



Policy and regulatory initiatives

Regulatory resilience is characterised by the capacity to proactively manage change, rather than reacting after it occurs. Within this framework, policy and regulatory initiatives focus on establishing legislative requirements that safeguard the stability and integrity of South Africa's financial system, ensure alignment with international standards, support the development of cross-sectoral regulatory instruments, and enable an effective response to existing and emerging risks. As the environment evolves, the PA continues to implement regulations to enhance sector-wide resilience.

- revised leverage ratio framework;
- revised CVA framework;
- revised market risk framework; and
- output floor.

Strengthening and enhancing prudential regulatory and supervisory frameworks

Banks

Implementation of the Basel III post-crisis reforms

On 1 July 2025, the PA implemented the remaining Basel III post-crisis reforms through the amended Regulations and prudential standards relating to the:

- revised standardised and internal ratings-based⁷ (IRB) approaches for credit risk;
- revised operational risk framework;

Basel III post-crisis reforms

The 2007 GFC is generally regarded as the most severe economic and financial shock that the world has experienced since the Great Depression of the 1930s.

In response to the GFC, G20 leaders agreed to strengthen the international financial regulatory system. In this regard, the BCBS agreed to develop measures to appropriately respond to shortcomings identified in the pre-crisis regulatory framework.⁸ Subsequently, the BCBS published the Basel III framework alongside a suite of amended or newly developed frameworks and requirements, generally referred to as the Basel III post-crisis reforms. The aim of the Basel III post-crisis reforms is to strengthen the regulation, supervision and risk management of banks, and to create a regulatory foundation for a resilient banking system that supports the real economy.

South Africa implemented the Basel III post-crisis reforms to be compliant with international standards. As a member of the BCBS, South Africa committed to the full and consistent implementation of the Basel III framework and related Basel III post-crisis reforms.

The PA framework that regulates and supervises banks and banking groups in South Africa is aligned with the Basel III framework and related Basel III post-crisis reforms published by the BCBS since 2009. All components of the Basel III post-crisis reforms have been implemented apart from the crypto asset standard, which will be implemented in the future. The amended regulatory framework assists the PA in achieving its statutory objectives and discharging its respective functions in line with international best practice.

⁷ Banks may use the standardised and the foundation and IRB approaches for the calculation of the minimum required regulatory capital for credit risk. The standardised approach requires the use of regulatory prescribed risk weights in the calculation. Banks are required to obtain the PA's approval for the adoption of the IRB approaches, with banks on the foundation IRB approach permitted to model the probability of default (PD) and those on the advanced IRB approach permitted to model PD, loss given default, exposure at default and maturity.

⁸ Please see, among others, the Basel Framework and 'Basel III: Finalising post-crisis reforms', available here: <https://www.bis.org/bcbs/basel3.htm>

Commercial Paper Exemption Notice

The Commercial Paper Exemption Notice (CP Exemption Notice) enables corporates to accept money from the general public by issuing short-term debt without falling within the definition of ‘the business of a bank’.⁹ Corporates can access the domestic capital market by issuing commercial paper to raise short-term funding to finance their business and/or operational activities. The evolution of market practices and an increased focus on financial stability requires a review of the exemption notice to further strengthen the resilience and transparency of South Africa’s commercial paper market.

As part of the review, from 2023 to 2025, the PA conducted multiple rounds of stakeholder engagements, published a position paper and conducted an industry survey.

Based on feedback, in March 2026 the PA published the revised draft CP Exemption Notice and launched a final round of public consultation.

Capital requirement and Pillar 3 disclosures

Pillar 3 disclosures aim to encourage market discipline and transparency through a set of requirements that allow market participants to assess key pieces of information on important aspects of banks’ operations. During the reporting period, the PA conducted industry engagements on the Basel III post-crisis reforms to strengthen Pillar 3 disclosures on the D-SIB leverage buffer and the capital treatment of significant insurance investments, and clarified the output floor requirements.

Amendments to the capital requirement and Pillar 3 disclosures:

- revised the Pillar 3 disclosure requirements to align with the latest Basel pronouncements in respect of the disclosure framework;
- implemented the leverage ratio buffer requirements for D-SIBs equalling 50% of higher-loss absorbency requirements imposed on common equity tier 1 (CET1) capital to give effect to Basel III post-crisis reforms, ensuring that the leverage ratio continues to play a credible backstop role to the minimum capital requirements; and
- clarified the regulatory capital treatment of banks’ investment in insurance entities to ensure that banks do not inflate their capital through recognition of post-acquisition reserves arising from their significant investment in insurance.

9 In terms of section 11(1) of the Banks Act 94 of 1990 (Banks Act), no person shall conduct the business of a bank unless such person is a public company and registered as a bank in terms of the Bank Act.

10 Directive 11 of 2025: Prudential treatment of distressed restructured credit exposures. Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-deposit-takers/banks-directives/2025/D11-2025>

11 Directive 12 of 2025: Implementation roadmap for the Basel III post-crisis reforms. Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-deposit-takers/banks-directives/2025/D12-2025>

12 Directive 14 of 2025: Large exposure requirements. Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-deposit-takers/banks-directives/2025/Directive-14-of-2025>

13 A large exposure is a loan that equals or exceeds 10% of a bank’s tier 1 capital.

14 Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-public-awareness/Communication/2026/Prudential-Communication-4-of-2026>

Directive on distressed restructured credit exposures

The PA uses prudential requirements on distressed restructured credit exposures to monitor credit quality. In 2025, the PA issued Directive 11 of 2025,¹⁰ which replaced Directive 7 of 2015. Directive 11 of 2025 requires banks to follow consistent approaches to identifying and classifying distressed restructured credit exposures. Banks are required to apply the Directive 7 of 2015 until 31 December 2026, before transitioning to Directive 11 of 2025.

Directive on the credit risk roadmap

The PA issued Directive 12 of 2025,¹¹ which sets interim reporting requirements and timelines for implementing IRB-related process and model changes. Given to the complexities of the IRB approach, changes require time to implement. Therefore, a phased rollout approach was taken to address the time needed to update the systems and process the changes required to incorporate the revisions into the IRB approach.

Large exposures

The PA issued Directive 14 of 2025¹² to strengthen concentration risk and large exposure governance. Banks were consulted on how best to align the reporting returns of large exposures.¹³ The PA enhanced supervisory oversight by monitoring intraday and same-day settlement exposures.

Prudential standard on requirements for valuers appointed for resolution purposes

The PA implemented Prudential Standard RA04: Requirements for Valuers Appointed for Resolution Purposes in March 2026.¹⁴ The standard sets out the requirements, principles and expectations of valuers appointed by the RA to perform valuations for resolution purposes under the FSR Act. This includes matters relating to independence, competence, governance, methodologies, information access and reporting.

Market infrastructures

Joint standard for exempting an external central counterparty or external trade repository

As part of South Africa's G20 commitments to reform its over-the-counter (OTC) derivative market to reduce vulnerabilities and increase transparency, the PA and the FSCA began the process of developing an appropriate legislative framework. The development of the framework included a new joint standard that came into effect in October 2025 and sets out the criteria for external CCPs and TRs to be exempted from the licensing requirements of the Financial Market Act 19 of 2012.¹⁵ The joint standard is an enabling legal framework that facilitates mandatory central clearing for OTC derivative transactions. This joint standard marks the completion of phase two of South Africa's OTC derivatives central clearing roadmap¹⁶ and aligns to G20 guidelines. In parallel, and to inform phase three, the PA and FSCA are working on eligibility criteria for certain OTC derivatives contracts to be subject to mandatory clearing.

Cross-sector initiatives¹⁷

Sustainable finance and climate-related risk

The PA monitored developments in sustainable finance and climate-related risks to inform the evolution of domestic policy and supervisory frameworks. From an international perspective, this work on climate change included policy discussions, surveys, analytical work and active participation in technical working groups under the FSB, BCBS, NGFS and International Association of Insurance Supervisors (IAIS). The work focused mainly on efforts to strengthen the resilience of regulated institutions and the financial system against climate-related financial risks.

Domestically, the PA has been developing its regulatory and supervisory frameworks to ensure that climate and environmental risks are identified, measured, managed and supervised. In May 2024, the PA published its Climate Roadmap for 2024–2026 and has since updated its guidance on climate-related disclosures to align with the

international disclosure frameworks. The PA also began monitoring implementation of its published guidance notices on climate-related governance, risk management practices and disclosures. In parallel, the PA advanced work to include nature-related and biodiversity risks, as well as the transmission of climate risks through regulated institutions and financial markets.

Cyber risk joint standard

Joint Standard 2 of 2024: Cybersecurity and Cyber Resilience was approved by Parliament and came into effect on 1 June 2025.¹⁸ 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.

Cloud computing and data offshoring joint communication

In July 2025, the PA and FSCA issued Joint Communication 2 of 2025: Cloud Computing and Data Offshoring to guide financial institutions on risk mitigation practices.¹⁹ The communication signals the PA and FSCA's intention to address risks that may arise when financial institutions move their systems and data into the cloud or store data outside South Africa.

Auditor appointments

During 2025, the PA issued regulatory instruments to strengthen the quality of information submitted in line with auditor appointment applications. These include:

- Prudential Communication 6 of 2025²⁰ which introduced an updated sheet 2 of the qualitative reporting template for insurers;
- Prudential Communication 7 of 2025, granting insurers a 14-day extension to submit the revised template; and
- Directive 2 of 2025,²¹ Directive 13 of 2025,²² and Prudential Communication 17 of 2025,²³ which set out the updated information required when applying for PA approval of proposed auditors for mutual banks, banks and insurers respectively.

15 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>

16 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>

17 Certain policy instruments are applicable to more than one financial subsector.

18 Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-public-awareness/Communication/2024/Joint-Communication-2-of-2024-Publication-of-the-Joint-Standard-Cybersecurity-and-cyber-resilience>

19 Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-public-awareness/Communication/2025/Joint-Communication-2-of-2025>

20 Prudential Communication 6 of 2025: Replacement of quantitative reporting template sheet OF2. Available here: https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-public-awareness/Communication/2025/prudential-communication-6-of-2025_replacement-of-quantitative-reporting-template

21 Directive 2 of 2025: Matters related to the capital treatment of significant investments in insurance entities. Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-deposit-takers/banks-directives/2025/D2-2025>

22 Directive 13 of 2025: Directive on the submission of auditor applications for bank. Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-deposit-takers/banks-directives/2025/D13-2025>

23 Prudential Communication 17 of 2025: Submission of auditor applications for insurers. Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-public-awareness/Communication/2025/Prudential-Communication-17-of-2025>

The aim of these updates is to achieve consistent, high-quality submissions aligned with legislative requirements.

Joint survey on artificial intelligence

In November 2025, the PA and the FSCA conducted a joint survey on the use of AI by regulated financial institutions. The survey received more than 2 000 responses across the financial sector. The inaugural *AI in the South African Financial Sector report*²⁴ provided a comprehensive overview of AI adoption, including machine-learning and generative AI. The report identified opportunities to enhance data analytics, operational efficiency and cybersecurity. It also highlighted key risks related to consumer protection, data privacy, bias, reputational exposure and systemic vulnerability. The report noted constraints due to regulatory uncertainty, skills shortages and governance challenges, among others.

AI POLICIES



²⁴ Available here: <https://www.resbank.co.za/content/dam/sarb/publications/prudential-authority/pa-public-awareness/covid-19-response/2025/artificial-intelligence-in-the-south-african-financial-sector/Artificial%20Intelligence%20in%20the%20South%20African%20Financial%20Sector.pdf>.