

Prudential Communication 5 of 2025

Financial Sector Regulations Act 9 of 2017

Co-Operative Banks Act 40 of 2007

The 2025 flavour-of-the-year topic communication to co-operative financial institutions and co-operative banks

Objective of this Prudential Communication

This communication provides information on the Prudential Authority's 2025 flavour-of-the-year topic, namely 'Third-party risk management, including strategic and/or alliance partnerships'.

1. Application

- 1.1 This Prudential Communication is applicable to co-operative financial institutions (CFIs) and co-operative banks.

2. Purpose

- 2.1 The purpose of this Prudential Communication is to provide information on the 2025 flavour-of-the-year topic for CFIs and co-operative banks.

3. Introduction

- 3.1 Annually, the Prudential Authority (PA) considers whether any ongoing developments and/or emerging risks affecting regulated financial institutions at an industry level are of such significance that additional focus is required from a supervisory perspective. The selected theme is communicated to regulated financial institutions and is referred to as flavour-of-the-year topic.
- 3.2 The PA has determined that the 2025 flavour-of-the-year topic will be 'Third-party risk management, including strategic and/or alliance partnerships' (also referred to as banking-as-a-service and/or banking-as-a-platform).

4. Third-party risk management including strategic and/or alliance partnership

4.1 Background

- 4.1.1 Institutions are increasingly using third-party service providers (TPSPs) to improve services and enhance offerings to clients, enable scalability and access expertise not readily available internally to achieve strategic objectives and reduce costs.

- 4.1.2 The reliance on third parties, if not adequately managed, may result in various risks, including concentration risk, cybersecurity risk and concerns relating to operational resilience.
- 4.1.3 On 4 December 2023, the Financial Stability Board issued a toolkit for financial institutions and financial authorities with respect to enhancing third-party risk management and oversight. The document provides guidance to institutions and regulatory authorities on effective management of third-party risks.
- 4.1.4 Focused engagement on this topic will allow institutions to assess their third-party risk management practices and subsequently formulate and execute strategies to effectively manage third-party risk, including strategic and/or alliance partnerships. This engagement will also furnish the PA with information to further inform and enhance regulatory and supervisory activities.
- 4.2 Engagement approach
 - 4.2.1 A survey will be issued to entities during the second quarter of 2025. The PA will analyse responses to the survey which will inform additional supervisory intervention, where necessary.
 - 4.2.2 The PA endeavours to communicate the thematic outcome of these surveys to the industry at an aggregate level.
- 5. Acknowledgement of receipt**
 - 5.1 A written acknowledgment of receipt of this communication, signed by the Chief Executive Officer of the institution, should be submitted to the PA's Frontline team responsible for its supervision within 10 working days. Should you have any queries in this regard, please contact the relevant PA Frontline team.

Fundi Tshazibana
Chief Executive Officer

Date: