



SOUTH AFRICAN RESERVE BANK  
Prudential Authority

**FINANCIAL SECTOR REGULATION ACT, 2017 (ACT NO. 9 OF 2017)**

**Prudential Standard CODI 1 – Fund Liquidity**

The Prudential Authority, under sections 42(b)(vi), 105, 108 and 166BA of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017), hereby makes the 'Prudential Standard CODI 1 – Fund Liquidity' as per the Schedule below.

**Fundi Tshazibana**  
**Chief Executive Officer**

**Date:**

SCHEDULE



SOUTH AFRICAN RESERVE BANK  
Prudential Authority

**Prudential Standard CODI 1 - Fund Liquidity**

***Objectives and Key Requirements of this Prudential Standard***

*This Standard sets out the requirements applicable to the funds to be held by banks that hold covered deposits in the account of the Fund for purposes of the Fund liquidity of the Corporation for Deposit Insurance's funding model in accordance with section 166BH of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017).*

*It is the responsibility of the board of directors of a bank to ensure that the bank meets the requirements set out in this Standard on a continuous basis.*

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## SCHEDULE

### 1. Commencement

This Standard commences on 1 April 2024.

Version number	Commencement date
1	1 April 2024

### 2. Legislative authority

This Standard is made under sections 105 and 108 of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (the Act) as requested by the Corporation for Deposit Insurance (the Corporation) in terms of section 166BA.

### 3. Definitions

- 3.1 In this Standard, any word or expression to which a meaning has been assigned in section 1(1) of the Act and in regulation 1 of the Regulations, must bear that meaning, unless the context indicates otherwise, and—

‘**auditor**’ has the same meaning as ‘registered auditor’ as defined in the Auditing Profession Act, 2005 (Act No. 26 of 2005);

‘**Investment Committee**’ means the Investment Committee established by the Corporation’s Board in accordance with section 166AO of the Act;

‘**profit**’ means the return paid to a bank, whose banking activity must comply with the rules of Sharī’ah and its practical application, on its fund liquidity contribution;

‘**Regulations**’ means the Deposit Insurance Regulations, 2024, made in terms of section 288(1) of the Act; and

‘**Sharī’ah**’ means the practical divine law deduced from its legitimate sources: the Qur’ān, Sunnah, consensus (ijmā’), analogy (qiyās), and other approved sources of the Sharī’ah.

### 4. Application

This Standard applies to a bank’s operations conducted in the Republic.

### 5. Roles and responsibilities

- 5.1 The board is responsible for ensuring that the bank complies with the requirements of this Standard.
- 5.2 A bank must annually review and report to the board on the bank’s compliance with this Standard.
- 5.3 The Prudential Authority may request the auditor of a bank to provide assurance to the Prudential Authority, the bank, and the Corporation that the bank complies with the requirements of this Standard.

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### 6. Fund liquidity contribution

- 6.1 In terms of section 166BH of the Act, a bank that holds covered deposits must maintain a fund liquidity contribution as prescribed in this Standard.
- 6.2 A bank must grant a loan to the Corporation under a standardised contract, developed and managed by the Corporation for its fund liquidity contribution for as long as it is required by the Corporation.
- 6.3 Where applicable, a bank whose banking activity must comply with Shari'ah and its practical application, must enter into specific transactions with the Corporation, the characteristics of which are comparable with those of the loans specified in paragraph 6.2.

### 7. Minimum amount to be maintained by members of the Corporation in the account of the Fund

- 7.1 A bank's fund liquidity contribution must be calculated, as follows:

$$P \times A$$

where:  $P$  is the percentage referred to in paragraph 7.2; below and  
 $A$  is a bank's total covered deposits, calculated and reported according to the Regulations, as reported at the last reporting date.

- 7.2 The Corporation will determine the size of the fund liquidity contribution on an annual basis as a percentage of total covered deposits held by banks.
- 7.3 The Corporation will publish the percentage referred to in paragraph 7.2 on the Reserve Bank's website in December of the year preceding the year in which the percentage takes effect.

### 8. Transfer and maintenance

- 8.1 The fund liquidity contribution by a bank must—
- (a) be transferred to the account of the Fund on a date specified by the Corporation;
  - (b) be maintained for the duration that the bank is a member of the Corporation or until the Corporation no longer requires it, and it is paid back to the bank by the Corporation in accordance with paragraph 12 below; and
  - (c) be rolled-over and adjusted monthly with changes in the bank's total covered deposits.
- 8.2 The Corporation will—
- (a) calculate a bank's monthly fund liquidity contribution adjustment based on the total covered deposits submitted to the Corporation by the bank; and
  - (b) issue a statement to the bank for the fund liquidity contribution adjustment by the end of the month following the month to which the submission relates.
- 8.3 If a bank's total covered deposits increased, the bank must pay its fund liquidity contribution adjustment to the Corporation by no later than the end of the next month following the statement's date.
- 8.4 If a bank's total covered deposits decreased, the Corporation will repay the fund liquidity contribution adjustment to the bank by no later than the end of the next month following the statement's date.

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8.5 Failure by a bank to pay the fund liquidity contribution adjustment to the Corporation in accordance with paragraph 8.3 above, constitutes non-compliance with this Standard and will be dealt with in the manner prescribed in paragraph 14 below.

### **9. Interest payable on fund liquidity contribution**

The Corporation will determine the interest or profit payable to a bank based on the methodology approved by the Investment Committee and specify the interest rate or profit rate in the standardised contract referred to in paragraphs 6.2 and 6.3 above.

### **10. Application of Fund when reimbursing covered deposits in accordance with section 166AA(1)(b) of Act**

10.1 If a bank is placed in resolution and the Corporation reimburses the depositors of the bank in resolution in respect of their covered deposits in accordance with section 166AA(1)(b) of the Act, the Corporation will set-off the bank in resolution's fund liquidity contribution against the funds used to reimburse the bank's depositors in respect of their covered deposits.

10.2 The Corporation will subsequently claim the amount paid out of the Fund to the depositors of the bank in resolution, less the bank in resolution's fund liquidity contribution, from the estate of the bank in accordance with section 166AD of the Act.

### **11. Application of Fund for non-payout resolution support in accordance with section 166AA(1)(c) of Act**

11.1 The Corporation may set-off a bank in resolution's fund liquidity contribution against the funds used to fund a transaction, as a result of an agreement in relation to the covered deposits of the bank in resolution, referred to in section 166AA(1)(c) of the Act from the Fund.

11.2 Where the circumstances referred to in paragraph 11.1 occur and if applicable, the Corporation will claim the amount contributed from the Fund, less the bank in resolution's fund liquidity contribution, from the estate of the bank in resolution in accordance with section 166AD of the Act.

### **12. Repayment of fund liquidity contribution**

12.1 Except in the circumstances referred to in paragraphs 10 and 11, the Corporation will repay a loan granted by a bank to the Corporation for its fund liquidity contribution in line with the build-up of the Fund and in accordance with the terms specified in the agreement referred to in paragraphs 6.2 and 6.3 above.

### **13. Extension of period for compliance and exemptions**

13.1 If a bank is unable to comply or fails to comply with section 166BH(1) of the Act, or this Standard, the bank must immediately report, in writing, its failure or inability to comply, to the Prudential Authority and the Corporation, stating the reasons for the failure or inability to comply and the bank must request an extension of the period for compliance.

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- 13.2 The Prudential Authority may, in consultation with the Corporation and in accordance with section 279 of the Act, afford the bank more time to comply with the relevant requirements, subject to conditions specified by the Corporation.
- 13.3 The Prudential Authority may, in consultation with the Corporation, and in accordance with section 281 of the Act, exempt the bank from complying with section 166BH(1) of the Act in respect of a particular reporting period.

### **14. Administrative penalties**

If a bank fails to comply with the requirements of this Standard, the Corporation may refer the matter to the Prudential Authority for it to consider imposing an administrative penalty on the bank in accordance with the provisions of section 167 of the Act.