FSCA
Financial Sector
Conduct Authority

South African Reserve Bank
Prudential Authority

Statement of the need for, expected impact and intended operation of a regulatory instrument*

Joint Standard 1 of 2026 – Minimum requirements for the recovery plans of market infrastructures

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1 Introduction

1.1 The Joint Standard on recovery plans for market infrastructures sets out the Prudential Authority (PA) and the Financial Sector Conduct Authority's (FSCA) (collectively referred to as the Authorities) minimum requirements for market infrastructures in developing their recovery plans for critical business activities. The intention is to ensure that a threat to a market infrastructure does not hinder the ability of the market infrastructure to perform its critical functions, nor impair the prudent management of that market infrastructure's business. It is the responsibility of each market infrastructure to develop and ensure that its recovery plan is comprehensive and gives a reasonable prospect of the market infrastructure's successful recovery, and that the level of detail and the range of recovery options in the plan are commensurate with the risk profile of the relevant entity.

1.2 The Authorities are not overly prescriptive in respect of which recovery tools a market infrastructure may use. The Authorities published Joint Guidance Notice 1 of 2026 that should be read together with the Joint Standard, providing additional guidance to market infrastructures on which proposed recovery tools should be considered and for which purposes.

1.3 Section 107 of the Financial Sector Regulation Act, 2017 (Act No 9 of 2017) (FSR Act) empowers the Authorities to issue joint standards on any matter in respect of which either of them has the power to make a standard. Section 108 of the FSR Act further states that standards may be made on risk management and internal control requirements.

1.4 Market infrastructures face a variety of risks that could pose a threat to financial viability, financial strength and the provision of services and duties that are critical for the proper functioning of the financial markets. Given that market infrastructures are involved in payment, clearing or settlement services amongst others, it is important that appropriate risk management measures are put in place. These measures should assist the market infrastructure to identify, mitigate or avert risks that may arise.

1.5 Market infrastructures play an essential role in the global financial system. The disorderly failure of a market infrastructure can lead to severe systemic disruptions if it causes markets to cease to operate effectively. One of the shared objectives of the Authorities is to ensure that the South African financial markets remain fair, transparent and efficient, which necessitates the ability of market infrastructures to continue to perform critical operations and services in periods of severe stress or financial crisis. Enabling this is central to the formulation of recovery plans. The effective oversight over recovery plans of market infrastructures is also a key element in the continued adherence of the Authorities to South Africa's G20 commitment, especially for the recovery of a Central Counterparty (CCP).

1.6 The recovery of a market infrastructure concerns the ability of the market infrastructure to recover from a threat to its viability and financial strength so that it can continue to provide its critical functions as a going concern. Recovery is an important method that can be used as part of a risk management framework for market infrastructures that constitutes a pre-emptive and proactive measure to assist market infrastructures to continue operating in the face of threats posed to their continued functioning. The aim

of recovery planning is to provide the market infrastructure with a reasonable prospect of recovery – avoiding the need to place the market infrastructure under resolution.

1.7 Market infrastructures must have strong and comprehensive governance and risk management practices in place. A recovery plan is inherently integrated into the risk management framework and relates to those aspects of risk management and contingency planning, which addresses the extreme circumstances that could threaten the market infrastructure's viability and financial strength.

1.8 A market infrastructure must identify in advance, to the greatest extent possible, such extreme circumstances and maintain an effective plan to enable it to continue to provide its critical functions should such circumstances occur. The recovery plan of a market infrastructure should address circumstances that may give rise to any uncovered loss, liquidity shortfall or capital inadequacy, any structural weaknesses that these circumstances may reveal, and the need to replenish any depleted pre-funded financial resources and liquidity arrangements in order for the market infrastructure to remain as a going concern and continue to provide its critical functions having regard to the nature, size, interconnectedness, complexity and concentration of its operations.

1.9 Currently, the legal framework does not contain requirements requiring market infrastructures to develop and implement recovery plans or any specifications in respect of what must be contained in recovery plans as minimum requirements. In light of the powers of the Authorities in section 108 of the FSR Act, the Authorities have two concerns in relation to recovery planning for market infrastructures: there may be market infrastructures that do not have recovery plans in place and the Authorities have not prescribed minimum requirements for the recovery plans of market infrastructures.

1.10 In terms of section 98 of the FSR Act, a financial sector regulator must not make a regulatory instrument[1] unless it has published the following documents:

(a) a draft of the regulatory instrument;
(b) a statement explaining the need for and the intended operation of the regulatory instrument;
(c) a statement of the expected impact of the regulatory instrument; and
(d) a notice inviting submissions in relation to the regulatory instrument, stating where, how and by when submissions are to be made.

1.11 In fulfilment of the above-mentioned requirements, the Authorities have prepared he below *Statement of the need for, intended operation and expected impact of the Joint Standard on Minimum Requirements for the Recovery Plans of Market Infrastructures* (the Statement). This Statement is intended to communicate to relevant stakeholders the policy context and intended application of the Joint Standard, and to assist regulated institutions in complying with the Joint Standard.

1.12 This Statement covers the need for the Joint Standard, the expected impact of implementing the Joint Standard as well as the intended operation of the Joint

[1] For the purpose of this statement, this refers to a Joint Standard

Standard. The Statement also provides a discussion on the outcomes of the questionnaire on the expected impact of the Joint Standard that was alongside the Joint Standard for stakeholder input.

2 Statement of need for the Joint Standard

2.1 As stated above the main concerns of the Authorities relating to recovery planning of market infrastructures is that there is no legal requirement on licensed market infrastructures to develop and implement recovery plans as part of risk management procedures.

2.2 As a result, there is a risk that there may be market infrastructures that have not assessed their operations, identified potential threats to viability and the concomitant impacts on critical services or duties specifically for the purposes of designing methods to provide the entity reasonable prospects of recovery. Practically, this could signal that a market infrastructure is ill-equipped to implement timely measures to safeguard its interests and the interests of impacted stakeholders and market participants in a case where a threat to the market infrastructure is realised.

2.3 Secondly, the Authorities are also concerned that no minimum requirements exist for recovery planning of market infrastructures. It is well understood that market infrastructures are different in respect of their size, nature, scale and complexity and that requirements imposed on them should be fit for purpose. The Authorities use minimum requirements to ensure that when the market infrastructures are designing their risk frameworks such as recovery plans – they are comprehensive in the matters they consider and also incorporate international best practice.

2.4 If the Authorities do not impose requirements, market infrastructures will maintain their risk management strategies without processes and procedures designed expressly for recovery processes. However, this approach does not address the Authorities' concerns as there is still a risk that a market infrastructure facing a potential threat to its continued operations, may not be able to successfully recover and may have to be placed under resolution, which could be detrimental to the financial market, its participants and stakeholders of the market infrastructure.

2.5 The Authorities have developed the Joint Standard which sets out minimum requirements for market infrastructures in developing their recovery plans.

2.6 The Joint Standard applies to all licensed market infrastructures in line with the definition in the Financial Markets Act, 2012 (Act No. 19 of 2012) (FMA).

2.7 The Joint Standard sets out the minimum requirements for the recovery plans of critical business activities to ensure that a threat to a market infrastructure does not impair the prudent management of its business.

2.8 It is the responsibility of each market infrastructure to develop and ensure that its recovery plan gives a reasonable prospect of recovery and that the level of detail and the range of recovery options in the recovery plan are commensurate with the risk profile of the relevant entity.

2.9 The Authorities are, however, not prescriptive in respect of which recovery tools a market infrastructure may use. Joint Guidance Notice 1 of 2026, should be read together with the Joint Standard, providing guidance to market infrastructures on which recovery tools should be considered and for which purposes, which is published on the Authorities' websites.

Relevant international or local policy developments

2.10 The introduction of requirements relating to market infrastructure recovery plans aligns with global standards and established best practices. In 2012 the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO) published the *Principles for Financial Market Infrastructures*[2] (PFMI) setting out requirements and key responsibilities to harmonise the global standards to strengthen resilience and risk management of systemically important market infrastructures. Recognising that market infrastructures have a critical role to play in ensuring a stable financial system, the PFMI require market infrastructures to implement appropriate policies and procedures to ensure that the provision of critical services is not disrupted in the event of a shock or stress scenario that would threaten their viability and financial strength.

2.11 In 2014, the CPMI and IOSCO published further guidance on the development of recovery plans required by the PFMI in the report *Recovery of Financial Market Infrastructures.*[3]

2.12 South Africa as a member of IOSCO subscribes to international best practice. All licensed market infrastructures are accordingly subjected to a bi-annual assessment of compliance with the PFMI and the PFMIs require that all market infrastructures should have a comprehensive and effective recovery plan, because the disorderly failure of a market infrastructure could lead to severe systemic disruptions.

Policy developments to date

2.13 On 23 February 2018, the FSCA published the *draft Guidelines on Recovery Plans for Market infrastructure* (the Guidelines) which garnered industry input. The purpose of the Guidelines was to assist market infrastructures to *extend risk management frameworks, enhance resilience of the market infrastructure* and *bolster confidence in the market infrastructure's ability to function effectively even under extreme market conditions and operating environments*. Certain sections of the proposals in the Guidelines have been incorporated into the Joint Standard.

2.14 The resilience of a market infrastructure to shocks and its ability to recover from them relies on such market infrastructure -

[2] Committee on Payment and Settlement Systems (CPSS) and Technical Committee of the International Organization of Securities Commissions (IOSCO), *Principles for financial market infrastructures*. April 2012 Available: https://www.bis.org/cpmi/publ/d101a.pdf

[3] Committee on Payments and Market Infrastructures (CPMI) and Board of the International Organization of Securities Commissions, *Recovery of financial market infrastructures*, October 2014 (Revised July 2017). Available: https://www.bis.org/cpmi/publ/d162.pdf

(a) maintaining sufficient financial resources in sufficiently liquid form to withstand financial shocks,
(b) developing a sound process for replenishment of financial resources that may be called upon in a stress event, and
(c) designing effective strategies, rules and procedures to address losses.

2.15 These preventive and recovery measures as required by the PFMIs, include plans for allocating uncovered credit losses and liquidity shortfalls, as well as maintaining viable plans for restoring its ability to operate as a going concern or to wind down its operations in an orderly manner.

2.16 The Joint Standard is intended to set out the minimum requirements for recovery plans for all market infrastructures, in line with the PFMI and enhance oversight by the Authorities. The Authorities require market infrastructures in South Africa to have in place effective and comprehensive recovery plans and have been guided by international standards and principles in developing the Joint Standard. Similarly for all joint standards, the proposal is to ensure that regulatory requirements for recovery plans are applied uniformly, with the Authorities jointly responsible for assessing on-going compliance with the requirements, in pursuit of their respective objectives.

2.17 To achieve their respective objectives, the Authorities are empowered to monitor and keep under review the strengths and weaknesses in the governance structures of market infrastructures. The Authorities must take into account the need for a primarily pre-emptive, outcomes focused and risk-based approach to regulation and supervision of regulated entities.

3 Objective and summary of the Joint Standard

3.1 The Joint Standard sets out the minimum requirements to be complied with by market infrastructures in the formulation and implementation of their recovery plans. The recovery plans of market infrastructures must be consistent with the requirements set out in the Joint Standard, which include, but are not limited to, the following:

(a) General requirements
(b) Governance requirements
(c) Group structure requirements
(d) Content and adoption of a recovery plan
(e) Critical functions
(f) Recovery indicators
(g) Stress scenarios
(h) Principles of appropriate recovery tools
(i) Selection and Implementation of recovery tools
(j) Links between market infrastructures
(k) Communication strategy
(l) Testing and review of recovery plan

3.2 Market infrastructures, particularly systemically important market infrastructures, play an essential role in the financial system, and a severe disruption to their systems and

operations could compromise the effectiveness and efficiency of the proper functioning of financial markets.

3.3 Recovery planning therefore concerns the ability of a market infrastructure to implement policies, processes and procedures that are aimed at recovering from a threat to its viability and financial strength so that it can continue to provide its critical functions and services without requiring the use of resolution powers by Authorities.

3.4 An important aspect of the recovery planning process is that ultimately, it is the responsibility of the controlling body of the market infrastructure to take action to implement measures that ensure a reasonable recovery of the market infrastructure as a going concern, rather than an effort from the Authorities.

Summary of the proposed requirements contained in the Joint Standard

3.5 General Requirements:

3.5.1 At the outset a market infrastructure must establish and maintain an adequate and effective recovery plan that is consistent with its nature, size, complexity and interconnectedness with other entities. The recovery plan needs to be comprehensive to provide a reasonable prospect of recovery, if invoked.

3.5.2 The market infrastructure must ensure that the recovery plan is appropriately detailed, practical, and flexible to deal with idiosyncratic or market-wide stress events and provides appropriate procedures for management to assess recovery scenarios.

3.6 Governance requirements:

3.6.1 The responsibility for the development and implementation of a market infrastructure recovery plan rests with the market infrastructure itself. Accordingly, the market infrastructure must ensure that the interests of all relevant stakeholders who are likely to be affected by the recovery plan are considered in its development and implementation phases.

3.6.2 The plan must include details of the governance processes to be followed in a moderate to severe stress scenario. In particular, the recovery plan must provide for all the relevant internal and external stakeholders, communication processes, escalation processes, decision-making processes as well as the processes to be followed once the recovery plan has been activated.

3.7 Group structure requirements:

3.7.1 Where a market infrastructure is part of a group of companies, the recovery plan must enable the identification of interdependencies among entities within the same group to which the market infrastructure belongs, which can have an impact on the business activities of the market infrastructure. The market infrastructures must be able to identify any economic, systemic and legal interlinkages that may hinder recovery.

3.8 Content and adoption of a recovery plan:

3.8.1 The Joint Standard requires a market infrastructure to prepare a recovery plan that takes into consideration the size, nature, complexity and interconnectedness as well as concentration of its business operations. The Joint Standard further sets out the minimum content that the recovery plan should contain and the necessity for approval thereof, as well as the requisite notifications in relation thereto to the Authorities.

3.9 Critical functions:

3.9.1 In terms of the Joint Standard, a market infrastructure will need to identify its critical functions and provide for such functions in its recovery plan. Minimum factors that a market infrastructure should consider in determining the degree of criticality of its functions are set out in the Joint Standard.

3.9.2 The recovery plan of a market infrastructure must identify scenarios that might prevent it from being able to carry out its core business lines or to provide its critical functions as a going concern. Stress scenarios should be included and must reflect the risk profile and activities of the market infrastructure and be broad enough to cover at least one systemic stress scenario and at least one idiosyncratic stress scenario that would result in a liquidity, capital, credit and/or operational disruption of such a severe nature that it could lead to the institution's failure. Furthermore, the risk associated with the failure of a third party to the performance of its critical, core and ancillary function must be captured.

3.10 Recovery indicators:

3.10.1 A market infrastructure must develop the criteria that would prompt the activation of the recovery plan in order to avoid any undue delay in their implementation. Recovery indicators (i.e. triggers for recovery) are an extension of the market infrastructure's risk management framework and must be consistent with the risk profile and activities of a particular market infrastructure. These indicators must be conservative enough to allow for a proactive and effective recovery when breached. For example, in the case of a clearing member default, the recovery plan will be triggered when the market infrastructure has exhausted its pre-funded financial resources, or the liquidity arrangements it has in place to address default-related shortfalls are depleted.

3.10.2 While an adequate number of qualitative and quantitative triggers must be identified to ensure early detection and prompt corrective action in various types of stress scenarios, triggers should be distinguishable from early warning indicators. The market infrastructures are required to include the following mandatory categories in their recovery plans: capital indicators, liquidity indicators, profitability indicators, market-based indicators and macroeconomic indicators.

3.10.3 Recovery indicators must be developed in consultation with the controlling body of the market infrastructure, who must approve and adopt the market infrastructure's plan. Overall, through the risk governance processes of the market infrastructure, the controlling body remains responsible for approving the recovery indicators.

3.11 Stress scenarios:

3.11.1 A recovery plan must identify the specific risks faced by the market infrastructure, and the scenarios that would prevent the market infrastructure from being able to carry out its critical functions as a going concern.

3.11.2 For purposes of the recovery plan a market infrastructure must develop stress scenarios that are commensurate with the risk profile and activities of the market infrastructure and cover at least one systemic stress scenario and once idiosyncratic stress scenario. These stress scenarios must be organised according to the type of risks the market infrastructure faces and for each of the stress scenarios, explain the assumptions upon which relies, the estimated qualitative and quantitative impact of the stress scenario on the market infrastructure and its stakeholders and the extent to which the market infrastructure's pre-recovery risk management tools are sufficient to withstand the impact of risks that have materialised.

3.11.3 The market infrastructure must also ensure that the recovery plan provides appropriate consideration for the impact of stress scenarios on third parties.

3.12 Principles of appropriate recovery tools

3.12.1 The market infrastructure will be required to implement an appropriate set of recovery tools to meet its recovery objectives, which must be consistent with the rules and regulatory regime applicable to the market infrastructure.

3.12.2 The Joint Standard sets out guiding principles that must be considered by a market infrastructure when selecting the most appropriate tool for each relevant recovery scenario.

3.12.3 The tools must be comprehensive and flexible, to enable a variety of scenarios to be considered. Each tool must be effective at ensuring a high degree of certainty that the market infrastructure will be able to implement each tool in all relevant circumstances.

3.12.4 The set of tools must be designed to meet the transparency, measurability, manageability and controllability parameters, and enable those exposed to the risk of the market infrastructure who would bear losses to measure, manage and control their exposure to the market infrastructure.

3.12.5 The recovery tools should be aimed at incentivising the owners of the market infrastructures, direct and indirect members and participants, and other relevant stakeholders, including linked market infrastructures, to control and monitor the amount of risk and risk-taking within and by the market infrastructure, and to minimise negative impacts to the financial system.

3.12.6 In support of operationalising the Joint Standard, the Authorities will also publish a Joint Guidance notice setting out recovery tools available to market infrastructures in support of compliance with the Joint Standard. The Joint Guidance notice is published alongside the Joint Standard and this statement for public consultation.

3.13 Selection and implementation of recovery tools

3.13.1 When it comes to selecting the appropriate recovery tools, the market infrastructure will be required to exercise prudence and judgement in its selection and must avoid uncapped, unpredictable or ill-defined participant exposures that could create uncertainty and disincentives to participate in a market infrastructure.

3.13.2 The minimum requirements that the Joint Standard sets out, which the market infrastructure must adhere to for purposes of identifying appropriate recovery tools include: considerations as to the cumulative impact of its recovery tools, and consideration of non-feasible recovery tools, and with reasons for non-feasibility.

3.14 Links between market infrastructures

3.14.1 Linked market infrastructures will be expected to 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 on the effectiveness of such tools. Market infrastructures that have a link with a systemically important financial institution, as provided for in section 29 of the FSR Act, will be required to notify the Authorities before such a link is established and before such a link is to be terminated.

3.15 Communication strategy

3.15.1 The recovery plan of a market infrastructure must incorporate a communication and disclosure plan outlining how it intends to communicate within and outside the institution and disclose the conditions and procedures that will ensure the timely implementation of recovery options, including timeframes for the decisions it takes and how the Authorities will be informed about the processes.

3.16 Testing and review of recovery plan

3.16.1 A Market infrastructure will be required to at least annually review and, if necessary, update its recovery plan. In addition to this the market infrastructure will also at any point where there has been a significant change to market conditions, severe stress situation, risk exposures, or changes to market infrastructure's business model, structure, or core functions review and update its recovery plan, or at the request of the Authorities. A market infrastructure must notify the Authorities within one (1) month of any changes the adopted to its recovery plan by the controlling body and submit a copy of its updated recovery plan to the Authorities for review.

3.16.2 A market infrastructure is furthermore required to conduct regular tests and reviews of its recovery plan by carrying out periodic simulation and scenario exercises in accordance with the requirements in the Joint Standard.

4. Intended operation of the Joint Standard

4.1. The Joint Standard is consistent with the object of the FSR Act, the respective objectives Authorities, and specifically their mandates of maintaining a stable financial

system that functions in the interests of financial customers and supports balanced and sustainable economic growth.

4.2 It is the intention that the Joint Standard will be made once the consultation processes prescribed in the FSR Act have been concluded. It is proposed that the market infrastructures be required to comply with the Joint Standard within 6 months from the effective date, which will be the date of final publication. Following the implementation of the Joint Standard, the Authorities will assess and evaluate the effectiveness of the Joint Standard on a continuous basis as part of the Authorities' regulatory and supervisory responsibility to ensure that any unintended consequences of the Joint Standard on the industry are adequately addressed.

5. Statement of expected impact of the Joint Standard

5.1. The Authorities followed a public consultation process in terms of which submissions were invited on the Joint Standard, Joint Guidance Notice, an initial draft of the Statement as well as a questionnaire in support of the Authorities' assessment of the expected impact that the Joint Standard will have on the industry. When the documents were published for consultation, it was explained that the responses to the questionnaire will be anonymised and used to assess the expected impact of the proposed requirements to be complied with by market infrastructures. The Authorities received responses from 4 respondents to the questionnaire and the conclusions informed by it are discussed in this part.

5.2. The Authorities also sought to understand how market infrastructures manage the risks that emanate from their core functions and other types of functions that may affect their core functions. Respondents provided an overview of how their respective governance processes, policies and procedures were structured to identify and ultimately manage such risks. From the information supplied, the majority of the respondents indicated that the functions they undertake are financial market infrastructure activities. One respondent indicated that those activities which are not core functions are undertaken by ring-fenced subsidiaries.

5.3. In addition, respondents indicated that risks that arise out of core functions are identified, measured, monitored and managed with the input of a dedicated risk function within the organisation. All respondents indicated that risk management policies are reviewed at least annually. To assess the effectiveness policies and procedures to manage risks arising out of core functions, a variety of mechanisms are used across the different respondents. Some respondents have referred to disaster recovery testing and others to policies and procedures associated with the three lines of defence.

Cost and resource implications

5.4. In response to the cost and resource implications- related questions, commentators have demonstrated a level of preparedness for the implementation of the framework. In particular, it is apparent that although there are currently no existing recovery planning regulatory requirements in place, some entities have built in recovery planning processes of their own accord. These will invariably need to be augmented

to ensure consistency with the regulatory requirements in the Joint Standard. Those market infrastructures without a recovery plan would be required to develop one for the first time.

5.5. Responses to these questions have highlighted that some of the cost and resource implications will arise out of having to assess existing policies and processes against the requirements of the Joint Standard. Relatedly, the significance of these costs will also emanate from the time that will be taken to gather information across the business in order to quantify the costs. A commentator highlighted that this exercise may include aligning its recovery planning with that of authorised users and related market infrastructures.

5.6. Another reason provided for estimating the cost and resource implications to be high is that there are a number of other regulatory frameworks that are expected to be implemented in the same period as the Joint Standard.

5.7. It is conceivable that the extension of the effective date of the Joint Standard from 6 months after date of publication to 12 months after date of publication will relieve some of these pressures.

5.8. As was anticipated in the initial draft of this Statement, an administrative burden on market infrastructures and cost implications on the processes, systems, and human resources of these market infrastructures are expected as a result of the implementation of the Joint Standard. Respondents to the questionnaire highlighted that implementation of the Joint Standard would require the use of external consultants and necessitate new technological solutions or upgrades.

5.9. It is also expected that the Joint Standard may potentially result in increased ongoing compliance costs as part of the on-going monitoring and review of the recovery plans. These ongoing compliance costs will also cover costs for technological solutions associated with disaster preparedness. However, the view of the Authorities is that these additional costs are justified and over time will be balanced out as the prudent and responsible management of critical business activities of the market infrastructures is a necessary condition of their licenses and prudent recovery planning is key in mitigating systemic risk.

5.10. As mentioned in paragraph 2.12 above, all licensed market infrastructures are subjected to the PFMI assessments on a bi-annual basis. Additionally, market infrastructures are required to have comprehensive recovery plans in place as part of compliance with the PFMIs. Having such a recovery plan is also considered part of prudent risk management. It is, however, expected that existing recovery plans may require further enhancements and refinements to ensure full compliance with the requirements of the Joint Standard. The Joint Standard may therefore introduce some cost implications related to the processes and systems of market infrastructures, but by and large the Authorities are of the view that the additional costs will be limited and justified, considering that the market infrastructures already have risk management frameworks in line with requirements in the FMA and that the requirements in the Joint Standard will supplement the existing risk management frameworks to accommodate appropriate recovery measures.

5.11. With respect to consequential impacts on participants, the respondents indicated that the impacts vary between low and high. Key concerns are that participants may be impacted by testing activities related to the implementation of recovery mechanisms as well as the possibility of shared costs of implementation, given the concentration of the South African markets.

Expected benefits of the Joint Standard

5.12. Benefits of the framework identified by commentators include enhanced awareness, enhanced trust in the resilience of the whole market and stability of the South African financial system. Additionally other benefits identified include improved awareness of breach of recovery indicators, improved preparedness on the market infrastructures' part and the development of a toolkit of actions for times of stress.

5.13. The Joint Standard applies to all market infrastructures, as defined in the FMA. Sound and sufficient recovery plans will provide market infrastructures with a good chance of continuing to provide core and critical functions to the market, thereby ensuring that the markets remain transparent and efficient. It also minimises the chances of a systemic disorderly event in the market, which would carry significant cost.

5.14. The minimum requirements will provide relevant guidance and legal certainty on the comprehensiveness with which market infrastructures are required to design recovery plans. Additionally, adherence to the minimum requirements will ensure market infrastructures adopt best practice in the area of recovery planning in line with the PFMI. They aim to make the market infrastructure a source of strength and continuity for the financial markets.

5.15. The Joint Standard also has the benefit of setting regulatory requirements, without compromising on quality, as each Authority acting within its mandate and in pursuit of its respective objectives will have a holistic view of the activities of the market infrastructures that are subject to the Joint Standard.

5.16. The joint oversight by the FSCA and PA over the Joint Standard will ensure that the assessment of regulatory compliance is consistent across financial institutions engaged in similar economic activities and performing similar functions. Furthermore, as information about the recovery plans of market infrastructures and related matters will be collected and monitored, a better assessment of the risks and effectiveness and efficiency of the financial markets will be enabled.

5.17. Ultimately, the Joint Standard is intended to enhance safety and soundness of market infrastructures and will assist in reducing systemic risk and enhance public trust and confidence in the financial sector.