



SOUTH AFRICAN RESERVE BANK
Prudential Authority

DRAFT FOR CONSULTATION

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

Prudential Standard RA-XX

Requirements for the Identification of Resolution Groups and Reporting Obligations
for Designated Institutions

Objective and Key Requirements of this Prudential Standard

This Standard sets out the principles and requirements for the identification of resolution entities that the South African Reserve Bank, as the resolution authority, (Reserve Bank) deems necessary to include in a resolution group to facilitate an orderly resolution of a designated institution.

This Standard gives effect to the Reserve Bank's resolution objectives and functions in terms of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017).

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1. Commencement

This Standard commences on Day-Month-Year.

Version Number	Commencement Date
01	Day-Month-Year

2. Legislative authority

This Standard is made in terms of section 105(2)(c) read with section 30(1A) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017).

3. Definitions and interpretation

3.1 In this Standard, 'the Act' means the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) and any word or expression to which a meaning has been assigned bears the meaning so assigned to it by the Act unless the context indicates otherwise;

3.2 For the purposes of this Standard –

'Companies Act' means the Companies Act, 2008 (Act No. 71 of 2008);

'core business lines' means business lines and associated services that represent material sources of revenue or profit and are essential for the sustainability of the designated institution;

'core shared services' means activities performed by a designated institution or outsourced to a third party where failure would impair a designated institution's ability to continue its core business lines;

'critical shared services' means activities performed by or within the designated institution or outsourced to a third party, where failure would lead to the designated institution's inability to perform critical functions;

'financial conglomerate' means a group of companies designated as a financial conglomerate in terms of section 160 of the Act;

'financial group' means a group of companies where at least one entity conducts the business of a bank or is designated as a systematically important financial institution in terms of section 29 of the Act;

'holding company' means holding company as defined in section 1 of the Companies Act;

‘interdependencies’ means the dependencies that resolution entities or resolution support entities may have on other entities within or outside the financial conglomerate or financial group. These interdependencies may include, but are not limited to the following:

- (a) Legal interdependencies:
 - (i) joint ventures and other partnerships;
 - (ii) tax linkages (including deferred tax assets and credits);
 - (iii) profit and loss transfer agreements;
 - (iv) domination / dependency agreements; and
 - (v) memberships.
- (b) Business interdependencies:
 - (i) Cross-organisational unit links or cross-selling agreements.
- (c) Financial interdependencies:
 - (i) Intra-group loans and guarantees;
 - (ii) funding and liquidity relationships; and
 - (iii) cross-holding or hedges.
- (d) Operational interdependencies:
 - (i) information technology (IT) systems;
 - (ii) licences;
 - (iii) intellectual property;
 - (iv) personnel; and
 - (v) facilities;

‘intermediate holding company’ means a holding company which has the majority shareholding/control of a subsidiary within a group of companies, where the same holding company itself is owned by another holding company within the group;

‘Reserve Bank’ means the South African Reserve Bank in its capacity as the resolution authority in terms of section 166A of the Act;

‘resolution entity’ means a designated institution as provided for under section 29A(1)(a) to (d) of the Act and any other entity within the financial group or financial conglomerate that performs a critical function and/or a core business line;

‘resolution group’ means a group consisting of two or more, resolution entities and resolution support entities;

‘resolution support entity’ means a designated institution or an entity, within a financial group or financial conglomerate, that provides critical shared services or core shared services to a resolution entity;

‘subsidiary’ means a subsidiary as determined in accordance with section 3 of the Companies Act; and

‘ultimate holding company’ means the highest-level juristic person that has control over other companies (subsidiaries) in the group.

4. Application

- 4.1 This Standard applies to all designated institutions and must be read in conjunction with the Act, the Companies Act and other relevant financial sector laws.

5. Roles and responsibilities

- 5.1 The governing body is responsible for ensuring that the designated institution complies with the requirements in this Standard.
- 5.2 A designated institution’s management team must annually review and report to the relevant governing body on its compliance with this Standard.

6. Governance requirements

- 6.1 A designated institution must have in place clearly defined and documented policies, procedures, and practices as well as internal system capabilities for monitoring and ensuring compliance with the requirements in this Standard.
- 6.2 These policies, procedures and practices must be established as part of the designated institution’s resolution planning obligations, irrespective of whether an actual resolution is foreseen, and must be embedded in the designated institution’s internal governance framework and risk management processes.
- 6.3 The development, monitoring, review and approval of the policies, procedures, practices as well as internal system capabilities in terms of this Standard must be subject to an appropriate governance process with clearly assigned roles and responsibilities for operational staff, senior management, and the governing body.

7. Identification of a resolution group

- 7.1 A designated institution must identify all resolution entities and resolution support entities within its group taking into account:
 - 7.1.1 the ownership structure;

- 7.1.2 the function or activity of each entity;
 - 7.1.3 the materiality of the function or activity performed by each entity; and
 - 7.1.4 the interdependencies within and/or outside the group necessary for the continued operation of resolution entities.
- 7.2 A designated institution must indicate, where applicable, the role of each resolution entity in executing its business model and assess how each resolution entity contributes to its assets, liabilities, revenues and profitability in percentage terms, from the largest to the smallest, in relation to the resolution group.
- 7.3 A designated institution must:
 - 7.3.1 identify resolution support entities and indicate the core and critical shared service(s) each resolution support entity provides to support the resolution entities;
 - 7.3.2 map the resolution support entities to the specific resolution entities they support; and
 - 7.3.3 indicate the contribution of the resolution support entities in percentages from largest to the smallest to the critical functions and/or core business lines.
- 7.4 A designated institution must assess and determine the interdependencies of each resolution support entity within the resolution group.
- 7.5 A designated institution must provide the following information at the level of (i) the ultimate holding company; (ii) the intermediate holding company; (iii) resolution entities; and (iv) resolution support entities, to the Reserve Bank—
 - 7.5.1 the registered names and shareholding percentage of all shareholders who have a shareholding equal to or greater than 5%;
 - 7.5.2 the registered names of the top five shareholders and their percentage shareholding, regardless of their percentage shareholding; and
 - 7.5.3 the aggregate of all remaining shareholders must be disclosed as 'Minority shareholders', together with the remaining aggregate shareholding percentage.
- 7.6 A designated institution must provide the Reserve Bank with a diagram of the resolution group showing the shareholders, organisational structure and

interdependencies of each resolution entity and/or resolution support entity to illustrate the relationships within the resolution group.

8. General compliance requirements

- 8.1 The Reserve Bank will, on an ongoing basis, assess a designated institution's compliance with the requirements in this Standard.

9. Reporting requirements

- 9.1 The form, manner and period for regulatory reporting in terms of this Standard will be determined by the Prudential Authority as directed by the Reserve Bank.

10. Short title

- 10.1 This Standard shall be called 'Prudential Standard RAXX: Requirements for the Identification of Resolution Groups and Reporting Obligations for Designated Institutions'.