FSCA

Financial Sector
Conduct Authority

SOUTH AFRICAN RESERVE BANK
Prudential Authority

FINANCIAL SECTOR REGULATION ACT, 2017

NOTICE REGARDING THE PUBLICATION OF JOINT STANDARD 1 OF 2026: MINIMUM REQUIREMENTS FOR THE RECOVERY PLANS OF MARKET INFRASTRUCTURES

The Financial Sector Conduct Authority and Prudential Authority (Authorities) under section 107, read with sections 105(1), 105(2), 105(3), 106(1), 106(2), and 106(3) and 108(1) of the Financial Sector Regulation Act hereby publish Joint Standard 1 of 2026 – Minimum requirements for the Recovery Plans of Market Infrastructures, that is proposed to be made in terms of section 98 , as per the Schedule below.

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FINANCIAL SECTOR CONDUCT AUTHORITY

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SCHEDULE

FINANCIAL SECTOR REGULATION ACT, 2017

JOINT
STANDARD 1 OF 2026: MINIMUM REQUIREMENTS FOR THE RECOVERY PLANS OF MARKET INFRASTRUCTURES

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1. Legislative authority

This Joint Standard is made in terms of section 107, read with sections 105(1), 105(2), 105(3), 106(1), 106(2), and 106(3) and 108(1) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017).

2. Definitions and interpretation

In this Joint Standard, "**the Act**" means the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) and any word or expression to which a meaning has been assigned in the Act has the meaning so assigned to it, and unless the context indicates otherwise, -

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

"**Authorities**" means the Financial Sector Conduct Authority and Prudential Authority;

"**controlling body**" means the controlling body as contemplated in the Financial Markets Act;

"**critical functions**" means the functions or duties that a market infrastructure would seek to protect through the implementation of the use of its recovery tools in order to ensure the sustained viability of the market infrastructure, and includes the functions, duties or additional services performed for a third party, or by a third party for a market infrastructure, where failure to perform such functions, duties or additional services would lead to disruption of services that are vital for the smooth functioning of the financial markets which the market infrastructure serves and, in particular, for the maintenance of financial stability due to the size or market share of the market infrastructure;

"**critical staff**" means the senior management and operational staff of the market infrastructure, inclusive of the decision-makers and the staff members that would be required for the continuous operations relating to the market infrastructure's critical functions;

"**direct participant**" includes clearing members, authorised users and central securities depository participants of a market infrastructure as contemplated in the Financial Markets Act;

"**indirect participant**" means a person that

(a) does not have direct access to the market infrastructure's services and is ordinarily not directly bound by the rules of the market infrastructure, but whose transactions are cleared, settled, or recorded by the market infrastructure through a direct participant; and
(b) has a bilateral agreement with a direct participant;

"**linked market infrastructures**" means where any link has been established between two or more market infrastructures or where there is an interoperability dependency between market infrastructures;

"**market participants**" includes both direct and indirect participants;

"**recovery**" means the set of actions that a market infrastructure can take, consistent with its rules, procedures and other ex-ante contractual agreements, to address any uncovered loss, liquidity shortfall or capital inadequacy, whether arising from market participant default or other causes, including actions to replenish any depleted pre-funded financial resources and liquidity arrangements, to maintain the market infrastructure's ability to successfully manage a threat to its viability and financial standing so that it can regain its capacity to continue to provide its critical functions and operations as a going concern.

"**recovery indicators**" means the qualitative and, where relevant, quantitative triggers for each stress scenario identified by the market infrastructure that would move them from their pre-

recovery risk-management activities into recovery;

"**recovery tools**" means the range of appropriate actions available to the market infrastructure to address the stress scenarios and structural weaknesses, and facilitate a recovery; and

"**stress scenario**" means the circumstance or a situation that may prevent market infrastructures from being able to provide their critical functions as a going concern.

3. Application

This Joint Standard applies to all licensed market infrastructures.

4. General requirements

4.1 A market infrastructure must establish and maintain an adequate and effective recovery plan which must be consistent with the requirements set out in this Joint Standard.

4.2 A market infrastructure must, as a minimum, take the following into account in developing its recovery plan:
- (a) the nature, size and complexity of its operations;
- (b) its interconnectedness with other entities, including other market infrastructures;
- (c) the operations, functions, processes and/or infrastructure that may affect the market infrastructure's ability to implement its recovery plan;
- (d) any upcoming regulatory reforms that may potentially affect the recovery plan of the market infrastructure; and
- (e) any other information, as may be determined from time to time by the Authorities, relating to the information or actions relevant to the content or preparation of recovery plans.

4.3 A market infrastructure must ensure that its recovery plan gives a reasonable prospect of recovery within a reasonable timeframe through the use of appropriate recovery tools.

4.4 A market infrastructure must ensure that the level of detail and the range of recovery tools in its recovery plan is commensurate with its risk profile.

4.5 A market infrastructure's recovery plan must be -
- (a) sufficiently detailed, practical and specific to the business of the market infrastructure;
- (b) sufficiently flexible to address a range of stress events specific to the market infrastructure and market-wide stress events; and
- (c) written at a level that enables the market infrastructure's management to assess the recovery scenario and initiate appropriate recovery procedures.

4.6 A market infrastructure must assess and ensure the legal enforceability of its recovery plan, taking into consideration any potential constraints imposed by local or relevant foreign legislative requirements, as applicable.

5. Governance requirements

5.1 A market infrastructure's controlling body is ultimately responsible for ensuring that the market infrastructure complies with the requirements specified in this Joint Standard.

5.2 The controlling body of the market infrastructure is responsible for -
- (a) oversight over the development and implementation of a recovery plan; and
- (b) formal approval, adoption and sign-off of the recovery plan, including annual updates and any amendments thereto.

5.3 The development, approval, implementation, maintenance, and annual review of the recovery plan must be subject to the market infrastructure's governance processes with clearly assigned roles and responsibilities for operational staff, senior management, critical staff and the controlling body of the market infrastructure.

5.4 A market infrastructure's recovery plan must contain at least the following details of the governance processes to be followed in a moderate to severe stress scenario:
(a) Details of all the relevant internal and external stakeholders;
(b) details of required communication processes;
(c) the process to be followed once the recovery plan has been activated; and
(d) the criteria to be used to determine which recovery tool/s must be implemented.

5.5 A market infrastructure must ensure that the interests of all relevant stakeholders who are likely to be affected by its recovery plan are considered in the development, implementation and review of the recovery plan as referred to in paragraph 15.

5.6 The interest of stakeholders referred to in paragraph 5.5 must at least include those who would bear losses of liquidity shortfalls or uncovered losses and should include the impact on linked market infrastructures and market participants.

5.7 A market infrastructure's external auditor(s), or an independent third party as agreed to by the Authorities, must, on request by the Authorities, provide assurance to the market infrastructure and the Authorities that the recovery plan complies with the requirements specified in this Joint Standard or any relevant part thereof.

6. Group structure requirements

Where a market infrastructure is part of a group of companies, its recovery plan must include an identification of interdependencies among entities within the same group of companies of which the market infrastructure is a part, including -
(a) material intra-group exposures and funding relationships;
(b) financial transactions (including guarantees);
(c) capital mobility within the group; and
(d) intra-group guarantees that would apply in both business-as-usual and crisis times;
with the aim to identify economic, systemic and legal interlinkages that may potentially be barriers to recoverability.

7. Content of a recovery plan

7.1 Having regard to the size, nature, complexity and interconnectedness of its operations, a market infrastructure must prepare a recovery plan which must include, as a minimum, the following:
(a) A high-level summary that provides an overview of the recovery plan and the procedures that will be followed to implement the recovery plan;
(b) stress scenarios (including idiosyncratic stress events and systemic stress events);
(c) recovery tools;
(d) recovery indicators;
(e) governance arrangements;
(f) group structure requirements;
(g) communication plan/strategy;
(h) tools to address structural weaknesses and market infrastructure links;
(i) details on the market infrastructure's strategy, business model, main activities and business lines; and
(j) a mapping of the market infrastructure's legal and operational structures, together with relevant information about its ownership structure, organisational

structure, and other relevant business activities.

7.2 A market infrastructure's recovery plan must include the following conditions and procedures necessary to ensure the timely implementation and utilisation of the relevant recovery tools:

(a) A description of the internal escalation and decision-making process that applies in order to determine which recovery tools may need to be applied in response to the stress scenario that has materialised;

(b) where a committee is involved in the process, the role, responsibilities and functions of committee members must be included;

(c) the timeframes for the decision-making on the taking of recovery options, including the utilisation of specific recovery tools; and

(d) the timeframes for notification to the Authorities regarding instituting the implementation of the recovery plan.

7.3 A market infrastructure must notify the Authorities of the adoption of the recovery plan by the controlling body and submit a copy of its recovery plan to the Authorities within one (1) month of the adoption thereof as outlined in 5.2.

8. Critical functions and critical staff

8.1 A market infrastructure must identify its critical functions and critical staff and provide for such critical functions and critical staff in its recovery plan.

8.2 A market infrastructure's recovery plan must be able to demonstrate that its critical functions, for both insourced and outsourced functions, will continue to be provided effectively and efficiently throughout the recovery process by having appropriate contingency arrangements in place.

8.3 Factors that a market infrastructure must consider in determining the degree of criticality of its critical functions must include at least the following:

(a) Contingency arrangements for functioning of internal processes, information technology (IT) systems, trading, clearing and settlement facilities, supplier and employee contracts;

(b) the size of a market infrastructure's market share in:

(i) its primary jurisdiction; and

(ii) all the jurisdictions within which it operates;

(c) the market infrastructure's interconnectedness with other entities, including other market infrastructures, within or outside the Republic;

(d) the existence of alternative providers that have the capacity to absorb the number of customers and transactions the market infrastructure maintains;

(e) the market infrastructure market participants' capability to transfer positions to the alternative providers; and

(f) the functions, duties or activities the market infrastructure provides to other entities and which of these functions, duties or activities are critical for the other entities to function.

8.4 If a market infrastructure provides services ancillary to its critical functions, it must determine whether the recovery plan needs to -

(a) provide for the continuity of such services; and

(b) consider the possibility that uncovered losses or liquidity shortfalls relating to the provision of non-critical or ancillary services may threaten the viability of the market infrastructure itself.

8.5 A market infrastructure must develop criteria for the identification of its critical functions and critical staff, required in terms of paragraph 8.1, which criteria must be approved by the controlling body.

8.6 For purposes of paragraph 8.5, the market infrastructure's critical functions and critical staff must be mapped to the market infrastructure's operational structures and include designations and functions of staff that is critical to its recovery plan, and the measures in place to retain these staff during a recovery phase.

9. Recovery indicators

9.1 A market infrastructure must develop the criteria for the recovery indicators (both quantitative and qualitative) that will result in the activation of the recovery plan, without causing undue delay of the adoption of part or all of the recovery plan.

9.2 The recovery indicators of a market infrastructure must be an extension of its existing risk appetite and risk management framework and must not be limited to only regulatory requirements and limits.

9.3 A market infrastructure must in its recovery plan -

(a) identify an adequate number of recovery indicators to ensure early detection and prompt corrective action in various types of stress scenarios;

(b) have a number of recovery indicators that are consistent with the market infrastructure's risk profile and activities; and

(c) have recovery indicators that are both quantitative and qualitative in nature, as applicable.

9.4 A market infrastructure's recovery indicators must be practical, specific and be defined in terms of at least the recovery indicators' duration, impact, value, and may differ for different types of stress scenarios.

9.5 A market infrastructure must establish and maintain an appropriate internal process in terms of which it must respond if its recovery indicators are breached.

9.6 The process referred to in paragraph 9.5 must -

(a) be conservative enough to allow for a proactive and effective recovery when recovery indicators are breached;

(b) set out clear escalation processes when recovery indicators are breached, which must prompt specific actions by the controlling body that must decide on the appropriate actions to be taken, based on the prevailing circumstances; and

(c) require notification to the Authorities within 24 hours from when the recovery plan is invoked.

9.7 When a recovery indicator is breached, but the market infrastructure deems, in terms of its criteria established under 9.1 above, that activation of the recovery plan is not necessary, the market infrastructure -

(a) may exercise its judgement or discretion to deem activation of a recovery plan unnecessary despite a breach in the recovery indicator; and

(b) must notify the Authorities of the decision as soon as is practicable and explain management's assessment and reasoning for not activating the recovery plan.

9.8 The Authorities may on the respective websites of the Authorities determine by notice a set of recovery indicators and stress scenarios for inclusion in a market infrastructure's recovery plan.

10. Stress scenarios

10.1 A market infrastructure must in its recovery plan -

(a) identify stress scenarios based on the specific risks faced by the market infrastructure. The severity of these stress scenarios must be to the point where

the market infrastructure may be brought to failure if no corrective action is taken, resulting in the implementation of the recovery plan;

(b) identify scenarios that may prevent the market infrastructure from being able to carry out its critical functions or to provide its critical functions as a going concern, including scenarios that may affect its outsourced critical functions;

(c) develop stress scenarios that are commensurate with the risk profile and activities of the market infrastructure and cover at least -
  (i) one systemic stress scenario;
  (ii) one idiosyncratic stress scenario resulting in a liquidity, capital, credit and/or operational disruption of such a severe nature that it could lead to the institution's failure; and
  (iii) a combined stress scenario; and

(d) organise stress scenarios by the types of risks it faces, and for each stress scenario, the market infrastructure must clearly explain the following:
  (i) The assumptions regarding market conditions and the state of the market infrastructure within the stress scenario, accounting for the differences that may exist depending on whether the stress scenario is systemic (market-wide) or idiosyncratic;
  (ii) the estimated qualitative and quantitative impact of a stress scenario on the market infrastructure, its market participants, market participants' customers and other relevant stakeholders; and
  (iii) the extent to which a market infrastructure's existing pre-recovery risk-management tools are insufficient to withstand the impacts of realised risks in a recovery stress scenario, and the value of the loss and/or of the negative shock required to generate a gap between existing risk-management tools and the losses associated with the realised risks.

10.2 A market infrastructure's recovery plan must include -
(a) the risk associated with the failure of a third party to perform its critical functions, including the failure of a service provider;
(b) where the market infrastructure is part of a group of companies, the risk associated with the circumstances affecting other entities in the group; and
(c) where the market infrastructure has links with other market infrastructures, the risk from failures at those linked market infrastructures.

11. Principles of appropriate recovery tools

11.1 A market infrastructure must implement an appropriate set of recovery tools to meet its recovery objectives.

11.2 The following principles must be considered by a market infrastructure when selecting the most appropriate tool for each relevant recovery scenario, including the sequence in which it must be used:
(a) Consistency with the legal framework:
  (i) The legal framework must support the elected plans for recovery and must enable the sharing of information in times of recovery;
  (ii) recovery tools must be consistent with the market infrastructure's rules, membership agreements, contracts, and the regulatory and legal frameworks in all relevant jurisdictions;
(b) Nature and business model of market infrastructure:
  (i) The type of market infrastructure;
  (ii) the market infrastructure's specific design;
  (iii) the services or functions it offers and its settlement arrangements; and
  (iv) the risks to which it is exposed;

(c) Comprehensiveness of recovery tools:
  (i) The set of recovery tools must address, in a comprehensive manner, any uncovered credit loss or liquidity shortfall, ensure the re-establishment of a matched book and enable the replenishment of the market infrastructure's financial resources, including its own capital, in order to continue providing its critical functions; and
  (ii) the set of recovery tools must be flexible enough to apply to a wide range of scenarios and must take account of the market infrastructure's on-going risk management as well as the event that has triggered the use of recovery tools;

(d) Effectiveness of recovery tools:
  (i) Each recovery tool must be reliable, be executed in a timely manner and have a sound legal basis;
  (ii) there must be a high degree of certainty that the market infrastructure will be able to implement each recovery tool in all relevant circumstances, including in times of stress; and
  (iii) a market infrastructure must take into account the extent to which its market participants, its owners and third parties would have sufficient resources to meet their potential obligations when considering the reliability of a recovery tool or set of recovery tools;

(e) Transparency, measurability and manageability:
  (i) The recovery tools must be transparent and designed to allow those exposed to losses and liquidity shortfalls to measure, manage and control their potential losses and liquidity shortfall;

(f) Appropriateness of incentives:
  (i) Recovery tools must create appropriate incentives for a market infrastructure's owners, direct and indirect participants and, where relevant, other relevant stakeholders to -
    (aa) control the amount of risk that they bring to or incur in the financial system;
    (bb) monitor the market infrastructure's risk-taking and risk management activities; and
    (cc) assist in the market infrastructure's default management process.
  (ii) incentives should aim to strike an appropriate balance between the allocation of losses or liquidity shortfalls between direct and indirect participants;

(g) Minimise negative impact:
  (i) Recovery tools should not pose unquantifiable risks to market participants and must be designed to minimise the negative impact on direct and indirect participants and the financial system.

12. Selection and implementation of recovery tools

12.1 A market infrastructure must exercise prudence and judgement in the selection of the appropriate recovery tool in responding to a stress scenario and take into consideration the objective of minimising the negative impacts on market participants, the market infrastructure itself and the financial system.

12.2 Market infrastructures must avoid uncapped, unpredictable or ill-defined market participant exposures which could create uncertainty and disincentives to participate in a market infrastructure.

12.3 The actions chosen for implementation by a market infrastructure to facilitate its recovery must aim to -

(a) mitigate the impact of the identified stress scenario, and

(b) identify, address and facilitate recovery from the cause of the stress scenario where the stress scenario was caused by a deficiency in the risk management or control processes of the market infrastructure.

12.4 A market infrastructure must identify appropriate recovery tools for capital, credit, liquidity, custody, investment, counterparty credit risk, market risk, operational risk and any other applicable risks, bearing in mind the impact of the chosen stress scenarios and any possible constraints in South African market conditions on the various options available to facilitate recovery.

12.5 A market infrastructure must consider the cumulative impact of its recovery tools, considering that the execution of one recovery option could potentially reduce the plausibility and/or effectiveness of the remaining recovery tools and ultimately the long-term viability of the market infrastructure.

12.6 A market infrastructure's recovery plan must provide an indication of recovery tools that are mutually exclusive.

12.7 Recovery tools that are considered by a market infrastructure but are found to be non-feasible must be listed in its recovery plan with a brief reason for their non-feasibility.

13. Links between market infrastructures

13.1 In the event of linked market infrastructures, the linked market infrastructures must coordinate the relevant aspects of their recovery plans to address the allocation of any uncovered losses and liquidity shortfalls, taking into account any impact that the implementation of recovery tools may have on such linked market infrastructures and any impact that such linked market infrastructures may have on the effectiveness of such tools.

13.2 Where a market infrastructure intends to establish a link with a designated systemically important financial institution as per section 29 of the Act, the market infrastructure must notify the Authorities before establishing such a link and before such links are to be terminated.

14. Communication strategy

14.1 A market infrastructure must, as part of its recovery plan, develop a communication and disclosure plan outlining how it intends to communicate within and outside the institution in the event of a recovery.

14.2 The communication and disclosure plan referred to in paragraph 14.1 must include at least the following:

(a) Details on required internal communication, in particular to staff, the controlling body and shareholders of the market infrastructure;

(b) details on required external communication, in particular to the Authorities, relevant stakeholders, counterparties, market participants, other market infrastructures, investors, and the public in general, as appropriate; and

(c) a proposed strategy for managing any potential negative market impact or reactions.

15. Testing and review of recovery plan

15.1 A market infrastructure must review and, if necessary, update its recovery plan on an annual basis.

15.2 In addition to the annual review referred to in paragraph 15.1, a market infrastructure must, under the following circumstances, review its recovery plan:

(a) If there is a significant change to market conditions or to a market infrastructure's business model, corporate structure, functions, duties, or services provided, risk exposures or any other element of the market infrastructure that must have a material impact on the recovery plan;

(b) if a market infrastructure encounters a severe stress situation that requires appropriate updates to the recovery plan to address the changes in the market infrastructure's environment or lessons learned through the stress period; and

(c) if the Authorities directs a market infrastructure to update its recovery plan to address specific concerns or to provide additional clarity.

15.3 To help ensure that the recovery plan can be implemented effectively, a market infrastructure must regularly test and review its recovery plan by carrying out periodic simulation and scenario exercises.

15.4 Periodic simulation and scenario exercises referred to in paragraph 15.3 must be undertaken at least annually, and following any changes to the market infrastructure's planning, rules, procedures, or functions that may have a material impact on its recovery plan and where the circumstances referred to in paragraph 15.2 have occurred.

15.5 A market infrastructure must notify the Authorities within one (1) month of any changes adopted to its recovery plan by the controlling body and submit a copy of its updated recovery plan to the Authorities for review.

16. Short title and commencement

16.1 This Joint Standard is called the Minimum Requirements for the Recovery Plans of Market Infrastructures, 2026 and comes into effect on the date of publication.

16.2 Market infrastructures must comply with this Joint Standard and submit a copy of the recovery plan within twelve 12 months from the date of publication.

Version number	Commencement date
1	28 April 2026