



Financial Sector Regulation Act, 2017

PA Communication 4 of 2020

Guidance relating to the duration of Banks Act Directive 3 of 2020

The spread of COVID-19 continues to have an increasingly adverse impact on global economic activity and has placed the local economy under immense strain. The Prudential Authority (PA) has already announced a number of regulatory and supervisory interventions to mitigate the impact of COVID-19. One of these regulatory and supervisory interventions was the issuance of Banks Act Directive 3 of 2020 (D3/2020) on 6 April 2020. The purpose of D3/2020 was to amend the requirements specified in Banks Act Directive 7 of 2015 (D7/2015) in order to provide temporary relief on the minimum capital requirements for banks, controlling companies and branches of foreign institutions relating to credit risk, where the relief specifically relates to the treatment of restructured credit exposures.

Paragraph 1.7 of D3/2020 states that D3/2020 will remain in effect for a minimum period of six (6) months, during which time the PA will reassess the continuation thereof and communicate in advance, the reinstatement of D7/2015 including any transitional arrangements that may apply.

The PA is of the view that the impact of COVID-19 has not yet subsided and the economic conditions have not normalised. Therefore, D3/2020 will remain in effect until such time as communicated otherwise by the PA. As indicated in D3/2020, once the PA has decided to reinstate D7/2015, this will be communicated in advance, together with any transitional arrangements that may apply.

A handwritten signature in black ink, appearing to read "Kuben Naidoo".

Kuben Naidoo
Deputy Governor and CEO: Prudential Authority

Date: 3 August 2020