

Contents

Chapter 1: Registrar of Banks' review	1
High-level overview of the banking sector	1
International Monetary Fund Basel II assessment.....	3
Securitisation	4
Compliance with anti-money laundering and the combating of the financing of terrorism standards	5
International Conference of Banking Supervisors	8
Financial Sector Assessment Program	10
International Monetary Fund Article IV Consultation	13
National Treasury initiative on Islamic financial services	15
Skills development	15
Issues to receive particular attention in 2009	17
Expression of gratitude	18
Notes.....	18
Chapter 2: Current issues in banking supervision	19
Revised regulatory and supervisory approach	19
Use of external auditors	19
Internal capital-adequacy assessment process	20
Credit risk.....	21
Operational risk	26
Consolidated supervision	31
Stress testing the South African banking system.....	31
The Department's own stress testing	38
Notes.....	41
Chapter 3: Developments relating to banking legislation	42
The Banks Act, the Regulations relating to Banks, the Branch Regulations and the Securitisation Notice	42
Chapter 4: Banking-sector overview	44
1. Introduction	44
2. Structural features of the banking sector	44
3. Balance sheet	46
4. Off-balance-sheet activities.....	54

5. Profitability.....	55
6. Capital adequacy	61
7. Liquidity risk	63
8. Credit risk.....	65
9. Market risk	73
Notes.....	77

Appendices

1 Organisational structure of the Bank Supervision Department	80
2 Registered banks, mutual banks and local branches of foreign banks as at 31 December 2008.....	81
3 Name changes and cancellation of registration of banks and branches of foreign banks during the period 1 January 2008 to 31 December 2008.....	83
4 Registered controlling companies as at 31 December 2008.....	84
5 Foreign banks with approved local representative offices.....	85
6 Selected information on South African banks: Tables 1–24.....	87
7 Directives, circulars and guidance notes sent to banking institutions during 2008	102
8 Exemptions and exclusions from the application of the Banks Act, 1990	103
9 Approval of acquisition or establishment of foreign banking interests in terms of section 52 of the Banks Act, 1990, from 1 January 2008 to 31 December 2008.....	104
10 Memorandums of understanding concluded between the Bank Supervision Department of the South African Reserve Bank and foreign supervisors as at 31 December 2008.....	106
Abbreviations	107
Glossary	108

Annual Report for the calendar year ended 31 December 2008 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 2008 to 31 December 2008.