SOUTH AFRICAN RESERVE BANK
Prudential Authority

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

Proposed Prudential Standard RA-XX:
Requirements for Continuity of Access to Financial Market Infrastructures for Designated Institutions in Resolution

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).

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1. Introduction

1.1 The statement explaining the need for, the intended operation and the expected impact of the proposed Prudential Standard RAXX – Requirements for continuity of access to financial market infrastructures for designated institution in resolution (the Statement), is made in accordance with the requirements under section 98(1) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (the FSR Act).

1.2 The proposed Prudential Standard RAXX – Requirements for continuity of access to financial market infrastructures for designated institution in resolution (the Standard) is made in terms of section 105(2)(c) read with section 30(1A) of the FSR Act.

1.3 The Standard sets out the requirements for continuity of access to financial market infrastructures (FMIs) that must be complied with by designated institutions.

1.4 For purposes of the Standard, reference to FMIs includes 'market infrastructure', as defined in terms of section 1 of the Financial Markets Act, 2012 (Act No.19 of 2012).

1.5 The Key Attributes of Effective Resolution Regimes for Financial Institutions (the Key Attributes),[1] read together with the Guidance on Continuity of Access to Financial Market Infrastructures for a Firm in Resolution[2] issued by the Financial Stability Board identifies the need to ensure the continuity of access to FMIs as one of the fundamental components for an effective resolution regime.

1.6 The Key Attributes represent a framework for dealing with the failure of certain systemic financial institutions and constitutes the international standard from which all the Group of 20 (G20) member jurisdictions derive their resolution frameworks.

2. The need for the Prudential Standard

2.1 The Standard gives effect to the principles contained in the FSR Act by setting out the arrangements and capabilities that designated institutions will be required to have in place *ex-ante*, to facilitate their continuity of access to FMI services while in a resolution.

2.2 The FSR Act designates the Reserve Bank as the Resolution Authority and entrusts it with the responsibility to plan for the potential need for the orderly resolution of a designated institution.

1 Key Attributes of Effective Resolution Regimes for Financial Institutions, November 2011 (updated in October 2014). https://www.fsb.org/wp-content/uploads/r_141015.pdf

2 Guidance on Continuity of Access to Financial Market Infrastructures (FMIs) for a firm in Resolution, July 2017. https://www.fsb.org/2017/07/guidance-on-continuity-of-access-to-financial-market-infrastructures-fmis-for-a-firm-in-resolution-2/

2.3 To achieve its resolution objectives as set out in the FSR Act, the Reserve Bank is required to perform its resolution functions in relation to a designated institution and ensure that the affairs of a designated institution in resolution are managed to maintain, as far as practicable, financial stability.

2.4 The continued performance of critical functions by a designated institution in resolution and the execution of an orderly resolution of a designated institution in resolution by the Reserve Bank could depend on, among others, the designated institution's continuity of access to FMI services. As such, the inability by a designated institution to maintain its continuity of access to FMI services while in resolution may impede the Reserve Bank's ability to undertake orderly resolution of designated institution in resolution.

2.5 As a member of the G20, South Africa committed to implementing the Key Attributes and ending the phenomenon of Too-Big-To-Fail financial institutions.

2.6 The Standard contributes towards enabling South Africa to have an effective resolution framework by implementing the Key Attributes in line with its commitment, as a member of the G20, to resolve financial institutions in an orderly manner without unduly exposing taxpayers to loss from solvency support, while maintaining continuity of their critical functions.

3. Statement explaining the intended operation of the Standard

3.1. The Standard will apply to all designated institutions as defined under section 29A of the FSR Act.

3.2. Designated institutions will be expected to implement and ensure compliance with the requirements in the Standard to facilitate their continuity of access to FMI services during business as usual, as well as during periods of distress and while in resolution.

3.3. To this end, a designated institution's governing body will be responsible for ensuring that the designated institution complies with the requirements set out in the Standard on a continuous basis.

3.4. A designated institution will be expected to identify, assess and mitigate the risk of, including implementing a contingency plan for circumstances under which FMI service providers may restrict, terminate, and suspend access to FMI services.

3.5. The Reserve Bank will determine the form, manner and period for reporting on this Standard and these will be published on the Reserve Bank's website.

3.6. The Standard is anticipated to come into effect as soon as all the required processes for making regulatory instruments are completed.

4. Statement of the expected impact of the proposed Standard

4.1. The Standard is expected to place an additional administrative burden on designated institutions. However, the Reserve Bank and the Prudential Authority cannot determine the full extent of the expected impact or any other unintended consequences. As a result, a set of questions will be used to solicit industry inputs on the expected impact of implementing the Standard. The questions are included under **Section C** of the Comments template as part of the consultation process with industry.

4.2. Interested stakeholders are encouraged to respond to the questions under **Section C** of the Comments template as well as identify any potential risks or unintended consequences that might arise from the implementation of the Standard and submit the responses to the Prudential Authority as part of the consultation process.

4.3. After the consultation process, a revised Standard and Statement of need for, intended operation and expected impact will be prepared, considering the feedback that will be received from the industry.

5. Conclusion

5.1. The objective of the Reserve Bank in performing its resolution functions is to assist in maintaining financial stability and protecting the interests of depositors and financial customers through the orderly resolution of designated institutions that are in resolution.

5.2. A key element of resolution planning for the Reserve Bank is to ensure that designated intuitions have in place adequate measures to facilitate the continuity of their critical functions. This requires, among others, that a designated institution in resolution must be able to maintain continuity of access to FMI services.

5.3. Implementation of the requirements provided for in the Standard will improve the resolvability of designated institutions in resolution, thus enhancing the effectiveness of South Africa’s resolution framework.