



Prudential Communication 9 of 2022

Banks Act, 1990 (Act No.94 of 1990)

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

Consultation on draft Prudential Standards on Market Risk and Credit Valuation Adjustment and related documentation

As reflected in Guidance Note 4 of 2022¹, the Prudential Authority (PA) intends to implement the Basel Committee on Banking Supervision's (BCBS) Revised Market Risk Framework and the Revised Credit Valuation Adjustment (CVA) Framework (Revised Frameworks) in South Africa on 1 January 2024.

The PA has set out various milestones to enable the implementation of the Revised Frameworks within the South African regulatory architecture. The milestones were communicated to the industry through the implementation roadmap published under Prudential Communication 8 of 2022².

Key to these implementation milestones is the embedment of a regulatory framework in the form of Prudential Standards [as prescribed by the Banks Act, 1990 (Act No.94 of 1990) read with the Financial Sector Regulation Act, 2017 (Act No.9 of 2017) (FSR Act)], supported by regulatory reporting requirements, as well as impact assessments (required in terms of section 98 of the FSR Act) on supervised institutions and the wider market, related to the implementation of the Revised Frameworks.

In an effort to ensure adequate engagement and that the potential impact, costs, and benefits of the Revised Frameworks are duly considered and measured, the preparation of a statement of expected impact forms an integral part of the process of proposing new regulatory instruments. As part of the aforementioned processes, the PA drafted quantitative impact study (QIS) templates and qualitative questionnaires to be completed by all banks and other relevant persons, to gather the necessary quantitative and qualitative information that the PA requires to assess and conclude upon the potential impact of the Revised Frameworks.

The inputs received through the QIS templates and the questionnaires will be used in the preparation of a statement of expected impact required in terms of section 98 of the FSR Act.

In terms of section 101 of the FSR Act, banks and other interested parties are hereby invited to submit comments relating to the:

¹ <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-deposit-takers/banks-guidance-notes/2022/G4-2022-Revised-Basel-Implementation-Dates>

² <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-public-awareness/Communication/2022/Prudential-Communication-8-of-2022-FRTB-and-CVA-implementation-roadmap>

- draft Prudential Standards on Market Risk and CVA set out in Annexures A1 and A2, respectively; and
- the reporting templates for the draft Prudential Standards set out in Annexure B.

The PA also requests that banks and other interested parties use the comment template set out in Annexure C to provide comments for both Standards.

Furthermore, banks and other interested parties are also requested to complete the qualitative questionnaires (as applicable) and the QIS templates set out in Annexures D, E and F, respectively.

The completed comment templates, QIS templates and qualitative questionnaires must be submitted to the Prudential Authority at: PA-Standards@resbank.co.za, for the attention of Ms Kalai Naidoo on or before 31 October 2022.

Yours sincerely

Fundi Tshazibana
Chief Executive Officer

Date: 29 July 2022