SOUTH AFRICAN RESERVE BANK
Prudential Authority

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

Prudential Standard RA-04

Requirements for Valuators Appointed for Resolution Purposes

March 2026

Objective and Key Requirements of this Prudential Standard

This Standard sets out the requirements for valuators appointed in terms of section 166Q of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) that valuators must comply with for resolution purposes. The objective is to ensure that valuators can provide the Reserve Bank with timely, accurate and complete valuations and information of designated institutions for resolution purposes.

This Standard is made in terms of section 105(1) read with sections 105(2)(c), 30(1A)(a)(ii), and 166Q of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017).

Contents

1. Commencement 3
2. Legislative authority 3
3. Definitions and interpretation 3
4. Roles and responsibilities 5
5. Application 5
6. Statutory valuation powers 5
7. Requirements for a valuator 6
8. General matters to be considered by a valuator 7
9. Valuation assumptions provided by the Reserve Bank 8
10. Matters to be considered by the valuator in conducting the valuation 8
11. Valuation models 9
12. Factors affecting the valuation 10
13. Valuation ranges 10
14. Valuation buffers 11
15. Treatment of shareholders and creditors 12
16. Valuation requirements in the event of a bail-in 13
17. Valuation requirements for establishing a bridge institution 13
18. Valuation date 14
19. Valuation reporting 14
20. Regulatory reporting 14
21. Short title 14

1. Commencement

1.1 This Standard comes into effect on 19 March 2026.

Version number	Commencement date
01	19 March 2026

2. Legislative authority

2.1 This Standard is made in terms of section 105(1) read with sections 105(2)(c), 30(1A)(a)(ii) and 166Q 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 the meaning has been assigned bears the meaning so assigned in terms of the Act, unless the context indicates otherwise; and

3.2 For the purposes of this Standard-

'**bail-in**' means a resolution action taken by the Reserve Bank in terms of sections 166S and 166T of the Act that results in losses being assigned to the shareholders and specified creditors of the designated institution in resolution;

'**closed resolution strategy**' means a resolution strategy in terms of which a designated institution ceases to exist in its current form under its own licence;

'designated institution' means a designated institution as defined in the Act;

'flac instrument' means a flac instrument as defined in the Act;

'**IFRS Accounting Standards**' means the current in-force accounting standards issued by the International Accounting Standards Board as adopted in South Africa by the Financial Reporting Standards Council, and other than a word or expression in the Act, any word or expression used in this Standard has the same meaning as in the International Financial Reporting Standards (IFRS) Accounting Standards, unless the context indicates otherwise;

'open resolution strategy' means a resolution strategy in terms of which a designated institution in resolution is recapitalised through the direct issuance of equity to holders of flac instruments and other creditors of the designated institution in resolution or by other external sources, and losses are absorbed by the direct write-down of equity and debt within the existing legal entity structure;

'**Reserve Bank**' means the South African Reserve Bank in its capacity as the Resolution Authority in terms of section 166A of the Act;

'resolution date' means the date of the written determination made by the Minister of Finance, placing the designated institution in resolution in terms of section 166J(2) of the FSR 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 strategy**' means either an open or a closed resolution strategy;

'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;

‘**valuation**’ means a valuation for resolution purposes of the assets and/or liabilities of a designated institution in terms of section 166Q of the Act;

‘valuation buffer’ means an approximate amount to account for additional uncertain losses, which the valuator expects to occur, or that have occurred, that the valuator has not yet been able to precisely establish;

‘**valuation model**’ means a method used by the designated institution or a valuator to determine the value of the assets and/or liabilities for the purposes contained in section 166Q of the Act; and

‘**valuator**’ means a natural or juristic person appointed by the Reserve Bank to perform a valuation as contemplated in section 166Q of the Act.

4. Roles and responsibilities

4.1 The valuator is responsible for ensuring compliance with the requirements set out in this Standard.

4.2 The valuator is also responsible for providing accurate, valid, complete and timely valuations in writing upon the written request of the Reserve Bank.

5. Application

5.1 This Standard applies to a valuator appointed by the Reserve Bank for resolution purposes.

5.2 This Standard must be read in conjunction with the Act and any financial sector laws, as may be applicable.

6. Powers

6.1 The Reserve Bank must obtain a valuation for resolution purposes in terms of section 166Q of the Act.

6.2 The Reserve Bank must identify and appoint a valuator to conduct valuations for resolution purposes.

6.3 The Reserve Bank may pre-approve valuators for resolution purposes.

6.4 This Standard sets out the requirements for valuators to comply with, to enable the Reserve Bank to take resolution actions in accordance with timely, accurate and complete valuations of designated institutions for resolution purposes.

7. Requirements for a valuator

7.1 A valuator must -

7.1.1 have the professional competencies, including qualifications, knowledge, ability, experience, integrity and independence, to provide timely, accurate and complete valuations;

7.1.2 have the capacity and sufficient resources, to perform the valuation duties with due care and independence;

7.1.3 be based in South Africa for the duration of the valuation or, if the valuator is a juristic person, have a duly registered office in South Africa;

7.1.4 be able to carry out a valuation in an objective, unbiased and competent manner; and

7.1.5 maintain confidentiality of information acquired as a result of the valuation and the wider resolution process.

7.2 The existence of any of the following may indicate that the valuator lacks independence -

7.2.1 any current or recent working arrangements, including consulting, actuarial or auditing services, between the valuator and the designated institution, the resolution entity, or the resolution group;

7.2.2 a material financial exposure and/or shareholding between the valuator and the designated institution, including employees and related persons of the valuator; the resolution entity; or the resolution group; or

7.2.3 membership of the valuator on any of the governing bodies or committees of the designated institution, the resolution entity, or the resolution group, including employees and related persons of the valuator that may reasonably lead to a conflict of interest or unduly influence the valuation.

7.3 Valuators that are being considered for appointment or that have been appointed by the Reserve Bank must -

7.3.1 Confirm in writing the existence, or lack of, of any relationship or interest envisaged in paragraph 7.2 above;

7.3.2 implement and maintain documented processes and procedures to identify, evaluate and address any material interest and/or conflict of interest of the valuator or other persons involved in the valuations; and

7.3.3 immediately notify the Reserve Bank, in writing, of any change which may result in a conflict of interest or a perceived conflict of interest of the valuator or other persons involved in the valuations.

7.4 All valuators must -

7.4.1 implement and/or maintain documented processes and procedures to identify and document their material interest in the designated institution that the Reserve Bank may request them in writing to value;

7.4.2 immediately notify the Reserve Bank in writing of any material interest; and

7.4.3 ensure that any persons, other than the valuator, who are involved in a valuation have no material interest in the designated institution.

8. General matters to be considered by a valuator

8.1 The valuator must assess the impact of the resolution actions in accordance with the resolution plan of the specific designated institution and advise the Reserve Bank of the assessed impact.

8.2 The valuator must inform the Reserve Bank in writing of any valuation buffers, including expected future losses that cannot be accounted for due to IFRS Accounting Standards requirements, including the extent of the losses and the estimated future date(s) at which these might materialise.

8.3 The valuator must be able to provide an estimated post-conversion equity value of the new shares when capital instruments or other debt may be converted to equity by the Reserve Bank.

9. Valuation assumptions provided by the Reserve Bank

9.1 The Reserve Bank must provide on a case-by-case basis and in writing, the assumptions that must or may be considered by the valuator when conducting the valuation.

10. Matters to be considered by the valuator in conducting the valuation

10.1 The valuator must conduct the valuation in accordance with this Standard.

10.2 The valuator must consider and document any known matter that may have an impact on the outcome of the valuation.

10.3 The valuator must identify and document areas of uncertainty that may impact on the outcome of the valuation.

10.4 The valuator must provide documented confidence ranges for all material areas of uncertainty and which may include, but are not limited to -

10.4.1 any loans or loan portfolios where the repayments are linked to a counterparty's ability to perform and there is sufficient evidence that the counterparty is experiencing financial distress;

10.4.2 the value placed on assets belonging to dormant companies, taking into consideration that these assets may no longer be able to generate income and may have no identifiable market value;

10.4.3 any financial instruments that are measured at fair value but for which a mark-to-market value cannot readily be determined;

10.4.4 goodwill and other intangible assets, as impairment tests may rely on qualitative assessments;

10.4.5 the value placed on any liability relating to legal disputes;

10.4.6 the value placed on any assets which could affect the beneficiaries, pensioners and/or members of a retirement fund;

10.4.7 any unrealised gains or losses;

10.4.8 any non-recurring gains or losses; and

10.4.9 any other matter which may be considered material to the valuations.

10.5 In the event that a valuation error materialises, the shareholders and creditors must be placed in the position they would have been in had the error not occurred, in terms of the 'no creditor worse off than in liquidation' rule, as defined in section 166V of the Act.

11. Valuation models

11.1 The valuator may rely on the valuation model developed by the designated institution or may use their own valuation model.

11.2 In instances where the valuator does not rely on the valuation model developed by the designated institution, the valuator must provide reasons for not being able to rely on the designated institution's valuation model as well as why the valuator's own model is more appropriate.

11.3 The valuation model used by the valuator must be able to calculate the liquidation values of the designated institution's assets and liabilities, which will be used to ensure adherence to the 'no creditor worse off rule, as prescribed in section 166V of the Act.

11.4 The valuator must inform the Reserve Bank in writing which valuation model will be used.

11.5 The valuator must provide the Reserve Bank with sufficient information to enable it to make an informed decision regarding the appropriateness of the chosen valuation model.

12. Factors affecting the valuation

12.1 The valuator must consider all the factors specific to the designated institution, to ensure that a reasonable valuation is provided to the Reserve Bank to execute a resolution strategy.

12.2 The valuator must, at a minimum, consider the following factors -

12.2.1 the economic and industry-specific circumstances affecting the designated institution;

12.2.2 the designated institution’s business model and any changes to its strategy;

12.2.3 any circumstance that could influence the designated institution’s solvency as specified in regulatory instruments, as may be applicable from time to time;

12.2.4 the designated institution’s ability to generate predictable cash flows; and

12.2.5 general or resolution entity-specific liquidity constraints.

13. Valuation ranges

13.1 The valuator may include valuation ranges to estimate the possible impact of the chosen resolution action, a possible change in market conditions and/or a change in timing that might affect the valuation.

13.2 The valuator may rely on the valuation ranges provided by the designated institution.

13.3 The valuator may determine its own valuation range based on the models and assumptions used to achieve a valuation, and, where there is a material difference between the valuation range of the designated institution and the valuation range of the valuator, the valuation range of the valuator will prevail.

13.4 The valuator must provide the Reserve Bank with sufficient information in writing to enable it to make an informed decision regarding which value within the valuation range to use.

14. Valuation buffers

14.1 The valuator may include valuation buffers to estimate the possible impact of the chosen resolution action, a possible change in market conditions and/or a change in timing that might affect the valuation.

14.2 The valuator must document and explain the assumptions used to determine the size of the buffer.

14.3 In determining the size of the buffer, the valuator must consider all the factors that may reasonably affect the valuation, the extent of each factor and its impact on the valuation.

14.4 When calculating possible buffers, the following must be considered and executed accordingly -

14.4.1 All the factors that may potentially impact on the valuation must be listed and duly documented;

14.4.2 The combined impact of factors that may occur simultaneously must be determined, even if this requires the use of weightings between the factors; and

14.4.3 If any of the factors are mutually exclusive, the factor with the highest impact must be identified, explained, calculated and included in the buffer.

14.5 The valuator, in collaboration with the designated institution, may extrapolate losses calculated for part of the resolution entity's assets to the remainder of the balance sheet.

14.6 The valuator must clearly document any changes in the assumptions and calculations used in the extrapolations.

14.7 The Reserve Bank may specify additional requirements in writing for the valuator in relation to buffers.

15. Treatment of shareholders and creditors

15.1 The valuator must, where applicable, determine the outstanding claims after the write-down and/or the conversion of capital instruments.

15.2 Outstanding claims must be allocated to the shareholders and creditors in line with the creditor hierarchy of the designated institution, as at the resolution date.

15.3 The valuator must determine the number and value of shares that the shareholders and/or creditors must receive in the event of an equity compensation, while ensuring that the 'no creditor worse off rule is adhered to, in accordance with section 166V of the Act.

15.4 The value of such shares must be based on available market prices or any generally accepted valuation model for determining equity prices.

15.5 The valuator must determine the compensation value when the shareholders and/or creditors receive debt compensation.

15.6 The valuator must consider any changes in the contractual cash flows resulting from write-downs, conversions or other resolution actions, as well as the applicable discount rates.

15.7 For any outstanding claims, the valuator may consider the prices in active markets for similar instruments.

15.8 The valuator must where possible identify the shareholders and creditors who may be significantly affected.

16. Valuation requirements in the event of a bail-in

16.1 The valuator must, at a minimum, do the following to assist with the successful implementation of a bail-in -

16.1.1 determine the gross asset value or total market value of all the assets prior to using a bail-in;

16.1.2 determine the net asset value prior to using a bail-in;

16.1.3 identify any liabilities eligible for bail-in, together with their respective ranking of claims in terms of the creditor hierarchy as per the Insolvency Act, 1936 (Act No. 24 of 1936);

16.1.4 determine the write-down amount required to absorb the losses and restore the net asset value to zero;

16.1.5 determine the amount of instruments and liabilities to be converted in order to restore the capital of the designated institution in resolution to the regulatory required ratio and to instil market confidence;

16.1.6 determine the post-conversion equity value; and

16.1.7 determine the debt-to-equity conversion rate.

17. Valuation requirements for establishing a bridge institution

17.1 The value of the assets transferred from the designated institution in resolution to the bridge institution must exceed the value of the liabilities, resulting in a solvent bridge institution.

17.2 When a transfer to a bridge institution is chosen as the resolution strategy, the disposal value must be used.

17.3 In instances where there are differences between the disposal value provided by the designated institution in its pre-resolution accounting and the disposal value determined by the valuator, the disposal value determined by the valuator will be used.

18. Valuation date

18.1 The Reserve Bank will specify the valuation date in writing.

19. Valuation reporting

19.1 The valuator must prepare a written valuation report and provide this valuation report to the Reserve Bank.

19.2 The data and information provided in the valuation report must be timely, accurate, and complete .

19.3 The Reserve Bank may specify the information to be included in a valuation report by the valuator.

20. Regulatory reporting

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

21. Short title

21.1 This Standard shall be called ‘Prudential Standard RA-04: Requirements for Valuators Appointed for Resolution Purposes’.