

Purpose of the *Annual Report*

Legal basis for the *Annual Report*

The *Annual Report* is issued in terms of section 10 of the Banks Act, 1990 (Act No. 94 of 1990 – the Banks Act) which prescribes the following:

10. Annual report by Registrar of Banks

(1) The Registrar shall annually submit to the Minister of Finance a report on his or her activities in terms of this Act during the year under review.

(2) The Minister shall lay a copy of the report referred to in subsection (1) upon the Tables in Parliament within 14 days after receipt of such report, if Parliament is then in ordinary session, or, if Parliament is not then in ordinary session, within 14 days after the commencement of its next ensuing ordinary session.

Layout of the 2011 *Annual Report*

The 2011 *Annual Report* comprises four chapters and various appendices, namely:

Chapter 1: Registrar of Banks' review

This chapter serves as an introduction to the 2011 *Annual Report* and provides a broad overview of the most notable developments that occurred during 2011 within the banking industry, both domestically and abroad. Among other things, topics covered in this chapter include the following:

- a. A deliberated synopsis of the economic and regulatory environment that prevailed during the period under review, and the challenges and risks that the banking sector faced.
- b. A concise overview of items such as key international and domestic regulatory developments; reviews undertaken by international agencies (for example, the World Bank, the International Monetary Fund [IMF] and the Financial Action Task Force [FATF]); developments related to anti-money laundering activities; participation by staff of the Bank Supervision Department (the Department) in international and domestic regulatory and supervisory forums; regional co-operation specifically in respect of Africa; and issues to receive special attention during 2012.

Chapter 2: Overview of supervisory activities

This chapter outlines the day-to-day activities performed by the Department's divisions and sections which enable the Department to realise its mission of not only promoting the soundness of the banking system, but also contributing to financial stability. The topics covered in this chapter include the following:

- a. An overview of the key activities of the core operational divisions and sections of the Department during the period under review, including the analysis divisions, the various risk specialist divisions, consolidated supervision, the review team, Pillar 3 (market discipline) disclosure and the Financial Stability Unit (particularly in terms of how it relates to the banking sector).
- b. All other core operational matters, including the key issues and challenges the Department faced during the period under review.

Chapter 3: Developments relating to banking legislation

The third chapter outlines the most pertinent amendments and additions with regard to banking legislation. Topics covered in this chapter include, among others, the following:

- a. An overview of key developments in respect of the Banks Act and the Regulations relating to Banks (the Regulations).
- b. International developments that could impact the domestic regulatory and supervisory framework that are continually monitored and considered by the Department, such as the revision of the Core Principles for Effective Banking Supervision (the Core Principles), and the Basel II.5 and Basel III frameworks.



- c. Other relevant non-banking legislative developments that could have an impact on either the Department's functions, its ambit of responsibilities or the legislative framework it employs, for example, developments regarding the Postbank Act, 2010 (Act No. 9 of 2010 – the Postbank Act) and the new Companies Act, 2008 (Act No. 71 of 2008 – the new Companies Act).
- d. An overview of illegal deposit-taking schemes under investigation.

Chapter 4: Banking-sector overview

This analytical chapter provides an overview of aggregated financial and risk information as submitted by individual banks registered in South Africa, including domestic branches of foreign operations (offshore branches and subsidiaries of South African banks are excluded). This fourth and final chapter covers the following:

- a. Structural features of the banking sector, for example, registered entities, shareholding structure, applications approved in terms of section 52 of the Banks Act, global presence of South African banks, and banking-sector assets to gross domestic product (GDP).
- b. Overview of the total domestic banking sector's balance sheet, equity structure, profitability, and key risk areas.

Appendices

Appendices 1 to 9 contain administrative information (the departmental structure and lists of registered entities being supervised, exemptions, circulars, etc.), while Appendix 10 contains various tables detailing extensive financial data predicated on risk-based information submitted by banks over a three-year period ending December 2011.

