

Contents

Chapter 1: Registrar of Banks' review	1
Overview of the South African banking system	1
The South African banking-sector exposure to the sub-prime mortgage market and the impact of the turmoil in the international markets on the South African banking groups	3
Compliance with anti-money laundering legislation	5
Securitisation	8
High-level meeting for African banking supervisors	10
Companies Bill, 2008.....	12
Human resources issues in the Bank Supervision Department.....	13
Issues to receive particular attention in 2008	15
Expression of gratitude	15
Chapter 2: Current issues in banking supervision	16
Implementing Basel II in South Africa	16
Application in terms of section 37 of the Banks Act, 1990 for the acquisition of shares in Standard Bank Group Limited, a bank controlling company.....	41
Illegal deposit-taking	43
Maintenance of a board directorship continuity programme.....	45
Consumer education	46
Bank on-site visits	47
Update on the implementation of the revised Core Principles for Effective Banking Supervision	48
Banking Code for Responsible Credit Extension	48
Market risk.....	49
Independent Regulatory Board for Auditors	50
The National Credit Regulator	51
Chapter 3: Developments related to banking legislation	52
The Banks Act, 1990	52
Regulations relating to the conditions for the conducting of the business of a bank by a foreign institution by means of a branch	55
Designation of an activity not falling within the meaning of "the business of a bank" (securitisation schemes).....	58
Chapter 4: Trends in the South African banking sector	63
4.1 Balance-sheet structure	63
4.2 Capital adequacy	70
4.3 Profitability.....	73

4.4	Liquidity risk	79
4.5	Derivative contracts	82
4.6	Credit risk.....	84
4.7	Currency risk	89

Appendices

1	Organisational structure of the Bank Supervision Department	94
2	Registered banks, mutual banks and local branches of foreign banks as at 31 December 2007	95
3	Name changes and cancellation of registration of banks and branches of foreign banks during the period 1 January 2007 to 31 December 2007.....	97
4	Registered controlling companies as at 31 December 2007	98
5	Foreign banks with approved local representative offices.....	99
6	Trends in South African banks: Tables 1–21	101
7	Circulars sent to banking institutions during 2007.....	124
8	Exemptions and exclusions from the application of the Banks Act, 1990	125
9	Approval of acquisition or establishment of foreign banking interests in terms of section 52 of the Banks Act, 1990, from 1 January 2007 to 31 December 2007.....	126
10	Memorandums of Understanding concluded between the Bank Supervision Department of the South African Reserve Bank and foreign supervisors as at 31 December 2007	128
	Abbreviations	129
	Glossary	130

Annual Report for the calendar year ended 31 December 2007 in terms of section 10 of the Banks Act, 1990, (Act No. 94 of 1990) and section 8 of the Mutual Banks Act, 1993 (Act No. 124 of 1993).

This report presents an overview of the objectives and activities of the Bank Supervision Department of the South African Reserve Bank, with particular reference to the period 1 January 2007 to 31 December 2007.