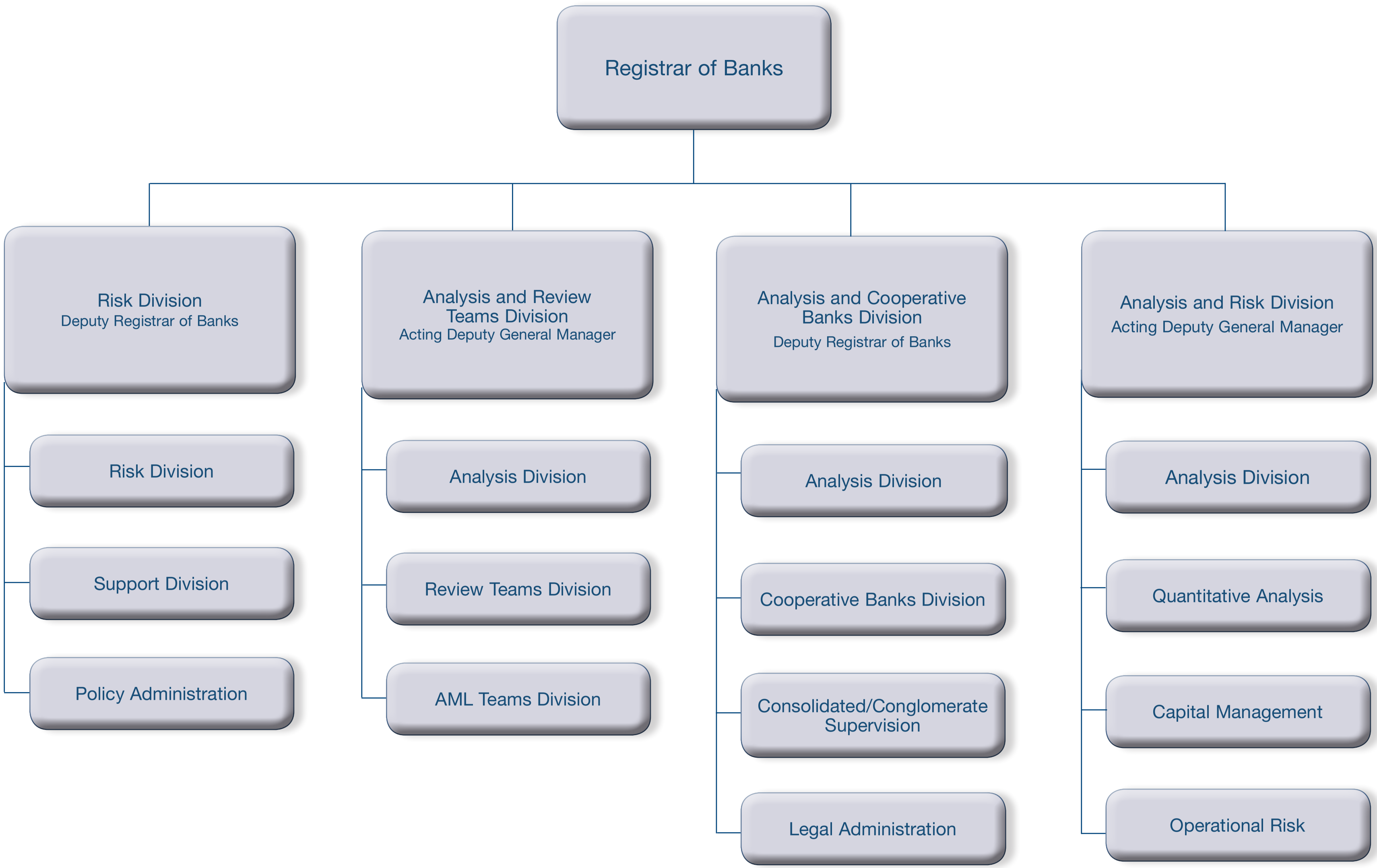
# Appendices

# Appendix 1

## Organisational structure of the Bank Supervision Department



# Appendix 1 (continued)

## Total staff complement, vacancies and employment equity numbers

| | 31 December 2013 | 31 December 2014 |
|---|---|---|
| Total job register (permanent positions) | 171 | 151* |
| Total employed | 159 | 134 |
| Total vacancies | 12 | 16 |
| Employment equity: race (target group – per cent) | | |
| General management | 50 | 45 |
| Other staff | 65 | 70 |
| Employment equity: gender (target group – per cent) | | |
| General management | 41 | 30 |
| Other staff | 68 | 58 |

* Financial Stability Department separated from the Bank Supervision Department

# Appendix 2

## Registered banks, mutual banks and local branches of foreign banks as at 31 December 2014

### Registered banks

| | Institution | Address | Total assets at 31 December 2013 (R millions) | Total assets at 31 December 2014 (R millions) | Annual growth (per cent) |
|---|---|---|---|---|---|
| 1 | Absa Bank Limited | P O Box 7735, Johannesburg, 2000 | 777 881 | 807 118 | 3,76 |
| 2 | African Bank Limited | Private Bag X170, Midrand, 1685 | 69 952 | 51 341 | -26,61 |
| 3 | Albaraka Bank Limited | P O Box 4395, Durban, 4000 | 4 402 | 4 792 | 8,87 |
| 4 | Bidvest Bank Limited | P O Box 185, Johannesburg, 2000 | 4 732 | 4 722 | -0,21 |
| 5 | Capitec Bank Limited | P O Box 12451, Die Boord, Stellenbosch, 7613 | 44 481 | 51 877 | 16,63 |
| 6 | FirstRand Bank Limited | P O Box 650149, Benmore, 2010 | 785 371 | 856 911 | 9,11 |
| 7 | Grindrod Bank Limited | P O Box 3211, Durban, 4000 | 9 365 | 9 280 | -0,91 |
| 8 | Habib Overseas Bank Limited | P O Box 62369, Marshalltown, 2107 | 1 058 | 1 206 | 14,01 |
| 9 | HBZ Bank Limited | P O Box 1536, Wandsbeck, 3631 | 3 566 | 3 848 | 7,92 |
| 10 | Investec Bank Limited | P O Box 785700, Sandton, 2146 | 274 173 | 310 142 | 13,12 |
| 11 | Mercantile Bank Limited | P O Box 782699, Sandton, 2146 | 7 571 | 8 384 | 10,74 |
| 12 | Nedbank Limited | P O Box 1144, Johannesburg, 2000 | 661 945 | 714 408 | 7,93 |
| 13 | Sasfin Bank Limited | P O Box 95104, Grant Park, 2051 | 4 058 | 4 732 | 16,60 |
| 14 | The South African Bank of Athens Limited | P O Box 7781, Johannesburg, 2000 | 2 215 | 2 296 | 3,65 |
| 15 | The Standard Bank of South Africa Limited | P O Box 7725, Johannesburg, 2000 | 979 895 | 1 099 503 | 12,21 |
| 16 | Ubank Limited (formerly known as Teba Bank Limited) | Private Bag X101, Sunninghill, 2157 | 4 366 | 4 250 | -2,66 |

# Appendix 2

## Registered banks, mutual banks and local branches of foreign banks as at 31 December 2014 (continued)

### Registered mutual banks

| | Institution | Address | Total assets at 31 December 2013 (R millions) | Total assets at 31 December 2014 (R millions) | Annual growth (per cent) |
|---|---|---|---|---|---|
| 1 | Finbond Mutual Bank | P O Box 2127, Brooklyn Square, 0075 | 1 135 | 1 422 | 25,31 |
| 2 | GBS Mutual Bank | P O Box 114, Grahamstown, 6140 | 983 | 1 041 | 5,81 |
| 3 | VBS Mutual Bank | P O Box 3618, Makhado, 0920 | 323 | 362 | 12,03 |

### Registered local branches of foreign banks

| | Institution | Address | Total assets at 31 December 2013 (R millions) | Total assets at 31 December 2014 (R millions) | Annual growth (per cent) |
|---|---|---|---|---|---|
| 1 | Bank of Baroda | Premises No.14, 2nd floor, Sandton City Twin Towers, (East Wing), Sandton, 2196 | 1 619 | 2 053 | 26,79 |
| 2 | Bank of China Limited Johannesburg Branch (trading as Bank of China Johannesburg Branch) | P O Box 782616, Sandton, 2146 | 14 513 | 22 417 | 54,46 |
| 3 | Bank of India | P O Box 653589, Benmore, 2010 | 291 | 347 | 19,08 |
| 4 | Bank of Taiwan South Africa Branch | P O Box 1999, Parklands, 2121 | 1 423 | 1 420 | -0,20 |
| 5 | BNP Paribas South Africa | Postnet Suite #457, Private Bag X1, Melrose Arch, 2075 | 467 | 2 817 | 503,27 |
| 6 | Canara Bank | 11th Floor, Sandton City Office Towers, Cnr 5th Street and Rivonia Road, Sandhurst Ext 3, Sandton, 2196 | – | 299 | 100 |
| 7 | China Construction Bank Corporation – Johannesburg Branch | Private Bag X10007, Sandton, 2146 | 18 374 | 26 169 | 42,43 |
| 8 | Citibank NA | P O Box 1800, Saxonwold, 2132 | 40 805 | 48 683 | 19,31 |
| 9 | Deutsche Bank AG | Private Bag X9933, Sandton, 2146 | 20 126 | 17 296 | -14,06 |
| 10 | HSBC Bank plc – Johannesburg Branch | Private Bag X785434, Sandton, 2146 | 30 080 | 41 641 | 38,44 |
| 11 | JPMorgan Chase Bank, NA (Johannesburg Branch) | Private Bag X9936, Sandton, 2146 | 40 814 | 29 657 | -27,34 |
| 12 | Société Générale Johannesburg Branch | P O Box 6872, Johannesburg, 2000 | 6 109 | 11 573 | 89,45 |
| 13 | Standard Chartered Bank (Johannesburg Branch) | P O Box 782080, Sandton, 2146 | 21 551 | 32 239 | 49,60 |
| 14 | State Bank of India | P O Box 2538, Saxonwold, 2132 | 2 457 | 5 006 | 103,77 |

# Appendix 2

## Registered banks, mutual banks and local branches of foreign banks as at 31 December 2014 (continued)

### Banks under curatorship

| Institution | Curator | Date of order |
|---|---|---|
| African Bank Limited | Mr T Winterboer | 10 August 2014 |

### Banks in final liquidation

| Institution | | Liquidator | Date of order |
|---|---|---|---|
| 1 | Islamic Bank Limited | Mr A D Wilkens of Deloitte & Touche | 13 January 1998 |
| 2 | Regal Treasury Private Bank Limited | Mr T A P du Plessis of D&N Trust and Mr J Pema of Sekela Antrust (Pty) Limited | 10 February 2004 |

# Appendix 3

## Name changes and cancellation of registration of banks and branches of foreign banks during the period 1 January 2014 to 31 December 2014

### Name changes

| Previous name | New name | Date of change |
|---|---|---|
| None | | |

### Cancellation of registration

| Institution | Date of order |
|---|---|
| None | |

# Appendix 4

## Registered controlling companies as at 31 December 2014

| Institution | | Address |
|---|---|---|
| 1 | African Bank Investments Limited | P O Box X170, Midrand, 1685 |
| 2 | Barclays Africa Group Limited | P O Box 7735, Johannesburg, 2000 |
| 3 | Bidvest Bank Holdings Limited | P O Box 185, Johannesburg, 2000 |
| 4 | Capitec Bank Holdings Limited | P O Box 12451, Die Boord, Stellenbosch, 7613 |
| 5 | FirstRand Limited | P O Box 650149, Benmore, 2010 |
| 6 | Grindrod Financial Holdings Limited | P O Box 3211, Durban, 4000 |
| 7 | Investec Limited | P O Box 785700, Sandton, 2146 |
| 8 | Mercantile Bank Holdings Limited | P O Box 782699, Sandton, 2146 |
| 9 | Nedbank Group Limited | P O Box 1144, Johannesburg, 2000 |
| 10 | Sasfin Holdings Limited | P O Box 95104, Grant Park, 2051 |
| 11 | Standard Bank Group Limited | P O Box 7725, Johannesburg, 2000 |
| 12 | UBank Group Limited | Private Bag X101, Sunninghill, 2157 |

## The following institutions are deemed to be controlling companies in terms of section 42 of the Banks Act, 1990:

| | | |
|---|---|---|
| 1 | Albaraka Banking Group<br>(in respect of Albaraka Bank Limited) | P O Box 1882, Manama, Kingdom of Bahrain |
| 2 | National Bank of Greece<br>(in respect of The South African Bank of Athens Limited) | 86 Aiolou Street, Athens TT 121, Greece |
| 3 | Pitcairn's Finance<br>(in respect of Habib Overseas Bank Limited) | 121, Avenue de la Faiencerie, L-1511<br>Luxemburg, RCS Luxemburg, B nr 33-106 |

# Appendix 5

## Foreign banks with approved local representative offices

| | Institution | Address |
|---|---|---|
| 1 | AfrAsia Bank Limited | P O Box 55351, Northlands, 2116 |
| 2 | African Banking Corporation Botswana Limited (trading as BancABC Botswana) | P O Box 970, Saxonwold, 2132 |
| 3 | Banco Angolano de Investimentos | P O Box 785553, Sandton, 2146 |
| 4 | Banco BPI, SA | P O Box 303, Bruma, 2026 |
| 5 | Banco Internacional de Credito | 30 Arena Close, H Santos Building, Bruma, 2198 |
| 6 | Banco Nacional De Desenvolvimento Econômica E Social | Illovo Edge, 4th Floor, Building 1, Corner Fricker and Harries Road, Illovo, Sandton, 2196 |
| 7 | Banco Santander Totta SA | P O Box 309, Bruma, 2026 |
| 8 | Banif – Banco Internacional do Funchal, SA | P O Box 16838, Bruma, 2026 |
| 9 | Bank Leumi Le-Israel BM | Private Bag X41, Saxonwold, 2132 |
| 10 | Bank of America, National Association | P O Box 651987, Benmore, 2010 |
| 11 | Bank One Limited | P O Box 25386, Gateway, 4321 |
| 12 | Commerzbank AG Johannesburg | P O Box 860, Parklands, 2121 |
| 13 | Credit Suisse AG | Private Bag X9911, Sandton, 2146 |
| 14 | Ecobank | 1st Floor, No. 1 Protea Place, Corner Fredman Drive, Sandton, 2196 |
| 15 | Export-Import Bank of India | 2nd floor, Sandton City, Twin Towers East Wing, Sandton, 2196 |
| 16 | First Bank of Nigeria | P O Box 784796, Sandton, 2146 |
| 17 | Hellenic Bank Public Company Limited | P O Box 783392, Sandton, 2146 |
| 18 | Icici Bank Limited | P O Box 78261, Sandton, 2146 |
| 19 | Industrial and Commercial Bank of China African Representative Office | P O Box 40, Cape Town, 8000 |
| 20 | KfW Ipex-Bank GmbH | P O Box 2402, Saxonwold, 2132 |
| 21 | Millenium BCP | P O Box 273, Bruma, 2026 |
| 22 | Mizuho Bank Limited | P O Box 785553, Sandton, 2146 |
| 23 | National Bank of Egypt | P O Box 55402, Northlands, 2116 |
| 24 | Notenstein Private Bank Limited | 100 New Church Street, Tamboerskloof, Cape Town, 8001 |
| 25 | Novo Bank | P O Box 749, Bruma, 2026 |
| 26 | Royal Bank of Canada (Suisse) SA | P O Box 3084, Rivonia, 2128 |
| 27 | Société Générale Representative Office for Southern Africa | P O Box 2805, Saxonwold, 2132 |
| 28 | Sumitomo Mitsui Banking Corporation | Building Four, 1st Floor, Commerce Square, 39 Rivonia Road, Sandhurst, Sandton, 2196 |
| 29 | Swedbank AB (Publ) | Private Bag X1, Dainfern, 2055 |
| 30 | The Bank of New York Mellon | PostNet Suite 100, Private Bag X43, Sunninghill, 2157 |
| 31 | The Bank of Tokyo-Mitsubishi UFJ Limited | P O Box 78519, Sandton, 2146 |
| 32 | The Mauritius Commercial Bank Limited | P O Box 3009, Parklands, 2121 |
| 33 | The Representative Office for Southern and Eastern Africa of the Export-Import Bank of China | Postnet Suite 158, Private Bag X91–BE, Benmore, 2010 |

# Appendix 5

## Foreign banks with approved local representative offices (continued)

| Institution | | Address |
|---|---|---|
| 34 | The Royal Bank of Scotland plc | P O Box 78769, Sandton, 2146 |
| 35 | UBS AG | P O Box 652863, Benmore, 2010 |
| 36 | Unicredit Bank AG | P O Box 1483, Parklands, 2121 |
| 37 | Union Bank of Nigeria plc | P O Box 653125, Benmore, 2010 |
| 38 | Vnesheconombank | P O Box 413742, Craighall, 2024 |
| 39 | Wells Fargo Bank, National Association | P O Box 3091, Saxonwold, 2132 |
| 40 | Zenith Bank plc | P O Box 782652, Sandton, 2146 |

## Report on representative offices

### 1. Introduction

The Regulations relating to Representative Offices of Foreign Banking Institutions (RO Regulations), issued under Government Notice No. 1370, in *Government Gazette* No. 22939 dated 13 December 2001, seek to ensure continuous oversight by the Department, of the activities of representative offices of foreign banking institutions operating within the Republic of South Africa.

As at 31 December 2014 there were 40 representative offices (ROs) operating in South Africa, emanating from 20 jurisdictions.

### 2. Change in status of ROs during 2014

#### 2.1 During the year under review the following ROs were deregistered:

i. Bank of Cyprus Group
ii. First City Monument Bank plc
iii. Royal Bank of Scotland International Limited
iv. NATIXIS Southern Africa Representative Office
v. Fairbairn Private Bank (Isle of Man) Limited
vi. Fairbairn Private Bank (Jersey) Limited

#### 2.2 During the year under review the following ROs were registered:

vii. Notenstein Private Bank Limited
viii. Swedbank AB (Publ)
ix. Bank One Limited

#### 2.3 During the year under review the following ROs' names changed:

i. Banco Espirito Santo e commercial de lisboa's changed to Novo Banco

### 3. Supervisory approach

In order to fulfill the Department's responsibilities in terms of the RO Regulations, it follows the following supervisory approach:

- regular interaction with the chief representative officers of the respective ROs;
- on-site visits at the offices of the ROs;
- analysis of returns submitted by the ROs in terms of the RO Regulations and follow-up of any issues identified; and
- analysis of the internal control reports submitted by the ROs on an annual basis in terms of Banks Act Circular 3/2004.

# Appendix 6

## Banks Act Circulars issued in 2014

| | |
|---|---|
| C7/2014 | External auditors of newly acquired or established entities |
| C6/2014 | Interpretation of specified conditions for the issuing of instruments or shares which rank as additional tier 1 capital and tier 2 capital |
| C5/2014 | Disclosure of capital-related information |
| C4/2014 | Interpretation and application of criteria relating to exposures secured by residential mortgage bonds |
| C3/2014 | Interpretation and application of criteria relating to the granularity for retail exposures |
| C2/2014 | Interpretation of definition of default as outlined in regulation 67 of the Regulations relating to Banks |
| C1/2014 | Status of previously issued circulars |

## Banks Act Directives issued in 2014

| | |
|---|---|
| D11/2014 | Liquidity coverage ratio: Scope of application and related disclosure requirements |
| D10/2014 | Transitional arrangements related to capital requirements for over-the-counter derivatives that are not transacted through a central counterparty |
| D9/2014 | Restructured credit exposures |
| D8/2014 | Matters related to compliance with the liquidity coverage ratio (LCR) |
| D7/2014 | National discretion related to the liquidity coverage ratio |
| D6/2014 | Matters related to liquidity risk and the liquidity coverage ratio |
| D5/2014 | Matters related to transfers from retained earnings, appropriated profits and qualifying reserve funds |
| D4/2014 | Matters related to the Basel III leverage ratio framework and disclosure requirements |
| D3/2014 | Process in respect of specific capital issuances and redemptions |
| D2/2014 | Matters related to internal rating systems used to calculate the minimum required capital for credit risk |
| D1/2014 | Matters related to assets lodged or pledged to secure liabilities |

## Banks Act Guidance Notes issued in 2014

| | |
|---|---|
| G8/2014 | Provision of a committed liquidity facility by the South African Reserve Bank |
| G7/2014 | Application process to adopt the advanced measurement approach for measuring banks' operational risk exposure |
| G6/2014 | Application process for approval to adopt the standardised approach or alternative standardised approach for measuring banks' operational risk exposure |
| G5/2014 | Outsourcing functions within banks |
| G4/2014 | Application process in respect of the proposed adoption of the internal ratings-based approach for the measurement of banks' credit risk exposure in respect of positions held in the banking book |
| G3/2014 | Effective risk data aggregation and risk reporting |
| G2/2014 | Meetings to be held during the 2014-calendar year with the boards of directors of banks and controlling companies |
| G1/2014 | Status of previously issued guidance notes |

# Appendix 7

## Exemptions and exclusions from the application of the Banks Act 94 of 1990

### Section 1(1)(cc): Exemptions by the Registrar of Banks with approval of the Minister of Finance

| Exemption Notice | *Government Gazette* | Expiry |
|---|---|---|
| Mining Houses | No. 16167 of 14 December 1994 | Indefinite |
| Trade in Securities and Financial Instruments | No. 16167 of 14 December 1994 | Indefinite |
| Commercial Paper | No. 16167 of 14 December 1994 | Indefinite |
| Common Bond | No. 37903 of 15 August 2014 | Indefinite |
| Securitisation Schemes | No. 30628 of 1 December 2008 | Indefinite |

### Section 1(1)(dd): Exemptions by the Minister of Finance

| Exemption Notice | *Government Gazette* | Expiry |
|---|---|---|
| Participation Bond Schemes | No. 13003 of 31 January 1991 | Indefinite |
| Unit Trust Schemes | No. 13003 of 31 January 1991 | Indefinite |
| "Ithala Limited" a wholly owned subsidiary of Ithala Development Finance Corporation Limited | No. 37409 of 4 April 2014 | 31 December 2014 |

### Section 1(ff): Exemptions by the Registrar of Banks

| Exemption Notice | *Government Gazette* | Expiry |
|---|---|---|
| Designation of Stockbrokers to pool funds | No. 15976 of 14 September 1994 | Indefinite |

### Section 1(gg): Exemptions by the Registrar of Banks

| Exemption Notice | *Government Gazette* | Expiry |
|---|---|---|
| Designation of JSE Limited members as persons authorised to accept money as mandatories and to deposit such money into banking accounts maintained by them | No. 19283 of 22 September 1998 | Indefinite |

### Section 2(vii): Exclusions by the Minister of Finance

| Exemption Notice | *Government Gazette* | Expiry |
|---|---|---|
| Post Office Savings Bank | No. 13744 of 24 January 1992 | Indefinite |
| Industrial Development Corporation of South Africa | No. 16167 of 14 December 1993 | Indefinite |

### Section 78(1)(d)(iii): Exemptions by the Registrar of Banks

| Notice | *Government Gazette* | Expiry |
|---|---|---|
| Category of assets of a bank that may be held in the name of a person other than the bank concerned | No. 17949 of 2 May 1997 | Indefinite |

# Appendix 8

## Approval of applications in terms of section 52 of the Banks Act 94 of 1990 for local banking groups to acquire or establish foreign interests for the period 1 January 2014 to 31 December 2014

| Name of controlling company | Date of approval | Name of interest (and percentage interest held, if not 100 per cent) | Domicile |
|---|---|---|---|
| Barclays Africa Group Limited | 2014-03-12 | Barclays Life Kenya Limited (66,67 per cent) | Kenya |
| Barclays Africa Group Limited | 2014-03-12 | Barclays Insurance Company Kenya Limited | Kenya |
| Barclays Africa Group Limited | 2014-04-16 | Guinea Fowl Investments Twenty Five (Pty) Limited (66,67 per cent) | Namibia |
| FirstRand Bank Limited | 2014-01-20 | Impresta Management Services (Pty) Limited | Australia |
| FirstRand Limited | 2014-01-20 | KV Products (Pty) Limited (60 per cent) | South Africa |
| FirstRand Limited | 2014-01-30 | Ashburton Equity Hedge Fund GP 1 (Pty) Limited | South Africa |
| FirstRand Limited | 2014-02-26 | Seesa Employee Benefits (Pty) Limited | South Africa |
| FirstRand Limited | 2014-03-14 | Hyphen Technology Namibia (Pty) Limited | Namibia |
| FirstRand Limited | 2014-04-25 | FirstRand Bank Limited Guernsey Branch | Guernsey |
| FirstRand Limited | 2014-07-23 | Tyhee Gold Corp (17,5 per cent) | Canada |
| FirstRand Limited | 2014-08-20 | FirstRand Insurance Holdings (Pty) Limited | South Africa |
| FirstRand Limited | 2014-08-20 | FirstRand Life Assurance Limited | South Africa |
| FirstRand Limited | 2014-11-03 | RMB Nigeria Stockbrokers Limited | Nigeria |
| Investec Limited | 2014-06-04 | Connectivity Architects Limited (35 per cent) | Mauritius |
| Investec Limited | 2014-06-05 | Felsted Investments Group Limited (20 per cent) | British Virgin Islands |
| Investec Limited | 2014-07-01 | Matzopath (Pty) Limited | South Africa |
| Investec Limited | 2014-10-09 | Investec Alternative Investments GP Proprietary Limited | South Africa |
| Investec Limited | 2014-10-30 | Kuvenco 1 Limited (37,4 per cent) | Mauritius |
| Investec plc* | 2014-02-26 | Investec Asset Management Luxembourg SA | Luxembourg |
| Investec plc* | 2014-06-23 | HoldCo | Australia |
| Investec plc* | 2014-06-23 | NewCo | Australia |
| Investec plc* | 2014-06-23 | Robert Smith Group (Automotive) Limited | United Kingdom |
| Investec plc* | 2014-06-23 | Mann Island Finance Limited | United Kingdom |
| Investec plc* | 2014-09-29 | Investec Asset Management Switzerland GmbH | Switzerland |
| Nedbank Group Limited | 2014-05-26 | Erf 7 Sandown (Pty) Limited | South Africa |
| Nedbank Group Limited | 2014-08-20 | Ecobank Transnational Incorporated (20 per cent) | Togo |
| Nedbank Group Limited | 2014-11-03 | National Switch Limited (9 per cent) | Malawi |
| Nedbank Group Limited | 2014-11-13 | Old Mutual US Dollar Money Market Fund | Mauritius |
| Sasfin Holdings Limited | 2014-09-23 | Sasfin HRS Administrators (Pty) Limited (51 per cent) | South Africa |
| Standard Bank Group Limited | 2014-02-13 | National Switch Limited (9,1 per cent) | Malawi |
| Standard Bank Group Limited | 2014-03-07 | Oando Wings Development Limited (37,1 per cent) | Nigeria |
| Standard Bank Group Limited | 2014-03-24 | MTN Mobile Money Holdings (Pty) Limited | South Africa |
| Standard Bank Group Limited | 2014-06-04 | Standard Bank Brazil Representações Ltda | Brazil |
| Standard Bank Group Limited | 2014-06-24 | STANLIB Tanzania Limited | Tanzania |
| Standard Bank Group Limited | 2014-06-27 | Stonehouse Services Company (Pty) Limited | South Africa |
| Standard Bank Group Limited | 2014-09-25 | Standard New York Inc. | United States of America |

# Appendix 8

## Approval of applications in terms of section 52 of the Banks Act 94 of 1990 for local banking groups to acquire or establish foreign interests for the period 1 January 2014 to 31 December 2014 (continued)

| Name of controlling company | Date of approval | Name of interest (and percentage interest held, if not 100 per cent) | Domicile |
|---|---|---|---|
| Standard Bank Group Limited | 2014-09-25 | The Standard Bank of South Africa Limited Dubai Branch | United Arab Emirates |
| Standard Bank Group Limited | 2014-09-25 | Standard Advisory Asia Limited | Hong Kong |
| Standard Bank Group Limited | 2014-09-25 | Standard Advisory London Limited | United Kingdom |
| Standard Bank Group Limited | 2014-11-12 | Stanbic IBTC Insurance Brokers Limited | Nigeria |
| Standard Bank Group Limited | 2014-11-17 | The Standard Bank of South Africa Limited, Hong Kong Representative Office | Hong Kong |
| Standard Bank Group Limited | 2014-12-01 | Liberty Propco (Pty) Limited | South Africa |
| Standard Bank Group Limited | 2014-12-02 | IPS Electronic Payments (Pty) Limited | South Africa |
| Standard Bank Group Limited | 2014-12-15 | Liberty Life Lesotho Limited | Lesotho |

* All expansions undertaken by Investec plc were noted by the Bank Supervision Department in terms of the 2002 conditions of approval applicable to the dually listed company structure

# Appendix 9

## Memorandums of understanding concluded between the Bank Supervision Department of the South African Reserve Bank and foreign supervisors as at 31 December 2014

| | Domicile of foreign regulator (listed alphabetically) | Foreign banking supervisor | Effective from |
|---|---|---|---|
| 1 | Argentina | Superintendencia de Entidades Financieras y Cambiarias (Central Bank of Argentina) | 18 August 2007 |
| 2 | Australia | Australian Prudential Regulation Authority | 4 July 2007 |
| 3 | Brazil | Banco Central Do Brasil | 4 July 2012 |
| 4 | China | China Banking Regulatory Commission | 17 November 2010 |
| 5 | Germany | Bundesanstalt für Finanzdienstleitungsaufsicht | 13 August 2004 |
| 6 | Ghana | Bank of Ghana | 26 October 2011 |
| 7 | Hong Kong | Monetary Authority of Hong Kong | 12 December 2006 |
| 8 | India | Reserve Bank of India | 21 October 2011 |
| 9 | Ireland | Irish Financial Services Regulatory Authority | 21 July 2003 |
| 10 | Isle of Man | Financial Supervision Commission of the Isle of Man | 13 August 2001 |
| 11 | Jersey | Jersey Financial Services Commission | 11 June 2010 |
| 12 | Kenya | Central Bank of Kenya | 1 July 2010 |
| 13 | Lesotho | Central Bank of Lesotho | 27 August 2010 |
| 14 | Mauritius | Bank of Mauritius | 25 January 2005 |
| 15 | Mozambique | Banco de Mozambique | 22 September 2011 |
| 16 | Namibia | Bank Supervision Department of the Bank of Namibia | 27 September 2004 |
| 17 | Netherlands | The Nederlands Bank | 23 March 2010 |
| 18 | Nigeria | Central Bank of Nigeria | 20 March 2008 |
| 19 | Republic of South Sudan | Bank of South Sudan | 14 November 2011 |
| 20 | Swaziland | Central Bank of Swaziland | 18 June 2010 |
| 21 | Taiwan | Financial Supervisory Commission of the Republic of China (Taiwan) | 14 March 2012 |
| 22 | Tanzania | Bank of Tanzania | 15 June 2010 |
| 23 | Uganda | Bank of Uganda | 15 June 2010 |
| 24 | United Arab Emirates | The Dubai Financial Services Authority | 8 August 2009 |
| 25 | United Kingdom* | Financial Services Authority* | 21 July 2006 |

*A letter of intent has been signed between the Bank Supervision Department of the South African Reserve Bank and the Financial Services Authority and Bank of England rendering the terms of the current MoU applicable to the Prudential Regulation Authority and Financial Conduct Authority as may be relevant.

The purpose of a memorandum of understanding (MoU) is to provide a formal basis for bilateral working relationships and cooperation between supervisors, including the sharing of information and investigative assistance.

It should be noted that any MoU entered into by the Department does not modify or supersede any laws or regulatory requirements in force in, or applying to, the Republic of South Africa. Accordingly, an MoU sets forth a statement of intent and does not create any enforceable rights.

Since 2009, the Department's policy has been to allow only the acquisition or establishment of local (inward) and cross-border banking operations in instances where an MoU with the cross-border banking supervisor concerned has been concluded. This decision was underpinned by global initiatives to ensure that cross-border activities do not contribute to enhanced risk, as was evidenced by the global financial market crisis.

# Appendix 9

## Memorandums of understanding concluded between the Bank Supervision Department of the South African Reserve Bank and foreign supervisors as at 31 December 2014 (continued)

MoUs with the following foreign supervisors are in the process of negotiation:

| | Domicile of foreign regulator (listed alphabetically) | Foreign banking supervisor |
|---|---|---|
| 1 | Bahrain | Central Bank of Bahrain |
| 2 | Colombia | Superintendencia Financiera de Colombia |
| 3 | France | French Banking Commission |
| 4 | Greece | The Banking Regulator |
| 5 | Guernsey | Guernsey Financial Services Commission |
| 6 | Malawi | Reserve Bank of Malawi |
| 7 | Japan | Financial Services Agency |
| 8 | Portugal | Banco de Portugal |
| 9 | Singapore | Monetary Authority of Singapore |
| 10 | Turkey | Banking Regulation and Supervisory Agency of Turkey |
| 11 | United Arab Emirates | Banking Supervision and Examination Department of the Central Bank of the United Arab Emirates |
| 12 | United States of America | Federal Reserve Bank of New York |
| 13 | Zambia | Bank of Zambia |

## Africa

The 14 Heads of State or Government of the Southern African Development Community (SADC) have signed a Protocol on Finance and Investment (PFI). The PFI, among other things, includes a section setting out the framework for cooperation and coordination in banking regulatory and supervisory matters. The 14 SADC countries are the Republic of Angola, the Republic of Botswana, the Democratic Republic of Congo, the Kingdom of Lesotho, the Republic of Malawi, the Republic of Mauritius, the Republic of Mozambique, the Republic of Namibia, Republic of Seychelles, the Republic of South Africa, the Kingdom of Swaziland, the United Republic of Tanzania, the Republic of Zambia and the Republic of Zimbabwe.

# Appendix 10

## Summary of key matters communicated by the Basel Committee on Banking Supervision

During 2014 the Basel Committee on Banking Supervision (Basel Committee) issued various documents and further requirements that will, over the next few years, materially impact on the regulation and supervision of banks and banking groups, on matters such as:

- a leverage ratio framework and disclosure requirements;
- guidance for supervisors on market-based indicators of liquidity;
- disclosures related to the liquidity coverage ratio (LCR);
- restricted version of committed liquidity facilities (CLFs);
- risk management guidelines related to anti-money laundering and terrorist financing;
- fundamental elements of banks' capital planning process;
- the standardised approach for measuring counterparty credit risk exposures;
- external audits of banks;
- exposures to central counterparties;
- measuring and controlling large exposures;
- frequently asked questions on the Basel III framework's LCR;
- principles for effective supervisory colleges;
- principles for the sound management of operational risk;
- frequently asked questions on the Basel III leverage ratio framework;
- the net stable funding ratio (NSFR); and
- revisions to the securitisation framework.

### Leverage ratio framework and disclosure requirements

On 12 January 2014 the Basel Committee issued the full text of the Basel III framework's leverage ratio framework and disclosure requirements.[1]

The Basel III framework's leverage ratio is defined as the 'capital measure' (the numerator) divided by the 'exposure measure' (the denominator) and is expressed as a percentage. The capital measure is currently defined as tier 1 capital. The Basel Committee undertook to continue to monitor banks' leverage ratio data on a semi-annual basis in order to assess whether the design and calibration of the leverage ratio is appropriate over a full credit cycle and for different types of business models. It also undertook to continue to collect data to track the impact of using either common equity tier 1 (CET1) or total regulatory capital as the capital measure.

Implementation of the leverage ratio requirements has begun with bank-level reporting to national supervisors of the leverage ratio and its components, and proceeded with public disclosure as from 1 January 2015. The Basel Committee undertook to carefully monitor the impact of these disclosure requirements. The final calibration of the leverage ratio, and any further adjustments to its definition, are expected to be completed by 2017, with a view to migrate to a Pillar 1 (minimum capital requirement) treatment on 1 January 2018.

The Basel Committee also undertook to closely monitor accounting standards and practices to address any differences in national accounting frameworks that are material to the definition and calculation of the leverage ratio.

### Guidance for supervisors on market-based indicators of liquidity, liquidity disclosure and committed liquidity facilities

In January 2013, the Basel Committee's oversight body, the Group of Governors and Heads of Supervision (GHOS), agreed on the final form of the LCR. At that time, the GHOS asked the Basel Committee to undertake some additional work on the use of market-based indicators of liquidity within the regulatory framework, liquidity disclosure and the interaction between the LCR and the provision of central bank liquidity facilities. On 12 January 2014 the Basel Committee accordingly published a package of material that responded to these requests, including a document

1 Available at http://www.bis.org/publ/bcbs270.htm.

titled *Guidance for supervisors on market-based indicators of liquidity*.[2] This document aims to assist supervisors in their evaluation of the liquidity profile of assets held by banks and to help promote greater consistency in high-quality liquid assets (HQLA) classifications across jurisdictions, for the purposes of the Basel III framework's LCR.

The Basel Committee further issued final requirements for banks' LCR-related disclosures[3] to improve the transparency of regulatory liquidity requirements and enhance market discipline. Consistent with the Basel III agreement, national authorities gave effect to these disclosure requirements, and banks are required to comply with them from the date of the first reporting period after 1 January 2015.

With regard to CLFs, the Basel Committee agreed to modify the definition of HQLA within the LCR to provide greater use of CLFs as provided by central banks. The use of CLFs within the LCR has now been limited to those jurisdictions with insufficient HQLA to meet the needs of the banking system. The Basel Committee has agreed that, subject to a range of conditions and limitations, a restricted version of a CLF (an RCLF) may be used by all jurisdictions.[4]

Whether jurisdictions choose to make use of RCLFs is a matter for national discretion. Importantly, central banks are under no obligation to offer such liquidity facilities. Furthermore, the restrictions agreed by the Basel Committee are intended to limit the use of RCLFs in normal times, and therefore maintain the principle that banks should self-insure against liquidity shocks. This emphasises central banks' role as lenders of last resort. These restrictions may, however, be relaxed during times of stress, when HQLA might otherwise be in short supply.

## Risk management guidelines related to anti-money laundering and terrorist financing

On 15 January 2014 the Basel Committee issued a set of guidelines to describe how banks should include the management of risks related to money laundering and financing of terrorism within their overall risk management framework.[5] Prudent management of these risks, together with effective supervisory oversight, is critical in protecting the safety and soundness of banks as well as the integrity of the financial system. Failure to manage these vulnerabilities exposes banks to serious reputational, operational, compliance and other risks.

The guidelines issued by the Basel Committee are consistent with the International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation issued by the Financial Action Task Force (FATF) in 2012 and supplement their goals and objectives. The risk management guidelines include cross-references to FATF standards to help banks comply with national requirements based on those standards.

## Fundamental elements of a bank's capital planning process

An important lesson from the global financial crisis points to the need for banks to improve and strengthen their capital planning processes. Some of the observed weaknesses reflected processes that were not sufficiently comprehensive, appropriately forward-looking or adequately formalised. As a consequence, some banks underestimated the risks inherent in their business strategies and, in turn, misjudged capital needs. To this end, on 23 January 2014 the Basel Committee issued a document titled *A sound capital planning process: fundamental elements*, which sets out sound practices that foster overall improvement in banks' capital planning practices.[6]

## Standardised approach for measuring counterparty credit risk exposures

On 31 March 2014 the Basel Committee published a final standard on the treatment of derivatives-related transactions in its capital adequacy framework.[7]

The standardised approach for measuring counterparty credit risk exposures includes a comprehensive, non-modelled approach for measuring counterparty credit risk associated with over-the-counter (OTC) derivatives, exchange-traded derivatives and long settlement transactions. The new standardised approach for counterparty credit risk (SA-CCR) replaces both the current exposure method (CEM) and the standardised method (SM) in the capital adequacy framework. In addition, the internal models method (IMM) and the shortcut method will be eliminated from the framework once the SA-CCR takes effect, which is scheduled for 1 January 2017.

2 Available at http://www.bis.org/publ/bcbs273.htm.
3 Available at http://www.bis.org/publ/bcbs272.htm.
4 Available at http://www.bis.org/publ/bcbs274.htm.
5 Available at http://www.bis.org/publ/bcbs275.htm.
6 Available at http://www.bis.org/publ/bcbs277.htm.
7 Available at http://www.bis.org/publ/bcbs279.htm.

## External audits of banks

The global financial crisis not only revealed weaknesses in risk management, internal control and governance processes at banks, but also highlighted the need to improve the quality of external audits of banks. Given the central role banks play in contributing to financial stability, and therefore the need for market confidence in the quality of external audits of banks' financial statements, on 31 March 2014 the Basel Committee issued supervisory guidance on external audits of banks.[8] The document enhances and supersedes the previous guidance published by the Basel Committee in 2002 regarding the relationship between banking supervisors and banks' external auditors and in 2008 on external audit quality and banking supervision.

The document sets out supervisory expectations of how:

- audit committees can contribute to audit quality in their oversight of the external audit function;
- external auditors can discharge their responsibilities more effectively;
- an effective relationship between the external auditor and the supervisor can be enhanced, which allows greater mutual understanding about how the respective roles and responsibilities of supervisors and external auditors can lead to regular communication of mutually useful information; and
- regular and effective dialogue between the banking supervisory authorities and relevant audit oversight bodies can enhance the quality of bank audits.

In addition to the guidance, the Basel Committee also published a letter to the International Auditing and Assurance Standards Board (IAASB) on areas where it believes International Standards on Auditing could be enhanced. Serving as an observer on the Basel Committee group that developed the revised guidance, the IAASB provided helpful and meaningful input to this effort.

## Exposures to central counterparties

On 10 April 2014 the Basel Committee published a final standard for calculating regulatory capital for banks' exposures to central counterparties (CCPs).[9] The final standard, will replace the interim capital requirements that were published in July 2012. In developing the final standard the Basel Committee worked in close cooperation with the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO) to simplify the underlying policy framework and to complement relevant initiatives undertaken by other supervisory bodies, including the CPSS-IOSCO principles for financial market infrastructures. The Basel Committee also aimed to support broader policy efforts advanced by the G-20 leaders and the FSB, particularly those relating to central clearing of standardised OTC derivative contracts.

The final standard will take effect on 1 January 2017 and the interim requirements will continue to apply until then. Although retaining many of the interim requirements, the final standard differs from them by:

- including a single approach for calculating capital requirements for a bank's exposure that arises from its contributions to the mutualised default fund of a qualifying CCP (QCCP);
- employing the standardised approach for counterparty credit risk (as opposed to the CEM) to measure the hypothetical capital requirement of a CCP;
- including an explicit cap on the capital charges applicable to a bank's exposures to a QCCP;
- specifying the treatment of multi-level client structures whereby an institution clears its trades through intermediaries linked to a CCP; and
- incorporating responses to frequently asked questions posed to the Basel Committee in the course of its work on the final standard.

## Measuring and controlling large exposures

A robust large exposure framework protects banks from significant losses caused by the sudden default of an individual counterparty or a group of connected counterparties. Accordingly, on 15 April 2014 the Basel Committee published a final standard and supervisory framework for measuring and controlling large exposures, which will take effect on 1 January 2019.[10]

8 Available at http://www.bis.org/publ/bcbs280.htm
9 Available at http://www.bis.org/publ/bcbs282.htm
10 Available at http://www.bis.org/publ/bcbs283.htm.

The large exposure standard includes a general limit applied to the aggregate amount of a bank's exposures to a single counterparty, which is set at 25 per cent of a bank's tier 1 capital. This limit also applies to a bank's exposure to identify groups of connected counterparties, that is, counterparties that are interdependent and likely to fail simultaneously. A tighter limit will apply to exposures between banks that have been designated as global systemically important banks (G-SIBs). This limit has been set at 15 per cent of a bank's tier 1 capital.

The Basel Committee undertook to review by 2016 the appropriateness of setting a large exposure limit for exposures to QCCPs related to clearing activities, which are currently exempted in terms of the standard. The Basel Committee also undertook to review the impact of the large exposures framework on the implementation of monetary policy.

## Frequently asked questions on Basel III's liquidity coverage ratio

On 16 April 2014 the Basel Committee issued frequently asked questions on Basel III's LCR.[11] To promote consistent global implementation of the relevant requirements, the Basel Committee agreed to periodically review frequently asked questions and publish answers along with any technical elaboration of the Basel rules text and interpretative guidance that may be necessary.

## Principles for effective supervisory colleges

Supervisory colleges play an important role in the effective supervision of international banking groups. They can enhance information-sharing among supervisors, help the development of a shared agenda for addressing risks and vulnerabilities, and provide a platform for communicating key supervisory messages among college members. To this end, on 26 June 2014 the Basel Committee issued a final document titled *Principles for effective supervisory colleges*.[12] These principles replace the good practice principles on supervisory colleges, which the Basel Committee published in October 2010, with a commitment to revise them after a period of practical implementation experience.

The principles aim to promote and strengthen the operation of supervisory colleges and have been revised to reflect observations on best practice. The revisions underscore the importance of continuous collaboration and information-sharing outside the formal college meetings. They also incorporate recent supervisory developments, such as the formation of crisis management groups and greater focus on macroprudential considerations. The key changes are as follows:

- Principle 1 now places greater emphasis on ongoing collaboration and information-sharing;
- Principle 2 reinforces the expectation that a balance be struck between core college effectiveness and host involvement;
- Principle 3 includes the expectation that home and host supervisors will put in place appropriate mechanisms and sufficient resources for effective and timely information exchange;
- Principle 6 encourages home and host supervisors to agree on what types of feedback they provide to banks and how;
- Principle 7 differentiates between banks that have crisis management groups, that is, systemically important banks, and those that do not, and provides guidance on possible communication and coordination between the college and the crisis management groups with respect to crisis preparedness; and
- guidelines for the sharing and use of macroprudential information have been incorporated into Principles 1, 2, 3, 5 and 7.

## Principles for the sound management of operational risk

On 6 October 2014 the Basel Committee published a review of the *Principles for the sound management of operational risk*.[13] This paper reviews banks' implementation of the 2011 *Principles for the sound management of operational risk*. The principles embody the lessons from the financial crisis and evolving sound practice in operational risk management.

The principles set out the Basel Committee's expectations for the management of operational risk. All internationally active banks should implement policies, procedures and practices to manage operational risk commensurate with their size, complexity, activities and risk exposure, and seek continuous improvement in these areas as industry practice evolves. In order to enhance operational risk management, the principles provide comprehensive guidance regarding

11 Available at http://www.bis.org/publ/bcbs284.htm.
12 Available at http://www.bis.org/publ/bcbs287.htm.
13 Available at http://www.bis.org/publ/bcbs292.htm.

the qualitative standards that should be observed to achieve more rigorous and comprehensive operational risk management.

## Frequently asked questions on the Basel III leverage ratio framework

On 7 October 2014 the Basel Committee published frequently asked questions on the Basel III leverage ratio framework.[14] To promote consistent global implementation of the relevant requirements, the Basel Committee agreed to periodically review frequently asked questions and publish answers along with any technical elaboration of the standard and any interpretative guidance that may be necessary.

## Net stable funding ratio

On 31 October 2014 the Basel Committee issued the final standard for the NSFR, as endorsed by the Basel Committee's governing body, the GHOS.[15] The NSFR is a significant component of the Basel III reforms. It requires banks to maintain a stable funding profile in relation to their on- and off-balance-sheet activities, thus reducing the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that could increase the risk of its failure and potentially lead to broader systemic stress. The NSFR will become a minimum standard by 1 January 2018.

The Basel Committee is currently developing disclosure standards for the NSFR.

## Revisions to the securitisation framework

The recent global financial crisis highlighted several weaknesses in the Basel II securitisation framework, including mechanistic reliance on external ratings, lack of risk sensitivity, cliff effects and insufficient capital for certain exposures. The Basel Committee has revised the securitisation framework to address these issues. On 11 December 2014 the Basel Committee accordingly issued revisions to the securitisation framework.[16] The revisions aim to address a number of shortcomings in the Basel II securitisation framework and to strengthen the capital standards for securitisation exposures.

The revised framework, which will come into effect on 1 January 2018, forms part of the Basel Committee's broader Basel III agenda to reform regulatory standards for banks in response to the global financial crisis and thus contribute to a more resilient banking sector.

The most significant revisions with respect to the Basel II securitisation framework relate to changes in (i) the hierarchy of approaches, (ii) the risk drivers used in each approach, and (iii) the amount of regulatory capital banks must hold for exposures to securitisations, that is, the framework's calibration.

The revised hierarchy of approaches reduces reliance on external ratings. It also simplifies and limits the number of approaches. At the top of this hierarchy is the IRB approach, followed by the external ratings-based and standardised approaches. Additional risk drivers, notably an explicit adjustment to take account of the maturity of a securitisation's tranche, have been introduced to address weaknesses in the Basel II framework, which resulted in under-capitalisation of certain exposures.

14 Available at http://www.bis.org/publ/Basel Committee293.htm.
15 Available at http://www.bis.org/Basel Committee/publ/d295.htm.
16 Available at http://www.bis.org/Basel Committee/publ/d303.htm.