



SOUTH AFRICAN RESERVE BANK
Prudential Authority

Statement of the need for the regulatory instruments, their expected impact and intended operation*

**Proposed Prudential Standard RA-0X:
Requirements for Valuers Appointed for Resolution Purposes**

July 2025

(DRAFT – FOR CONSULTATION)

* This statement is prepared and published in accordance with, and in fulfilment of, the requirements under sections 98 and 103 of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017).

Contents

1. Introduction	3
2. Statement of need	4
3. Objective of the proposed Prudential Standard	5
4. Statement of intended operation.....	5
5. Statement of impact.....	6
6. Motivation for proposal to issue the proposed Prudential Standard.....	6
7. Conclusion.....	7

1. Introduction

- 1.1 The Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (the Act), as amended by the Financial Sector Laws Amendment Act, 2021 (Act No. 23 of 2021), establishes the South African Reserve Bank (Reserve Bank) as the Resolution Authority (RA). The Act confers the necessary resolution functions and powers to the Reserve Bank. In performing its resolution functions, the Reserve Bank assists in maintaining financial stability and protecting the interests of depositors of banks through the orderly resolution of designated institutions.
- 1.2 As part of the resolution measures, before it takes a resolution action, the Reserve Bank must obtain a valuation of the assets and/or liabilities of the designated institution. The valuation must state the amount that would be realised from the assets or the amount that would be payable on the liabilities in a winding up of the designated institution. The purpose of the valuation is to comply with the requirements of section 166Q of the Act and will assist the Reserve Bank in deciding on the appropriate resolution action.
- 1.3 Once a designated institution ceases to be in resolution, the Reserve Bank must also obtain a valuation of the assets and liabilities that were dealt with in the resolution action.
- 1.4 Section 166Q of the Act requires that the Reserve Bank specifies the principles and assumptions that the valuator must make in conducting the valuation.
- 1.5 In addition, section 30(1A) read with section 166Q(4) of the Act states that the requirements for the valuator and for conducting a valuation in terms of section 166Q must be prescribed in a Prudential Standard. Accordingly, the proposed Prudential Standard sets out the requirements that must be complied with by a person to be appointed as a valuator.

- 1.6 The requirements for a valuation conducted for resolution purposes are placed on the valuator in the event of a resolution. The Prudential Standard sets out the requirements for the valuator to conduct the valuation in a manner that is accurate, complete and timely.
- 1.7 In line with the requirements of section 98 of the Act that deals with the process of making Standards, the Prudential Authority (Authority) in collaboration with the Reserve Bank in its capacity as the Resolution Authority, has prepared this statement that outlines the need for this Prudential Standard, its intended operation and the impact of the Prudential Standard being proposed.

2. Statement of need

- 2.1 Section 166Q of the Act requires that a valuator be appointed and conduct a valuation in line with the requirements set out in a Prudential Standard. A Prudential Standard on the appointment of a valuator would enable the Reserve Bank to appoint a valuator.
- 2.2 As it stands, the Reserve Bank is unable to appoint a valuator in terms of section 166Q of the Act in the absence of a regulatory instrument that sets out the requirements for appointing a valuator. In addition, the Reserve Bank is currently unable to conduct valuations for resolution purposes in the absence of a regulatory instrument that sets out the valuation requirements that a valuator must adhere to. In the absence of such regulatory instruments, the Reserve Bank is therefore unable to fulfil its statutory responsibilities as the RA in accordance with the Act.
- 2.3 The proposed Prudential Standard set out the requirements for the appointment of a valuator as well as the valuation requirements for valutors.
- 2.4 The proposed Prudential Standard would ensure that resolution valuations conducted in relation to designated institutions are appropriately regulated and that the financial stability risk is mitigated.

3. Objective of the proposed Prudential Standard

- 3.1 The objective of the proposed Prudential Standard is to give effect to the requirements in section 166Q of the Act.
- 3.2 The Reserve Bank is responsible for appointing a valuator in terms of section 166Q of the Act. This responsibility needs to be provided for in a Prudential Standard, which would ensure that the Reserve Bank can fulfil its responsibilities as the RA.
- 3.3 The proposed Prudential Standard is required in order to set out the requirements for valuers when conducting a valuation for resolution purposes.

4. Statement of intended operation

- 4.1 The proposed Prudential Standard RA-0X applies to a valuator appointed by the Reserve Bank to conduct a resolution valuation.
- 4.2 The Prudential Standard is being processed as a regulatory instrument in terms of section 98 of the Act. It is anticipated that the Standard will come into effect as soon as all the processes required for making regulatory instruments have been completed.
- 4.3 The Reserve Bank intends to proactively identify a panel of valuers. A valuator will then be appointed from this panel as and when the need arises.
- 4.4 The form, manner and period for reporting in terms of this Standard will be determined by the Prudential Authority as directed by the Reserve Bank.

5. Statement of impact

- 5.1 The impact of the proposed Prudential Standard has been considered. The Reserve Bank and the Authority are of the view that the proposed Prudential Standard do not pose any unnecessary operational costs or administrative burdens on valuers or designated institutions.
- 5.2 However, the absence of this Prudential Standard may pose a risk to financial stability. If the Reserve Bank is unable to take adequate measures, in a timely manner, this may have a negative impact on financial stability. The Prudential Standard is issued in terms of section 105 of the Act.
- 5.3 The Prudential Standard set out the key requirements and factors that need to be considered for appointing valuers as well as the issues for consideration by valuers when conducting valuations for resolution purposes.

6. Motivation for proposal to issue the proposed Prudential Standard

- 6.1 Section 166Q of the Act requires the Reserve Bank to obtain a valuation before taking certain resolution actions and the Prudential Standard is proposed as a regulatory instrument to fulfil this requirement.
- 6.2 This Prudential Standard is proposed to provide for the Reserve Bank to appoint a valuator in terms of section 166Q of the Act in order to conduct a valuation of the respective assets and/or liabilities involved. The current absence of this Standard poses prejudice to financial customers as it hampers the Reserve Bank's ability to conduct orderly resolutions.
- 6.3 The proposed Prudential Standard assists in maintaining financial stability.
- 6.4 The proposed Prudential Standard is to be made in terms of section 105(2)(c) read with sections 30(1A)(a)(ii) and 166Q of the Act.

- 6.5 If this Prudential Standard is not put in place, the Reserve Bank will not be able to appoint a valuator and will be unable to take resolution actions, which may, in turn, result in losses to depositors as well as spillover effects to the rest of the financial sector, causing harm to the financial system.

7. Conclusion

- 7.1 This statement is compiled in terms of section 98 of the Act.
- 7.2 Once all the processes are finalised, the statement will be published and the proposed Prudential Standard will be made by the Prudential Committee of the Authority.
- 7.3 This Prudential Standard will ensure that the Reserve Bank has a framework in place for the requirements applicable to the appointment of valuers and for valuations conducted for resolution purposes by valuers. This will assist the Reserve Bank in fulfilling its responsibility as the RA.