



# Prudential regulation and supervision

The PA continues to advance sound regulation and proactive supervision to safeguard depositors and policyholders, while remaining responsive to changes in economic, financial and technological environments.

As the PA enters its eighth year, prudential regulation remains focused on ensuring that licensed banks, insurers and market infrastructures remain well-capitalised and liquid. Targeted supervisory measures and enhanced oversight address emerging weaknesses and maintain confidence in the system.

To enhance resilience, efforts to anticipate risks affecting financial institutions, strengthen analysis of material non-financial risks and support financial stability have intensified.

The remaining elements of the Basel III post-crisis reforms were implemented from 1 July 2025. Significant work also went into supporting the country-level efforts to get South Africa removed from the FATF greylist.

In-year supervision was influenced by heightened global uncertainty, persistent market volatility and evolving regulatory approaches across jurisdictions. Against this backdrop, the PA placed strong emphasis on how financial institutions adapted their strategies, governance and risk management frameworks to respond to emerging risks. Alongside regulatory compliance, institutions were required to demonstrate forward-looking strategic planning and show the ability to withstand periods of stress and structural change through effective risk mitigation.

The PA deepened its engagement with institutions to ensure corporate governance and risk management frameworks remained effective, proportionate and responsive.

Retirements at Board and executive level, challenges to independence and shortages of experienced talent continued to weaken oversight and succession planning.

## Entities supervised by the PA as at 31 December 2025, 28 February 2026 and 31 March 2026\*\*\*

Entities per sector	No. of entities	Balance sheet size		
		R millions		
		Dec 2025	Feb 2026	Mar 2026
<b>Banking sector</b>	<b>26</b>			<b>9 075 293</b>
Registered banks	15			8 562 949
Local branches of foreign banks	11			512 344
<b>Mutual banking sector</b>	<b>4</b>			<b>4 611</b>
<b>Co-operative sector</b>	<b>25</b>		<b>747</b>	
Co-operative banks	4		603	
Co-operative financial institutions	21		144	
<b>Total insurance sector*</b>	<b>158</b>	<b>5 716 418</b>		
<b>Life insurance sector</b>	<b>78</b>	<b>5 299 395</b>		
Primary insurers	60	5 274 113		
Cell captive entities	4	25 076		
Microinsurers	14	206		
<b>Non-life insurance sector</b>	<b>68</b>	<b>367 640</b>		
Primary insurers	56	257 292		
Cell captive entities	6	65 499		
Captive insurers	6	44 849		
Non-life microinsurers	0	–		
<b>Composite microinsurers</b>	<b>3</b>	<b>2 320</b>		
<b>Reinsurers</b>	<b>9</b>	<b>47 063</b>		
Life reinsurers	0	–		
Non-life reinsurers	1	5 817		
Composite reinsurers	4	41 246		
Branches of foreign reinsurers	4	–		
<b>Market infrastructures**</b>	<b>7</b>	<b>6 815</b>		

\* In addition to the licensed 158 insurance entities, the PA also supervises Lloyds and the Road Accident Fund.

\*\* The total assets in respect of market infrastructures exclude margin deposits.

\*\*\* CFIs and co-operative banks have a 28 February financial year-end. Insurers, banks and mutual banks have varying financial year-ends, therefore a 31 December date and a 31 March date is used for reporting by insurers and banks/mutual banks respectively, as this is typically the most recent available data on record.

# Strengthening and enhancing prudential regulatory and supervisory frameworks

## BANKS

- › To implement the final elements of the Basel III post-crisis reforms, amendments were made to the Regulations relating to Banks and new prudential standards were introduced. These reforms strengthen our approach to credit and operational risks, the leverage ratio, the credit valuation adjustment framework, the revised market risk framework and the output floor.<sup>31</sup>

## MARKET INFRASTRUCTURES

- › As part of South Africa's G20 commitments to reform its over-the-counter (OTC) derivatives market to reduce vulnerabilities and increase transparency, the PA and FSCA began the process of developing an appropriate legislative framework. The development of the framework included a new joint standard exempting external central counterparties (CCPs) and trade repositories (TRs) which came into effect in October 2025. The joint standard sets out the criteria for an external CCP or TR to be exempted from the licensing requirements of the Financial Markets Act 19 of 2012.\* It contributes towards developing the legal framework to facilitate mandatory central clearing for OTC derivative transactions. This joint standard completed phase two of South Africa's OTC derivatives central clearing roadmap\*\* and aligns to G20 guidelines. In parallel, the PA and FSCA are consulting on eligibility criteria (for certain OTC derivatives contracts to be subject to mandatory clearing) to inform the final phase.

31 The Basel III output floor is a regulatory backstop that limits the extent to which banks' internal models can reduce capital requirements, with the intention of reducing excessive model-driven variability, and ensuring greater consistency and comparability of capital requirements across banks. It requires that risk-weighted assets calculated using internal models, are no lower than the specified floor, which is a percentage of the risk-weighted assets calculated under standardised approaches.

32 Certain policy instruments are not confined to deposit-taking institutions, insurers or market infrastructures, but are applicable to more than one of these subsectors.

\* Joint Standard 1 of 2025: Criteria for the Exemption of an External Central Counterparty or External Trade Repository from the Provisions of the Financial Markets Act. **Available here:** <https://www.resbank.co.za/content/dam/sarb/publications/prudential-authority/pa-public-awareness/covid-19-response/2025/joint-comms-4-of-2025/Joint%20Standard%201%20-%20of%202025%20-%20Criteria%20for%20exemption%20of%20external%20CCP%20external%20TR%20from%20provisions%20of%20FMA.pdf>

\*\* **Available here:** <https://www.resbank.co.za/content/dam/sarb/publications/prudential-authority/pa-public-awareness/covid-19-response/2022/Joint%20Roadmap%20for%20the%20development%20of%20a%20regulatory%20framework%20for%20Central%20Clearing%20in%20SA.pdf>

## CROSS SECTOR<sup>32</sup>

- › The PA, together with the FSCA, pursued a range of initiatives to strengthen operational resilience, technology risk management and oversight of emerging risks throughout the financial sector. Operational resilience remained a key supervisory priority, with the PA monitoring compliance, particularly among larger banks.
- › Across sectors, the PA has observed that non-financial risks can translate into financial stress, leading to a greater focus on operational resilience, governance capacity, technology dependence and third-party concentration. These risks have the potential to lead to financial stress, reinforcing the PA's commitment to an integrated supervision approach.
- › The Joint Standard on Cybersecurity and Cyber Resilience, which was approved by Parliament, came into effect on 1 June 2025. The standard outlines principles for financial institutions to implement processes, tools and technologies to robustly manage cyber risks, including possible cyberattacks. In an increasingly complex cyber environment, the PA continues to engage the sector on cyber-resilience maturity and preparedness for emerging risks.
- › In addition, the PA and FSCA issued Joint Communication 2 of 2025 on Cloud Computing and Data Offshoring, providing guidance on risk mitigation. Furthermore, a joint survey on AI provided an overview of its adoption in the financial sector, highlighting efficiency and analytical benefits alongside key risks related to governance, data, consumer protection and systemic resilience.
- › The PA also advanced work on its regulatory and supervisory frameworks to ensure that climate and environmental risks are identified, measured, managed and supervised. Following the publication of the Climate Roadmap for 2024–2026 in May 2024 and updated guidance on climate-related disclosures to align with the international disclosure frameworks, the PA has been monitoring the implementation of climate-related governance, risk management practices and disclosures.
- › The PA issued several regulatory instruments to strengthen auditor appointment processes for banks, mutual banks and insurers, aiming to improve the quality, consistency and legislative alignment of submissions.

# Strengthening and enhancing prudential regulatory and supervisory frameworks

## SUPERVISORY TRENDS

- › The banking sector remained broadly resilient during the review period. However, supervision revealed weaknesses in governance, strategy and risk management. These issues reflect the growing complexity of banking groups, changing risk profiles and increased regulatory expectations.
- › Strategic initiatives, such as the Pan-African expansion, restructures and acquisition integration, increased execution and oversight risks. Supervisory attention therefore focused on whether boards and senior management could maintain effective governance, accountability and control across increasingly complex group structures.
- › The insurance sector was generally resilient throughout the review period. Nonetheless, supervision identified several structural, financial and governance weaknesses, reflecting the growing complexity, volatility and capacity pressures in the sector. Corporate governance and leadership stability remained key supervisory concerns. Numerous Board members and executives retired during the year, placing strain on succession planning, institutional knowledge and independent oversight. In certain cases, long-standing vacancies or reliance on interim appointments weakened governance and reduced boards' capacity for effective oversight amid major strategic changes.
- › Insurers also undertook more strategic initiatives, including changes to business models, acquisitions, restructurings, licence exits and regional expansion. While these actions offer benefits, they also increased execution risk and reliance on regulatory approvals, highlighting the need for strong project governance and close supervisory oversight.

## RESILIENCE AND PROPORTIONALITY AS SUPERVISORY ANCHORS

- › Resilience continues to be a fundamental organising principle of prudential supervision within the PA, while supervisory proportionality is becoming increasingly significant. The PA recognises that the risk profiles, complexity and systemic importance vary across the regulated sector. As a result, supervisory and regulatory requirements are calibrated in intensity to reflect materiality and interconnectedness, particularly for smaller banks, mutual banks, co-operatives and micro-insurers.

## STRENGTHENING AML, CFT AND CPF

- › Anti-money laundering, countering the financing of terrorism and combatting proliferation financing (AML/CFT/CPF)<sup>33</sup> remained a strategic supervisory priority. The PA played a central role in South Africa's removal from the FATF greylist in October 2025.
- › Supervisory focus extended beyond technical compliance to include risk-based frameworks, governance oversight and group-wide implementation. The PA conducted both domestic and cross-border inspections, requiring remedial actions where deficiencies were identified, and strengthened regulatory reporting through AML/CFT risk returns and sector risk assessments.
- › The 2026 'Flavour of the Year' will focus on the effectiveness of AML/CFT/CPF controls in accountable institutions. Institutions are expected to demonstrate not only compliance with the Financial Intelligence Centre Act 38 of 2001, but also a clear understanding of their evolving financial crime risk exposure, including risks from complex group structures, cross-border operations and new technologies.

## G20 PRESIDENCY

- › The PA represented the SARB within the Global Partnership for Financial Inclusion under South Africa's G20 Presidency and advanced deliverables of the Financial Inclusion Action Plan.

## TECHNOLOGY AND DATA MANAGEMENT SYSTEM IMPROVEMENTS

- › During the year under review, the PA continued to improve internal efficiencies, including through enhanced internal data management and analytics practices. The PA continues to refine the rollout of its supervisory technology. Following resolution of initial missteps, the Umoja solution has been rolled out to all banks and regulatory returns are collected via the solution. The solution will continue to be rolled out until all institutions' regulatory returns are collected.

<sup>33</sup> AML/CFT/CPF constitute a unified framework designed to detect, prevent and report illicit financial activity, such as money laundering, terrorism financing and the financing of the proliferation of weapons of mass destruction.