, then the thresholds set out could have unintended consequences. Clarity regarding acquisitions and disposals which occur simultaneously or contemporaneously would be required, specifically:</i></p> <ul style="list-style-type: none"><li><i>• with regard to intra-group transactions or transactions entered into with entities managed by the financial conglomerate or its subsidiaries;</i></li><li><i>• in the context of redemption of securitised structures and the refinance of the securitised assets.</i></li></ul> <p><i>For regular issuers of securitised assets, it will be possible for the thresholds to be frequently reached, necessitating frequent applications to the Prudential Authority.</i></p>	Noted the standard has been amended to refer to assets.	
F				<b>10. Risk management system</b>	
F 160)	SAIA			No comments.	Noted.
F 161)	ASISA	10.3	<p>Member A</p> <p>Please clarify – should “nature, scale and complexity <u>of the risks</u> and their associated risks” not read “nature, scale and complexity of <u>the respective entities</u> and their associated risks”?</p> <p>Our understanding is that in the Risk context, one would refer to the “nature, scale and</p>	Noted. The standard has been amended accordingly.	



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	No	SOURCE	Paragraph of the Standard	Comment	Response
				complexity” of a business but not a risk. A risk would not be measured by its nature, scale and complexity, but would be referred to in terms of severity/impact. The words “and their associated risks” suggest this may be a typographical error, hence the request for clarification either way.	
F	162)	ASISA	10.4	<p>Member A</p> <p>The clause is confusing. It may be interpreted to require the financial conglomerate to always conduct an annual “full-scale” ORSA Report or ICAAP. We don’t believe that is the intention but propose this to be clarified either way. To the extent an annual ORSA Report is required, provisions should be inserted to address the requirements relating to an ORSA Policy.</p> <p>We also propose that provision be made to guide affected entities how they are to go about determining whether a group “ICAAP or ORSA” is necessary with reference to the provision that one may not be necessary if it is “not materially different” to the banking or insurance group ICAAP or ORSA i.e. how is the determination made on material differences if the two exercises (financial conglomerate level, and bank/insurance level) are not performed. Perhaps this provision could read along the lines of where the affected entity does not anticipate or expect a broader ICAAP or ORSA to materially differ etc.</p> <p>Further, what about the scenario where there is no banking or insurance group – or is the designation of a financial conglomerate dependant on their first being a banking or insurance group? Kindly advise.</p>	The standard has been amended to require an FC-CARA.
F	163)	OLD MUTUAL		No comments	Noted.
F	164)	FIRSTRAND	10.4	Given that the ICAAP for the banking group is deeply embedded – should this not be the starting point for the ICAAP for the financial conglomerate. Where the ICAAP for the	<p>The Standard has been amended to address this comment.</p> <p>This standard has been de-linked from the capital standard.</p>

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				<p>banking group isn't materially different to the ICAAP for the financial conglomerate, approval can be requested from the PA to not submit one for the financial conglomerate.</p> <p>The different metrics (CET1/eligible capital, RWA on a consolidated basis/aggregated basis) under the respective ICAAPs need to also be considered.</p> <p>Will there be a requirement then to assess economic capital (or internal assessment of risk) for unregulated entities? Will this be based on a materiality threshold?</p> <p>If the assessment is required on an annual basis, how will the entity be able to assess on a three-month forward-looking basis (per the capital guidance) that it will not be able to meet capital adequacy?</p> <p>Which Board meeting is being referred to if the ICAAP document needs to be submitted within a 14 day period? Should this not reference the financial year end of the financial conglomerate as is the case at the moment with ICAAP and ORSA submissions?</p>	
F	165)	ALBARAKA BANK LIMITED		No comments	Noted.
F	166)	BANK OF TAIWAN SA		No comments	Noted.
F	167)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
F	168)	BASA	10.1	What is meant by an integrated risk management "system". Is this a single technology system or can it be a collection of people, processes, systems that collectively constitute a "system" for risk management purposes?	This approach is to be determined by the board of the financial conglomerate. The principle is that the risk management system must be integrated across the business and not operate in pockets.
F	169)	BASA	10.1	If a technology solution is prescribed/advocated, does the system need to be an enterprise-wide GRC that includes all risk types? See sections 10.1 (e); 10.2 (c).	See response to comment 168 and 190.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
F	170)	BASA	10.3	Clarity is sought on what is meant by the documentation of the group-wide risk management framework and system, the material differences in risk management that may apply to different legal entities within the financial conglomerate due to the nature, scale and complexity of the risks and their associated risks with the business conducted. <i>How does this differ from the current regulatory reports (RegCap and ECap) and Integrated Reporting?</i>	The FC must define the group-wide risk management principles that universal to the group as whole (what is commonly known mandatory risk management principles – tight principles) and risk management principle is flexible (or commonly known as adaptive or loose principles) that is applicable to a legal entity specific.
F	171)	BASA	10.3	Documentation requirements need to be clearly defined and consideration should be given to the complexity and practicality of compiling the information.	As indicated above, these FC risk management principles must be documented at FC group level.
F	172)	BASA	10.4	Does this mean that a group that has mostly banking exposures may request to only do an ICAAP and not an ORSA report? If so, what will the content requirements be (given that these are not currently aligned)?	The ICAAP and the ORSA is well documented at a level 1 and Level 2. The contents will be same but just at level 3.
F	173)	BASA		Given that the ICAAP for the banking group is deeply embedded – should this not be the starting point for the ICAAP for the financial conglomerate? Where the ICAAP for the banking group isn't materially different to the ICAAP for the financial conglomerate, approval can be requested from the PA to not submit one for the financial conglomerate. The different metrics (CET1/eligible capital, RWA on a consolidated basis/aggregated basis) under the respective ICAAPs need to also be considered. Will there be a requirement then to assess economic capital (or internal assessment of risk) for unregulated entities? Will this be based on a materiality threshold? If the assessment is required on an annual basis, how will the entity be able to assess on a three-month forward-looking basis (per the capital guidance) that it will not be able to meet capital adequacy?	See response to comment 162.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				Which Board meeting is being referred to if the ICAAP document needs to be submitted within a 14-day period? Should this not reference the financial year end of the financial conglomerate as is the case at the moment with ICAAP and ORSA submissions?	
F	174)	JSE		No comment	Noted.
F	175)	Outsurance	10.4	Section 10.4 stipulates the requirement for an ORSA with the definition referencing Prudential Standard GOI3. The role of the ORSA as a supervisory tool should be elaborated on in this standard. Are there any additional stipulations to the insurer and group standards in this regard?	The standard has been amended to cater for an FC-CARA.
F	176)	Outsurance	10.4	The allowance to prepare Group ORSA's should be continued as this reduces the extent of duplicative reporting.  The PA should limit the need for additional qualitative reporting on these topics outside of the robust ORSA process.	See response to comment 175.  The PA will issue reporting templates for comment.
	177)	SAHL		No comments	Noted
F	178)			<b>11. Identification of material risk</b>	
F	179)	SAIA		No comments.	Noted
F	180)	ASISA	11.3	Member A We propose amending "Board" to "board" for consistency and it is a defined term.	Noted. The standard has been amended.
F	181)	OLD MUTUAL		No comments	Noted
F	182)	FIRSTRAND		No comments	Noted
F	183)	ALBARAKA BANK LIMITED		No comments	Noted
F	184)	BANK OF TAIWAN SA		No comments	Noted
F	185)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted
F	186)	BASA		No comment	Noted
	187)	JSE		No comments	Noted

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	No	SOURCE	Paragraph of the Standard	Comment	Response
	188)	SAHL		No comments	Noted
				<b>12. Risk aggregation</b>	
	189)	SAIA		No comments	Noted
	190)	ASISA	12.2	Member B Does 12.2 imply that the holding company must have a risk management IT system? This requirement may not be appropriate for the nature, scale and complexity of the business where having an automated risk management system will not create any additional value.	Noted. The standard has been amended to refer to a risk management system.
	191)	OLD MUTUAL		No comments	Noted
	192)	FIRSTRAND		No comments	Noted
	193)	ALBARAKA BANK LIMITED		No comments	Noted
	194)	BANK OF TAIWAN SA		No comments	Noted
	195)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted
	196)	BASA	12.1	Would effective risk aggregation in line with BCBS239 be required for all financial conglomerates?	BCBS239 applies to entities registered under Banks Act.
	197)	JSE		No comments	Noted
	198)	SAHL		No comments	Noted
				<b>13. Risk concentration, intragroup transactions and exposures</b>	
	199)	SAIA		No comments.	Noted
	200)	ASISA		No comments	Noted
	201)	FIRSTRAND	12.1	Would effective risk aggregation in line with BCBS239 be required for all financial conglomerates?	See response to comment 196.
	202)	ALBARAKA BANK LIMITED		No comments	Noted
	203)	BANK OF TAIWAN SA		No comments	Noted
	204)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted

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	No	SOURCE	Paragraph of the Standard	Comment	Response
F	205)	BASA		No comment	Noted
F	206)	JSE		No comment	Noted
F	207)	SAHL		No comments	Noted
F	208)			<b>14. Information</b>	
F		SAIA		No comments.	Noted
F	209)	ASISA	14.4	<p>Member A</p> <p>This list is very extensive and in some respects, unclear as to what is meant and/or required e.g. “(c) any material information which may or is likely to <u>negatively</u> affect the <u>suitability</u> of a <u>major</u> shareholder”. (own emphasis). “(d) <u>details</u> of <u>major</u> shareholders of any entity within the financial conglomerate”</p> <p>In any event, we are concerned that the concept “major shareholder” is introduced in this Standard especially in light of the concept of “significant owner” in the FSR Act. “major shareholder” is effectively defined as a holding of 5% or more, whereas the percentage threshold for a “significant owner” is a holding of 15% or more. Our concern relates to the effect/impact which “(c)” could have in the context of financial conglomerates viz a viz the Authority assessing the suitability of a major shareholder and of course within the broader application of the FSR Act given the detailed provisions relating to significant owners. Similarly, for “(d)”.</p>	Noted. The standard has been amended to address this comment.
F	210)	OLD MUTUAL	14.2	Guidance is required regarding the nature, extent and minimum requirements of the framework for governing information flows.	This cannot be prescribed as it will be unique to the nature, scale and complexity of the financial conglomerate. Once the standard has been embedded, the PA will consider providing guidance on this area.
F	211)	FIRSTRAND		No comments	Noted
F	212)	ALBARAKA BANK LIMITED		No comments	Noted
F	213)	BANK OF TAIWAN SA		No comments	Noted

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	No	SOURCE	Paragraph of the Standard	Comment	Response
F	214)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted
F	215)	BASA	14.2	Is it possible to provide an example or template for the proposed “framework for governing information flows”? We have a high-level diagram of the links from key management committees to board committees, but this does not in itself describe in detail the information flows that can be found in the terms of reference of the relevant committees.	This cannot be prescribed as it will be unique to the nature, scale and complexity of the financial conglomerate. Once the standard has been embedded, the PA will consider providing guidance on this area.
F	216)	BASA	14.4	<ul style="list-style-type: none"> <li>Is there a specific risk taxonomy that should be considered in context of risk concentrations at the level of financial conglomerate? Or should it be aligned to the risk taxonomy of the underlying group entities and enterprise risk management framework?</li> <li>In FC01 – Capital Requirements (section 6.2 i), concentration risk is listed. Are concentration risk/risk concentrations to be considered as a standalone risk type or is it deemed to be linked conceptually to existing underlying risk types (e.g. credit risk)?</li> </ul> <p>Might be helpful to have a more explicit definition of “concentration risk” and “risk concentrations”. Also, should they be considered the same thing or are they different?</p>	Kindly refer to the FC-05 - Risk Concentration Standard in this regard.
F	217)	BASA	14.4 (q) and (r)	<ul style="list-style-type: none"> <li>Terms “investments” / “interests” should be defined – is there a threshold that will be applied in terms of % shareholding/ownership or is the expectation that each investment be managed in accordance to the guidance provided (e.g. 1% equity investment)?</li> </ul> <p>Consideration to be given for the level of detail required in (r) if investment is not material/significant.</p>	Currently this is not defined, as the PA will determine based on its supervisory interventions whether it needs information on investments or interests.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
F	218)	JSE		No comment	Noted.
F	219)	Investec	14.3	Some of the entities within Investec Ltd are separately regulated, listed and have other shareholders. This provision must be caveated and should read “where appropriate” and “if allowed”. As a general rule all shareholders should receive information in the same manner and at the same time – ie. Investec Property Fund, REIT listed on the JSE, will this fall under financial conglomerate supervision. If yes, Investec Limited cannot insist on a flow of information outside of the normal SENS system as this would place Investec Limited in an unfair position where Investec Limited could potentially have access to unpublished price sensitive information.	Noted. The financial conglomerate must provide information without contravening other laws.
F	220)	Investec	14.4 (c)	Request for clarification regarding “material”.	Material is not defined in this regard, as it will be unique to financial conglomerate concerned. A threshold cannot be provided.
F	221)	Investec	14.4 (c)	Investec Ltd is listed on the JSE. Shares are traded on the stock exchange and Investec has not authority or control over who buys the shares. Suitability of shareholders in a listed company cannot be the onus of the listed company.	Noted, however, if Investec has information relating to the suitability, then the PA can request such information.
F	222)	Investec	14.4 (e)	Information is generally available to the public except where entities are listed. In case of listed entities, the top 10 shareholders of an entity could be provided on request.	Noted.
F	223)	SAHL		No comments	Noted
F				<b>15. Use of group policies and functions</b>	
F	224)	SAIA		No comments.	Noted
F	225)	ASISA		No comments	Noted
F	226)	OLD MUTUAL	15.2	A definition of “entities” here will assist us in understanding which entities within the financial conglomerate will fall within the scope of the requirements per this Standard.	Noted. Amendments have been made to the standard.



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	No	SOURCE	Paragraph of the Standard	Comment	Response
F	227)	FIRSTRAND		No comments	Noted
F	228)	ALBARAKA BANK LIMITED		No comments	Noted
F	229)	BANK OF TAIWAN SA		No comments	Noted
F	230)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted
F	231)	BASA	15.1	The senior manager/executive responsible for the relevant policy type will need to put in place measures to ensure that these requirements are adhered to and provide comfort to the board that the policies are aligned.	The ultimate responsibility rests with the board. The board can implement institution specific requirements, processes and procedures on how it discharges its responsibility.
F	232)		15.2	Internal clarity on - the requirement to have DWB ( <i>deviations</i> ) be approved the Board of the holding company, will this require the Board to give mandate to PROs to approve such DWBs?	The ultimate responsibility rests with the board. The board can implement institution specific requirements, processes and procedures on how it discharges its responsibility.
F	233)		15.3	Is the expectation that the board of the holding company of the financial conglomerate ensure that these functions have been approved at subsidiary entity level? This could be very problematic and must be dealt with at a management rather than a board level.	The board of the holding company must ensure that the board of the subsidiary has approved the policy – not certain why this will be problematic.
F	234)		15.3	Is this only relevant for when the entity is a subsidiary? Consideration should be given to instances where functions are also being utilised by entities such as joint ventures, special purpose vehicles.	Noted. The standard has been amended to address this element.
F	235)	JSE		No comment	Noted.
F	236)	Investec	15.1	Confirmation that holding company (Investec Ltd) policies can be utilised by entities within the financial conglomerate or if independent policies will be required.	Group policies can be used if it applies to the business activities and the risk of entities within the financial conglomerate. If the business activities are unique, then board of the entity is responsible for ensuring that an appropriate policy is developed and that the policy is not contradictory to the overall strategy of the financial conglomerate.
F	237)	SAHL		No comments	Noted.
F	238)			<b>16. Fit and proper requirements of key persons</b>	
F	239)	SAIA		No comments.	Noted

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	No	SOURCE	Paragraph of the Standard	Comment	Response
F	240)	ASISA	16.3(e)	Member A Ordinarily a fit and proper policy is a document that is widely available to various (if not all) employees and sensitive information such as succession planning would not be included. Our assumption is that the policy is not required to contain specificity regarding succession planning e.g. identifying names of potential candidates for particular roles. As such, we propose amending this to rather be “a broad statement as to succession planning relating to” specified roles.	Noted. The standard has been amended to refer to a succession planning framework,
F	241)	OLD MUTUAL	16.3a	What will be deemed <b>formal qualifications</b> ? What <b>practical</b> experience would suffice? Alignment required to Clause 6.1 of GOI4 refers to “ <b>satisfactory education, experience..... relevant skills and knowledge in respect of the duties that that person must perform</b> ”.	Noted. It depends on the position of the key person and cannot be prescribed.
F	242)	FIRSTRAND		No comments	Noted
F	243)	ALBARAKA BANK LIMITED		No comments	Noted
F	244)	BANK OF TAIWAN SA		No comments	Noted
F	245)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted
F	246)	BASA	16.2	(c) Regarding good financial standing of key persons, credit checks are conducted when board members are appointed and they complete Honesty, Integrity and Good Standing or equivalent fit and proper declarations annually in which they confirm that they have a good financial standing. Is the financial conglomerate expected to verify this information with annual credit checks, or will an annual declaration (or one when their fit and proper standing changes) suffice?	This must be considered in light of the risk management framework of the financial conglomerate.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
F	247)			(d) Regarding succession planning of key persons; does this refer to the process of verifying whether identified candidates for key persons roles meet the fit and proper requirements of identification of persons for key roles and onboarding processes?	It can include the requirement. It would not be proper planning if the person does not meet the requirements for fitness and propriety.
F	248)	JSE		No comment	Noted
F	249)	SAHL		No comments	Noted
F				<b>17. Oversight of outsourcing arrangements</b>	Noted
F	250)	SAIA		No comments.	Noted
F	251)	ASISA	17.4	Member A As 17.1 recognises, many subsidiaries will have outsourcing arrangements, and will do so in line with any applicable legal/regulatory requirements e.g. insurers, management companies, as well as ex-SA entities. We appreciate the proposal that the holding company of the financial conglomerate have 'oversight'. However, 17.1 can easily be interpreted as requiring the holding company to perform this function over and above its members needing to do so e.g. "the holding company must ensure that an assessment ... is carried out". Here, we propose inserting "... by the entity concerned". It also appears unreasonable to expect the holding company to have review all outsourcing decisions made by its members. It is also unclear what 'material function or activity' is intended to cover.	The obligations are placed on the holding company of the financial conglomerate.  Material function/activity can be considered in light of a function/activity require by law or critical to the operations of the financial conglomerate.
F	252)	OLD MUTUAL		No comments	Noted
F	253)	FIRSTRAND		No comments	Noted
F	254)	ALBARAKA BANK LIMITED		No comments	Noted
F	255)	BANK OF TAIWAN SA		No comments	Noted

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	No	SOURCE	Paragraph of the Standard	Comment	Response
F	256)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted
F	257)	BASA	17.3	FC04 provides an opportunity to clarify the various outsourcing directives that have been issued. We propose the expansion of this section in order to clarify and override the directives already in issue. It needs to be clear on what is required to be approved by the Board (or appointed committee). What constitutes a material (banking or financial services) outsource arrangement? What constitutes a critical outsource arrangement? What needs to be reported to or approved by the PA?	These areas are being developed. In the interim, the requirements in the standards are suitable for the holding company of the financial conglomerate. The holding company must comply with other financial sector laws that are applicable to it.  Also see response to comment 251.
	258)			Please confirm definition of the term: “connected service providers”?	Connected services providers are services providers that are related through ownership or management
	259)		17.4	When considering whether to outsource a particular material function or activity, the holding company must ensure that an assessment of the risks of outsourcing is carried out, including the appropriateness of outsourcing the particular function or activity, taking cognisance of the nature, size and complexity of the outsourced function or activity.	Noted. Reference is made to a material function.
	260)	JSE		No comment	Noted
	261)	SAHL		No comments	Noted
				<b>18. Stress and scenario testing</b>	
F	262)	SAIA		No comments.	Noted
F	263)	ASISA		No comments	Noted
F	264)	OLD MUTUAL		No comments	Noted
F	265)	FIRSTRAND	18	Stress testing and scenarios analysis – for the ICAAP of the financial conglomerate, will this require the stress testing of the eligible capital and requirement capital as per the proposed financial conglomerate standards. This creates	It might be case, however there is a higher level of supervision for financial conglomerates and hence the higher supervisory expectation.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				a deviation from the existing group-wide stress testing based on banking group regulations.	
F	266)	FIRSTRAND	18.2	It is guided that stress and scenario analysis will be required on a period basis. Is it the intention to maintain the annual stress test as part of the ICAAP/ORSA, and then augment it with more frequent / ad hoc stress testing? Will a common stress test (a previously conducted by the SARB) be considered for the financial conglomerate or only for the regulated entities based on industry-specific guidance?	Yes. Yes. A common stress test may be considered for the financial conglomerate.
F	267)	ALBARAKA BANK LIMITED		No comments	Noted
F	268)	BANK OF TAIWAN SA		No comments	Noted
F	269)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted
F	270)	BASA	18	Stress testing and scenarios analysis – for the ICAAP of the financial conglomerate, will this require the stress testing of the eligible capital and requirement capital as per the proposed financial conglomerate standards? This creates a deviation from the existing group-wide stress testing based on banking group regulations.	See response to comment 265
	271)	BASA	18.2	It is guided that stress and scenario analysis will be required on a period basis. Is it the intention to maintain the annual stress test as part of the ICAAP/ORSA, and then augment it with more frequent / ad hoc stress testing? Will a common stress test (a previously conducted by the SARB) be considered for the financial conglomerate or only for the regulated entities based on industry-specific guidance?	See response to comment 266
	272)	BASA	18.2	Off-balance sheet transactions including special purpose entities – is there a definition for special purpose entities?	'Special purpose entities' are defined in the Regulations relating to Banks issued under the Banks Act.
	273)	JSE		No comment	Noted.
	274)	SAHL		No comments	Noted.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				<b>19. Controls around off-balance sheet transactions (inserted by FIRSTRAND)</b>	
	275)	FIRSTRAND	19.2	Off-balance sheet transactions including special purpose entities – is there a definition for special purpose entities.	See response to comment 272.
	276)	BASA		No comment	Noted
	277)	JSE		No comment	Noted
				<b>20. GENERAL COMMENTS</b>	
	278)	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.	Definitions that are used in this Standard are defined in financial sector laws unless specifically defined for use in terms of the Standard. Therefore newly defined terms cannot be applied to other standards unless specifically stated.
	279)	ASISA		Member A We are concerned at the manner in which the holding company of a financial conglomerate may be required to effectively conduct the affairs of its members that are designated as part of the conglomerate. We appreciate the need for oversight in the case of a designated group, however in some cases, this draft Standard appears to require the holding company, or the board of that holding company, to effectively usurp the functions of its subsidiaries and the boards thereof. We propose that this principle be explored further and, where applicable, necessary changes made to the Draft Standard to ensure that such situations are avoided.	The intention of the standard is for the holding company of the financial conglomerate to ensure that there is proper governance and risk management throughout the financial conglomerate. It is not the intention that the holding company usurp the function of subsidiary bodies.
	280)	ASISA		Member A We are also concerned that this Standard will unduly conflict with existing laws, regulations and good practises of existing entities, especially those that become part of a designated financial conglomerate, and more so when an entity is not subject to financial sector laws. Purely by way of illustration, all entities are already subject to the Companies Act, which has provisions regarding committees and the composition thereof, as	The financial conglomerate must comply with the laws to which it is subject. It is not the intention of the standard to create conflicts. The comments does not provide specific examples of where the requirement of the standard is in conflict with the requirements of other laws.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				<p>well as in relation to board composition; then we have existing financial sector laws with similar provisions, many of which are not totally aligned. We then also have certain entities which have their own sector laws with which to comply. Finally, we have King IV, which many entities seek to apply. We propose that the Standard seeks to give recognition to this landscape and, in particular, the existence of a corporate code like King IV.</p> <p>In any event, we propose consideration be given by the authorities for instances where a conflict of laws arises e.g. where CISC/FAIS/PFA/Insurance Act or even the Companies Act requires something which this Standard prohibits. Our view is that the empowering Acts would apply, many of which provide for issues like this.</p>	
F	281)	OLD MUTUAL		No comments	Noted
F	282)	FIRSTRAND		No comments	Noted
F	283)	ALBARAKA BANK LIMITED		No comments	Noted
F	284)	BANK OF TAIWAN SA		No comments	Noted
F	285)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted
F	286)	BASA		Two separate standards are required – <b>one</b> for Governance and <b>one</b> for risk management for financial conglomerates. These two topics should be supervised separately.	These topics are inter-linked and from a financial conglomerate regulatory and supervisory perspective it is deemed appropriate to have these areas prescribed in one standard. The combined nature of the standard does not distract from or diminish the importance of governance and risk management.
	287)	BASA		This has been reviewed with a mindset that a single conglomerate will be in place, if multiple conglomerates are identified in the group, it will mean that the application and interpretation of the standard will be vastly different.	This standard applies to the holding company of a financial conglomerate as designated. There is a possibility that a conglomerate could be part of a wider group and this standard does deal with the risk from a governance perspective and risk management perspective.
	288)	BASA		It is important that the terminology in the standard recognises that the board's role is to oversee or monitor the execution of strategy by	Disagree, a standard is law and by nature is prescriptive. The use of the word 'must' creates certainty on the role.

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	No	SOURCE	Paragraph of the Standard	Comment	Response
				management. Terms like “the board must ensure” could be replaced with “the board should monitor or oversee that” e.g. clause 19.2.	
	289)	BASA		The standard mentions a number of policies and frameworks that are required to be put in place – the PA needs to clarify what a “policy” is. Is it necessarily a standalone document or does the reference to “policy” include, for example, a section that is incorporated in other governance documents like a board charter or terms of reference of a committee e.g. 7.4?	It is the view of the PA that a ‘policy’ does not have to be defined. A policy does not necessarily need to be a stand-alone document. The financial conglomerate must be able to demonstrate to the PA that it has a policy on the specified area that covers its view, approach, controls etc.
	290)	JSE		No comment	Noted.
	291)	Outsurance		These standards are however expected to increase the cadence of reporting, management and board reviews. Further management and board time will therefore be required for reviews and collation of information. As a result there will be an increased cost to the Group for additional resources and potential external costs (independent reviews / benchmarking).	Noted. Please refer to the Statement of Need and Expected Impact of the Standards.
	292)	SAHL		No comments	Noted



## COMMENTS ON PRUDENTIAL STANDARD FC05 – RISK CONCENTRATION

No	SOURCE	Paragraph of the Standard	Comment	Response
G			<b>1. COMMENTS ON STANDARD</b>	
G			<b>1. Commencement</b>	
G 1)	SAIA		No comments.	Noted.
G 2)	ASISA		No comments	Noted.
G 3)	OLD MUTUAL		No comments	Noted.
G 4)	FIRSTRAND		No comments	Noted
G 5)	ALBARAKA BANK LIMITED		No comments	Noted
G 6)	BANK OF TAIWAN SA		No comments	Noted
G 7)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
G 8)	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.	Chapter 12 of the Financial Sector Regulation Act, 2017 (FSR Act) 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 is not new to the sector.  It is expected that the standard will be finalised in early 2021 and only effective in 2022 to provide financial conglomerates with time to prepare. The challenges faced by financial institutions as a result of COVID-19 will be taken into consideration when deciding on the date of implementation. The exact date of implementation will be communicated after the standard has been through the formal consultation process as required in terms of the FSR Act.
9)	BASA		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.	See response above.

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No	SOURCE	Paragraph of the Standard	Comment	Response
10)	SAHL		No comments	Noted.
G			<b>2. Legislative authority</b>	
G 11)	SAIA		No comments.	Noted.
G 12)	ASISA		No comments	Noted.
G 13)	OLD MUTUAL		No comments	Noted.
G 14)	FIRSTRAND		No comments	Noted.
G 15)	ALBARAKA BANK LIMITED		No comments	Noted.
G 16)	BANK OF TAIWAN SA		No comments	Noted.
G 17)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
18)	BASA	Preamble and 2.1	<p>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 164 in turn refers to Section 105 as well as Section 108 that are not referenced. Paragraph 2.1 in the standard then only refers to Section 164(1). This is the only draft standard that refers to a specific paragraph in Section 164.</p> <p>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.</p>	The standard has been amended to reference the correct legislation.
19)	JSE		No comment	Noted.
20)	SAHL		No comments	Noted.
G			<b>3. Application</b>	
G 21)	SAIA		No comments.	Noted.
G 22)	ASISA		No comments	Noted.
G 23)	OLD MUTUAL		<p><i>"it must be discharged by the board of directors (board) of the holding company and in respect of all the entities within the financial conglomerate"</i></p> <p>Does it not make more sense for the requirements to be discharged in a proportionate manner to entities that pose risk concentration risks otherwise the requirement becomes very onerous and impractical. Par 6.3 c seems to imply that focus should be on material risk concentrations.</p>	The Board of the financial conglomerate is required to take ultimate responsibility of ensuring that all risks (which will include risk concentration) are identified, measured, managed and monitored within the financial conglomerate. This requirement does not take away any of the responsibilities imposed on the Boards of the institutions within the financial conglomerate.
G 24)	FIRSTRAND		No comments	Noted.

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No	SOURCE	Paragraph of the Standard	Comment	Response
G 25)	ALBARAKA BANK LIMITED		No comments	Noted.
G 26)	BANK OF TAIWAN SA		No comments	Noted.
G 27)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
G 28)	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”.	The standard has been amended accordingly.
29)	JSE		No comments	Noted.
30)	SAHL		No comments	Noted.
G			<b>4. Definition and interpretation</b>	
31)	MMH		The principle around determining related counterparties and groups of counterparties based on economic interdependence can potentially create a complex “look-into” assessment requirement.	The Standard aims to capture the risks that arise due to the interconnectedness / concentration of business operations (exposures) across the different entities within the financial conglomerate. Therefore, the financial conglomerate should be able to identify, measure, monitor and manage the risks that arise when assessed across the financial conglomerate.
G 32)	SAIA		No comments.	Noted.
G 33)	ASISA		No comments	Noted.
G 34)	OLD MUTUAL	4.2	Risk concentration should distinguish between assets backing “linked” liabilities and assets backing other liabilities or free surplus. Risk concentration between assets backing linked liabilities and the remaining asset base should not necessarily pose concentration risks to the insurer. In many cases policyholders dictate asset mandates of linked liabilities and carry the risk.	For an eligible financial institution within the financial conglomerate which is licensed as an insurer or an insurance group in terms of the Insurance Act, the exposure amount should be based on the Prudential Standards made in terms of the Insurance Act, insofar as it relates to concentration risk. Therefore the assets specified in paragraph 10.3 of FSI 4.1 should also not be assessed for concentration risk at a financial conglomerate level.
G 35)	FIRSTRAND		No comments	Noted.
G 36)	ALBARAKA BANK LIMITED		No comments	Noted.
G 37)	BANK OF TAIWAN SA		No comments	Noted.

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No	SOURCE	Paragraph of the Standard	Comment	Response
G 38)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
G 39)	BASA	Section 4.3	What determines Control as referenced in 4.3 (a)? Is it the Companies Act which is based on Shareholding or is it IFRS (10) which is an assessment of various qualitative factors that will determine if control exists?	When determining a “control relationship”, control shall be based on the requirements as per IFRS.
40)	JSE		No comment	Noted.
41)	SAHL		No comments	Noted.
G			<b>5. Roles and responsibilities</b>	
G 42)	SAIA		No comments.	Noted.
G 43)	ASISA		No comments	Noted.
G 44)	OLD MUTUAL		No comments	Noted.
G 45)	FIRSTRAND		No comments	Noted.
G 46)	ALBARAKA BANK LIMITED		No comments	Noted.
G 47)	BANK OF TAIWAN SA		No comments	Noted.
G 48)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
G 49)	BASA		No comments	Noted.
50)	JSE		No comment	Noted.
51)	SAHL		No comment	Noted.
G			<b>6. Principles underlying risk concentration</b>	
52)	MMH	6.3) d & 6.4	<p>The specifications for the risk concentration policy are more prescriptive than in the current Prudential Standards, and as such will require changes to our approach to the management and reporting of concentration risk,</p> <p>6.3 d) Rather than a requirement for limits across risk types, it would be preferable to require limits where appropriate and material (as in paragraph 6.4).</p>	<p>The intention of the risk concentration policy is to ensure that all types on risk concentrations are identified, measured, monitored and managed.</p> <p>Furthermore, the updated Standard does not impose any limits on risk concentration and places the responsibility on the financial conglomerates to determine the appropriate limits and/or levels for different types of risk concentration.</p>
53)	MMH		The limits specified are very wide-ranging, and sourcing and reporting all the necessary data and setting limits on all the various groupings will be a significant undertaking.	The updated Standard does not impose any limits on risk concentration and places the responsibility on the financial conglomerates to determine the appropriate limits and/or levels for different types of risk concentration.

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No	SOURCE	Paragraph of the Standard	Comment	Response
G 54)	SAIA		No comments.	Noted.
G 55)	ASISA		No comments	Noted.
G 56)	OLD MUTUAL		No comments	Noted.
G 57)	FIRSTRAND		No comments	Noted.
G 58)	ALBARAKA BANK LIMITED		No comments	Noted.
G 59)	BANK OF TAIWAN SA		No comments	Noted.
G 60)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
G 61)	JSE		No comments	Noted.
62)	SAHL	6.3	Will the independent review be a standing requirement or one which applies at the request of the PA, and by whom is it intended that the independent review will be conducted?	The updated Standard expects that the financial conglomerate's internal policies be subjected to review by internal audit or the auditors of the financial conglomerate..
63)		6.4(g)	<p>In the context of a non-bank entity, which raises a substantial amount of its funding through the capital markets via ring fenced, limited purpose and insolvency remote (securitised) SPVs, these thresholds seem low, where</p> <ul style="list-style-type: none"> <li>the exposure of the controlling company to the SPVs (subordinated loans) is suitably accounted for in the controlling company and adequate capital is held against these exposures;</li> <li>it can be shown that excessive gearing is avoided;</li> <li>the capital requirements are appropriately considered by the controlling company; and</li> <li>the required risk and capital assessment practices are maintained.</li> </ul> <p>A departure from these thresholds or looser thresholds should be considered.</p>	The updated Standard does not impose any limits on risk concentration and places the responsibility on the financial conglomerates to determine the appropriate limits and/or levels for different types of risk concentration.
G			<b>7. Reporting and approval requirements for concentration risk for a large exposure</b>	
G 64)	SAIA		No comments.	Noted.
G 65)	ASISA	7.1 & 7.3	<p>Member B</p> <p>Large exposures are determined as a percentage of the financial conglomerates eligible capital calculated in terms of FC01 technical requirement standard. Is it a foregone</p>	The reference to the capital base of the financial conglomerate has been removed from this Standard. However, the updated Standard reflects that the holding company may be required to report on

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No	SOURCE	Paragraph of the Standard	Comment	Response
			conclusion that FC01 technical requirements will be implemented?	exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority.
G 66)	OLD MUTUAL	7.1	<p><i>“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”</i></p> <p>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?)</p>	<p>Revised paragraph 6.2 (l) mentions operational risk exposures which relates to the financial conglomerate’s internal limits specified in the internal policy. The onus is on the financial conglomerate to determine, where appropriate, which exposures pose a risk to the financial conglomerate’s balance sheet.</p> <p>Furthermore, when determining the exposure amount to a single counterparty or group of connected counterparties, for an eligible financial institution within the financial conglomerate which is licensed as an insurer or an insurance group in terms of the Insurance Act, the exposure amount should be based on the Prudential Standards made in terms of the Insurance Act, insofar as it relates to concentration risk. Therefore the assets specified in paragraph 10.3 of FSI 4.1 should also not be assessed for concentration risk at a financial conglomerate level.</p> <p>The reference to the capital base of the financial conglomerate has been removed from this Standard. However, the updated Standard reflects that the holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority.</p>
G 67)	FIRSTRAND	7.1	Reporting large exposures exceeding 10% of eligible capital, as well as reporting exposures exceeding 10% of the total capital, will result in multiple reporting requirements and additional monitoring. In addition, when the revised large exposures framework for bank entities is implemented in 2021, and is based on Tier 1 capital, it is unclear what behaviour will be driven, as business will need to manage multiple measures (i.e. based on eligible capital and current total capital).	The reference to the capital base of the financial conglomerate has been removed from this Standard. However, the updated Standard reflects that the holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority.

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No	SOURCE	Paragraph of the Standard	Comment	Response
G 68)	FIRSTRAND	7.2	How frequently should an increase in a large exposure be reported? Should a decrease (above the threshold) still be reported?	Reporting would be required on a six monthly basis. The proposed reporting templates form part of the formal comment process.
G 69)	FIRSTRAND	7.3	Where exposures exceed 25%, will the excess above the 25% of eligible capital be impaired against eligible capital.	Although the reference to the capital base as well as a threshold has been removed from the updated Standard, as per revised paragraph 8.5, the holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority. Furthermore, as per revised paragraph 10.1, if in the view of the Prudential Authority, risk concentration exposures are not adequately covered or taken into account by the financial conglomerate, the Prudential Authority may take appropriate regulatory action.
G 70)	FIRSTRAND	7.4	<p>How does the risk concentration ruleset for financial conglomerates compare to revised large exposure framework, specific related to risk mitigations, as well as treatment for securitisation structures?</p> <p>How does the formula agree to the capital available for the holding company of the financial conglomerate where a pro-rated approach is used? Given that the exposures are not pro-rated?</p>	<p>This Standard is supplementary to any of the financial sector laws applicable to an institution within the financial conglomerate. The requirements in this Standard do not derogate from any existing concentration risk requirements contained in other financial sector laws applicable to an institution within the financial conglomerate and should therefore be read with these other financial sector laws which impose requirements on monitoring and measuring risk concentration.</p> <p>Therefore, for banking institutions the large exposure requirements as specified in the Regulations relating to Banks will be applicable.</p> <p>The reference to the capital base of the financial conglomerate has been removed from this Standard. However, the updated Standard reflects that the holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority.</p>
G 71)	ALBARAKA BANK LIMITED		No comments	Noted.

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No	SOURCE	Paragraph of the Standard	Comment	Response
G 72)	BANK OF TAIWAN SA		No comments	Noted.
G 73)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
74)	BASA	7.1	Reporting large exposures exceeding 10% of eligible capital, as well as reporting exposures exceeding 10% of the total capital, will result in multiple reporting requirements and additional monitoring. In addition, when the revised large exposures framework for bank entities is implemented in 2021, and is based on Tier 1 capital, it is unclear what behaviour will be driven, as business will need to manage multiple measures (i.e. based on eligible capital and current total capital).	The reference to the capital base of the financial conglomerate has been removed from this Standard. However, the updated Standard reflects that the holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority.
75)			<p>Confirmation is sought that:</p> <ul style="list-style-type: none"> <li>The counterparty requirement applies only at a conglomerate level (thereby following the same Building Block Approach for eligible capital and the same principle for the determination of the exposure value) and not at a solo/controlling company/unregulated entity level; and</li> </ul> <p>Conglomerate exposures are calculated and subjected to the threshold post the elimination of all relevant intragroup transactions.</p>	<p>The requirements of this Standard are imposed on the Financial Conglomerate and where appropriate would be applicable to all the institutions within the Financial Conglomerate.</p> <p>This Standard is supplementary to any of the financial sector laws applicable to an institution within the financial conglomerate. The requirements in this Standard do not derogate from any existing concentration risk requirements contained in other financial sector laws applicable to an institution within the financial conglomerate and should therefore be read with these other financial sector laws which impose requirements on monitoring and measuring risk concentration.</p> <p>Any intra-conglomerate transactions or exposures that is subject to the requirements specified in Prudential Standard FC03, would be excluded.</p>
76)		7.1 & 7.3	See section 6 comments on the capital technical standard.	Capital standard related.



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No	SOURCE	Paragraph of the Standard	Comment	Response
77)		7.2	How frequently should an increase in a large exposure be reported? Should a decrease (above the threshold) still be reported?	The reference to the capital base of the financial conglomerate has been removed from this Standard. However, the updated Standard reflects that the holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority.
78)		7.3	Please confirm that the 25% limit (accepting that there is pre-approval) is not a “hard” limit that cannot be exceeded without penalty i.e. that this is a “soft” limit.	The reference to the capital base of the financial conglomerate has been removed from this Standard. However, the updated Standard reflects that the holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority.
79)		7.3	Where exposures exceed 25%, will the excess above the 25% of eligible capital be impaired against eligible capital?	Although the reference to the capital base as well as a threshold has been removed from the updated Standard, as per revised paragraph 8.5, the holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority. Furthermore, as per revised paragraph 10.1, if in the view of the Prudential Authority, risk concentration exposures are not adequately covered or taken into account by the financial conglomerate, the Prudential Authority may take appropriate regulatory action.
80)		7.4	How does the risk concentration ruleset for financial conglomerates compare to revised large exposure framework, specific related to risk mitigations, as well as treatment for securitisation structures?  How does the formula agree to the capital available for the holding company of the financial conglomerate where a pro-rated approach is used? Given that the exposures are not pro-rated?	The reference to the capital base of the financial conglomerate has been removed from this Standard. However, the updated Standard reflects an added paragraph that the holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority.  The requirements of this Standard are imposed on the Financial Conglomerate and where appropriate would be applicable to all the institutions within the Financial Conglomerate.

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No	SOURCE	Paragraph of the Standard	Comment	Response
				This Standard is supplementary to any of the financial sector laws applicable to an institution within the financial conglomerate. The requirements in this Standard do not derogate from any existing concentration risk requirements contained in other financial sector laws applicable to an institution within the financial conglomerate and should therefore be read with these other financial sector laws which impose requirements on monitoring and measuring risk concentration.
81)			What risk adjustments are contemplated in the Other input as part of the Exposure value formula (7.4)?	Reference to “risk adjustments” when determining the exposure amount for an institution classified as “other” has been removed from the Standard.
82)		7.5	What additional risks are being contemplated in 7.5 and what response does the Standard expect from conglomerates in relation thereto?	The reference to additional risks of the financial conglomerate has been removed from the updated Standard.
83)	JSE		No comment	Noted.
G 84)	SAHL	7.3	Some practical assessments of the classes of the concentration exposures set out in 6.4 showed that 25% of capital base is not a large number, in particular when funding sources are taken into account. We would want to understand how consent would be obtained, how long it would take to be given by the PA, whether the consent will be flexible given that certain exposures cannot be precisely determined in advance (eg. Exposures to funding sources which depend on varying conditions), how the risk to the timing of market issuances will be managed by the PA and how far in advance of funding transactions the consent can be obtained.	The updated Standard does not impose any limits on risk concentration. As per section 7 of the updated Standard, the responsibility is placed on the financial conglomerates to determine the appropriate limits and/or levels for different types of risk concentration.
G			<b>8. Matters relating to exempt exposures</b>	
G 85)	SAIA		No comments.	Noted.
G 86)	ASISA		No comments	Noted.
G 87)	OLD MUTUAL		No comments	Noted.
G 88)	FIRSTRAND	8.1	Are intergroup exposures exempt from the risk concentration limits?	This Standard, exempts any intragroup transactions or exposures that is subject to the requirements specified in Prudential Standard FC03.  As per revised section 7 of this Standard, the financial conglomerate should have an internal policy in place

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No	SOURCE	Paragraph of the Standard	Comment	Response
				in which internal limits are determined for risk concentration, which should include intragroup exposures.
G 89)	ALBARAKA BANK LIMITED		No comments	Noted.
G 90)	BANK OF TAIWAN SA		No comments	Noted.
G 91)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
G 92)	BASA	8.1	Are intergroup exposures exempt from the risk concentration limits?	<p>This Standard exempts any intragroup transactions or exposures that is subject to the requirements specified in Prudential Standard FC03.</p> <p>As per revised section 7 of this Standard, the financial conglomerate should have an internal policy in place in which internal limits are determined for risk concentration which should include intragroup exposures</p>
93)			<p>Interbank overnight exposures should also be exempt. This is in line with the commentary submission made with respect to the recent banking regulation change related to large exposures. Given the closed rand system and the market structure we would like to highlight that not exempting the “overnight interbank” exposures will have unintended consequences, which potentially include:</p> <ul style="list-style-type: none"> <li>▪ “disturb the payment and settlement system or any processes related thereto”</li> <li>▪ Hamper liquidity management for banks</li> <li>▪ Result in more banks going to the SARB to square off at the close of business</li> </ul> <p>Lower overall liquidity in the market.</p>	<p>The reference to the capital base of the financial conglomerate has been removed from this Standard. However, the updated Standard reflects that the holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority.</p> <p>The requirements of this Standard are imposed on the Financial Conglomerate and where appropriate would be applicable to all the institutions within the Financial Conglomerate.</p> <p>This Standard is supplementary to any of the financial sector laws applicable to an institution within the financial conglomerate. The requirements in this Standard do not derogate from any existing concentration risk requirements contained in other financial sector laws applicable to an institution within the financial conglomerate and should therefore be</p>

**COMMENT TEMPLATE – FINANCIAL CONGLOMERATE STANDARDS – PUBLIC CONSULTATION**

No	SOURCE	Paragraph of the Standard	Comment	Response
				read with these other financial sector laws which impose requirements on monitoring and measuring risk concentration.
94)	JSE		No comments	Noted.
95)	SAHL		No comments	Noted.
G 96)			<b>9. Additional amount of capital and reserved funds</b>	
G	SAIA		No comments.	Noted.
G 97)	ASISA		No comments	Noted.
G 98)	OLD MUTUAL		No comments	Noted.
G 99)	FIRSTRAND		No comments	Noted.
G 100)	ALBARAKA BANK LIMITED		No comments	Noted.
G 101)	BANK OF TAIWAN SA		No comments	Noted.
G 102)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
103)	BASA		No comments	Noted.
104)	JSE		No comments	Noted.
105)	SAHL		No comments	Noted.
G			<b>GENERAL COMMENTS</b>	
G 106)	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.	The PA takes note of this comment It is requested that any inconsistencies be highlighted to the PA.
G 107)	ASISA		No comments	Noted.
G 108)	OLD MUTUAL		We do not believe it is the most efficient approach to include risk concentration as a separate policy. We believe it would provide for a better and more efficient outcome if the concept of risk concentration is a mandatory subset to be included in every risk class already defined in the solo and insurance group standards.	It is preferable that the financial conglomerate has a stand-alone policy as this will ensure that adequate consideration is given to management of risk concentrations within/across the financial conglomerate. It would also be more challenging to effectively assess the conglomerate's risk management framework if it is scattered throughout other risk policies within solo or group entities.  However, it remains the financial conglomerates decision, but the financial conglomerate should ensure that all the requirements in this Standard are covered.
G 109)	FIRSTRAND		No comments	Noted.

**COMMENT TEMPLATE – FINANCIAL CONGLOMERATE STANDARDS – PUBLIC CONSULTATION**

No	SOURCE	Paragraph of the Standard	Comment	Response
G 110)	ALBARAKA BANK LIMITED		No comments	Noted.
G 111)	BANK OF TAIWAN SA		No comments	Noted.
G 112)	HOME LOAN GUARANTEE COMPANY NPC		No comments – not applicable to this company	Noted.
G 113)	BASA		Banks have very strict rules that govern concentration risk, however further work is required to determine gaps between the standard and existing rules.	<p>The reference to the capital base of the financial conglomerate has been removed from this Standard. However, the updated Standard reflects that the holding company may be required to report on exposures to single counterparties or groups of connected counterparties exceeding a threshold as may be determined by the Prudential Authority.</p> <p>Furthermore, the updated Standard does not require prior approval from the PA for any risk concentrations.</p>
114)	BASA		The Standard appears to attempt to capture Concentration risk specifically within the conglomerate (?) and external Concentration risk from the conglomerate's perspective – would this risk type not already be sufficiently regulated by the relevant frameworks of each solo and controlling company entity (e.g. Large Exposures Framework for Banks and FI's per Regulations relating to Banks)?	<p>The PA acknowledges that concentration risk are monitored by entities within the financial conglomerate.</p> <p>This Standard is supplementary to any of the financial sector laws applicable to an institution within the financial conglomerate. The requirements in this Standard do not derogate from any existing concentration risk requirements contained in other financial sector laws applicable to an institution within the financial conglomerate and should therefore be read with these other financial sector laws which impose requirements on monitoring and measuring risk concentration.</p> <p>The Standard aims to capture the risks that arise due to the interconnectedness / concentration of business operations (exposures) across the different entities within the financial conglomerate. Therefore, the financial conglomerate should be able to identify,</p>

**COMMENT TEMPLATE – FINANCIAL CONGLOMERATE STANDARDS – PUBLIC CONSULTATION**

No	SOURCE	Paragraph of the Standard	Comment	Response
				measure, monitor and manage the risks that arise when assessed across the financial conglomerate.
115)	BASA		Reporting requirements are not mentioned, whereas they are in FC01-P, FC01-T and FC02 – is this correct?	The updated Standard stipulates the reporting requirements for FC05. Also, the proposed reporting templates has been included in the formal consultation process.
116)	JSE		No comments	Noted.
117)	Outsurance		The principles concerning risk concentration should have due regard for the overall risk diversification within a group and further allow measurement based on nett rather than gross exposures.	<p>The updated Standard does not require prior approval from the PA for any risk concentrations.</p> <p>The Standard has been updated requiring the financial conglomerate to report on concentration risk exposures to single counterparties or groups of connected counterparties, where the reporting would be on a gross and a net basis.</p> <p>Reference should be made to the reporting template accompanying this Standard, which has been included in the formal consultation process.</p>
118)	Outsurance		We interpret the standard to only be applicable to credit. We however kindly require clarity if this include equity interests?	When determining the financial conglomerate's exposure to a single counterparty or a group of connected counterparties it should include both on- and off-balance sheet exposures as well as any equity exposures.
119)	SAHL		No comments	Noted.

**END OF REPORT**