



SOUTH AFRICAN RESERVE BANK
Prudential Authority

Financial Sector Regulation Act, 2017 (Act No. 9 of 2017)

Prudential Standard FC03 - Auditor Requirements for Holding Companies of Financial Conglomerates

The Prudential Authority (PA), under section 164 read with sections 105, 108 and 42(b)(vi) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) hereby makes Prudential Standard FC03 - Auditor Requirements for Holding Companies of Financial Conglomerates, as per the Schedule below.

A handwritten signature in black ink, appearing to read 'K. Naidoo'.

Kuben Naidoo
Deputy Governor and CEO: Prudential Authority

Date: 2021-12-10



SOUTH AFRICAN RESERVE BANK
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Financial Sector Regulation Act, 2017 (Act No. 9 of 2017)

Prudential Standard FC03 -

Auditor Requirements for Holding Companies of Financial Conglomerates

Objectives and key requirements of Prudential Standard FC03

This Standard is made in terms of section 164 read with sections 105 and 108 of the Financial Sector Regulation Act No. 9 of 2017 and requires the holding company of a financial conglomerate to operate within the principles and comply with the requirements relating to auditors.

It is the responsibility of the board of directors of the holding company of a financial conglomerate to ensure that the financial conglomerate meets the auditor requirements on a continuous basis. In addition, this Standard creates obligations for auditors of the holding company of the financial conglomerate, for which the auditors are ultimately responsible.

This Standard prescribes the Prudential Authority's requirements in terms of auditors of a financial conglomerate and specifies the requirements for approval to be an auditor of a financial conglomerate.

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SCHEDULE

1. Commencement

- 1.1. This Standard commences on 1 January 2022.

Version number	Commencement date
1	1 January 2022

2. Legislative authority

- 2.1. This Standard is made under section 164 read with sections 105 and 108 of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (FSR Act).

3. Application

- 3.1. This Standard applies to the holding company of a financial conglomerate as designated by the Prudential Authority in terms of section 160 of the FSR Act.
- 3.2. Where a requirement applies to the financial conglomerate, the requirement is imposed on the holding company. The board of the holding company of the financial conglomerate must ensure that the financial conglomerate as a whole complies with the requirements applicable to the financial conglomerate, unless otherwise specified in this Standard.
- 3.3. Where this Standard creates obligations for the auditors, the ultimate responsibility for compliance with the principles and requirements of the Standard rests with the auditor.
- 3.4. This Standard applies in addition to the financial sector laws which may be specific to institution type.

4. Definitions and interpretation

- 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.

‘auditor’ means a registered auditor as defined in the Auditing Profession Act, 2005 (Act No. 26 of 2005).

‘board’ means the board of directors of the holding company of the financial conglomerate.

‘engagement partner’ has the same meaning as defined in the International Standards on Auditing.

‘holding company’ means the holding company of the financial conglomerate as designated or licensed by the Prudential Authority.

- 4.2. The ‘Objectives and key requirements of Prudential Standard FC03’ that is italicised in the preamble of this Standard must not be used in the interpretation of any paragraph of this Standard.

5. Roles and responsibilities

- 5.1 The Prudential Authority recognises the important role of the audit profession in the supervision of financial conglomerates. As has been the case in the past for both banking and insurance regulation and supervision, the Prudential Authority will place reliance on the auditors of the holding company with regard to verifying the completeness, accuracy and validity of specified information provided to the Prudential Authority for regulatory purposes.
- 5.2 The board of the holding company is ultimately responsible for ensuring that the financial conglomerate complies with the principles and requirements of this Standard.

6. Principles and requirements

- 6.1 The holding company must appoint an auditor for the financial conglomerate in accordance with the provisions of sections 90 to 94 of the Companies Act, 2008 (Act No. 71 of 2008).
- 6.2 No person or audit firm may act as the auditor of the holding company of the financial conglomerate without the approval of the Prudential Authority.
- 6.3 All reports by the auditor relating to the regulatory returns of a holding company must be signed off by the audit firm and the engagement partner approved by the Prudential Authority.
- 6.4 The application for approval of the auditor of the holding company must be made to the Prudential Authority, in the form and manner determined by the Prudential Authority, within 30 days after the appointment of the auditor by the holding company.
- 6.5 The appointment of the auditor only takes effect once the Prudential Authority approves the appointment. Any notification of the auditor's appointment to any other stakeholders, prior to approval from the Prudential Authority, must clearly indicate that the appointment is subject to the approval of the Prudential Authority.
- 6.6 The auditor appointed by the holding company must have sufficient understanding of the nature of the business of the financial conglomerate.
- 6.7 The Prudential Authority may require the holding company to appoint more than one audit firm to jointly conduct the audit of the financial conglomerate based on the nature, scale and complexity of the financial conglomerate or any other factors contributing towards the risk profile of the financial conglomerate.
- 6.8 In addition to the information that the Prudential Authority may request directly from an auditor to assess the suitability of the auditor, the proposed auditor is required to grant permission to the Independent Regulatory Board for Auditors and the South African Institute of Chartered Accountants to disclose to the Prudential Authority any information that may be relevant to the appointment of the auditor by submitting a duly completed and signed consent form, the form and manner of which will be determined by the Prudential Authority.