

## COVER LETTER

The Head: Financial Surveillance Department

South African Reserve Bank

PO Box 3125

Pretoria

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Dear Sir,

**INDEPENDENT [AUDITOR'S/AUDITORS' [- use the plural form when more than one firm is appointed as auditor, for example in joint audit situations. Apply consistently throughout report] REPORT TO THE SOUTH AFRICAN RESERVE BANK (THE "SARB") ON THE MACRO-PRUDENTIAL FOREIGN EXPOSURE LIMIT RETURN OF [NAME OF AUTHORISED DEALER] (THE "AUTHORISED DEALER") IN TERMS OF THE CURRENCY AND EXCHANGES MANUAL FOR AUTHORISED DEALERS (THE "MANUAL")**

Our reports below are made for the purpose of our compliance with the reporting requirements of Section B.2(I)(xiii) of the Manual in relation to the Macro-Prudential Foreign Exposure Limit Return (the "Return") submitted to the SARB by the Authorised Dealer, for the year ended [*insert year-end date*].

### **Directors' responsibility for the Return**

The directors are responsible for ensuring the Authorised Dealer's compliance with the provisions of the Manual, which includes the preparation of the Return in accordance with the provisions set out in the Manual, and for such internal control as the directors determine is necessary to enable the preparation of the Report items that are free from material misstatement, whether due to fraud or error, for the year ended [*insert year-end date*].

### **[Auditor's/Auditors'] responsibility**

Our responsibility is to issue our reports under Section B.2(I)(xiii) of the Manual in respect of the Return submitted to the SARB by the Authorised Dealer which are set out in Report A and Report B attached to this cover letter. Our reports express our review conclusion or limited assurance conclusion on the respective line items of the Return based on review or other assurance engagements, performed in accordance with International Standard on Review Engagements (ISRE) 2410 , *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* (ISRE 2410), and International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information* (ISAE 3000 (Revised)), as applicable.

We completed our audit of the financial statements contained in the statutory financial statements of the Authorised Dealer for the financial year ended [*insert year-end date*], on which we issued an

unmodified opinion [adjust as applicable] on [*insert date auditors' report was signed*]. Our audit of the financial statements was performed in accordance with the International Standards on Auditing.

In forming our review conclusion and limited assurance conclusion contained in the respective Report A and Report B we have, where appropriate, drawn on evidence obtained in the course of our audit of the financial statements and performed such additional year-end procedures we considered necessary to complete our examination of the Return of the Authorised Dealer submitted to the SARB as at the financial year-ended on [*insert year-end date*].

## Conclusions

Our respective review conclusion and limited assurance conclusion are expressed in the individual Report A and Report B attached. We have [*initialled/stamped*] the relevant Return referred to in our reports for identification purposes.

## Basis of preparation of the Return and restriction on use and distribution

The Return was prepared by the directors of the Authorised Dealer on the basis indicated in the Director's responsibility paragraph of the respective Report A and Report B for the purpose of the Authorised Dealer's compliance with the Manual, and reporting thereon to the SARB and the [*Directors, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting*] of the Authorised Dealer. As a result, this Return may not be suitable for another purpose.

Our report is intended solely for the purpose of our compliance with Section B.2(1)(xiii) of the Manual and for no other purpose. It should not be distributed to or used by any other parties other than the SARB and the [*Directors, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting*] of the Authorised Dealer.

Should you wish to discuss the contents of our reports, please contact [*Regulatory Partner/s Name/s and telephone numbers*].

Yours faithfully

[*Auditor's Signature*]

[*Name of individual registered auditor*]

[*Capacity if not a sole practitioner*

*e.g. Director/Partner*]

Registered Auditor

[*Date of auditor's report*]

[*Auditor's address*]

[*Auditor's Signature*]

[*Name of individual registered auditor*]

[*Capacity if not a sole practitioner*

*e.g. Director/Partner*]

Registered Auditor

[*Date of auditor's report*]

[*Auditor's address*]

## **REPORT A: INDEPENDENT [AUDITOR'S/AUDITORS'] REVIEW REPORT ON THE MACRO-PRUDENTIAL FOREIGN EXPOSURE LIMIT RETURN**

### **Independent [auditor's/auditors'] review report on the year-end Macro-Prudential Foreign Exposure Limit Return**

We have reviewed the following lines on the year-end Macro-Prudential Foreign Exposure Limit Return of the Authorised Dealer submitted to the SARB for [*insert month and year*]: lines 1, 2, 2a, 2b, 2c, 2d, 2e, 2f, 2i, 3, 4, 4a, 4b,4c, 5, 6, 7, 7b and 8 (the "Report A line items") for the purpose of complying with Section B.2(l)(xiii) of the Manual.

#### **Directors' responsibility for Report A line items**

The directors are responsible for ensuring the Authorised Dealer's preparation of Report A line items in accordance with the provisions set out in the Manual, and for such internal control as the directors determine is necessary to enable the preparation of the Report A line items that are free from material misstatement, whether due to fraud or error.

#### **[Auditor's/Auditors'] responsibility for Report A line items**

Our responsibility is to report on the Report A line items in accordance with Section B.2(l)(xiii) of the Manual and to express a conclusion on those line items based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* (ISRE 2410), which applies to a review of historical financial information performed by the independent auditor of the entity.

ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the Report A line items are not prepared, in all material respects, in accordance with the provisions specified in the Manual. This Standard also requires us to comply with relevant ethical requirements.

A review of the Report A line items in accordance with ISRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluating the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the Report A line items.

**Conclusion [adjust as appropriate]**

Based on our review, nothing has come to our attention that causes us to believe that the information contained in the Report A line items of the Authorised Dealer as at [*insert year-end date*] is not prepared, in all material respects, in accordance with the provisions specified in the Manual.

**Basis of preparation of the Report A line items and restriction on use and distribution**

Without modifying our conclusion, we emphasise that the Report A line items of the Authorised Dealer were prepared for the purpose of reporting to the SARB and the [*Directors, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting*] of the Authorised Dealer. As a result, the Report A line items may not be suitable for another purpose.

Our report is intended solely for the purpose of our compliance with Section B.2(1)(xiii) of the Manual and for no other purpose. It should not be distributed to or used by any parties other than the SARB and the [*Directors, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting*] of the Authorised Dealer.

## **REPORT B: INDEPENDENT [AUDITOR'S/AUDITORS'] LIMITED ASSURANCE REPORT ON THE MACRO-PRUDENTIAL FOREIGN EXPOSURE LIMIT RETURN**

### **Independent [auditor's/auditors'] limited assurance report on the year-end Macro-Prudential Foreign Exposure Limit Return**

We have undertaken a limited assurance engagement on the following information contained in the year-end Macro-Prudential Foreign Exposure Limit Return of the Authorised Dealer, submitted to the SARB for [*insert month and year*]: Lines 2g, 2h, 7a, 9, 10, 11, 12, 13, 14 and 15 (the "Report B line items"), for the purpose of complying with Section B.2(I)(xiii) of the Manual.

#### **Directors' responsibility for the Report B line items**

The directors are responsible for ensuring the Authorised Dealer's compliance with the provisions of the Manual, which includes the preparation of the Report B line items in accordance with the provisions set out in the Manual, and for such internal control as the directors determine is necessary to enable the preparation of the Report B line items that are free from material misstatement, whether due to fraud or error.

#### **Our independence and quality control**

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors* (IRBA Code) issued by the Independent Regulatory Board for Auditors, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

The [firm applies/firms apply] International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and, accordingly, [maintains/maintain] a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### **[Auditor's/Auditors'] responsibility for Report B line items**

Our responsibility is to report on the Report B line items in accordance with Section B.2(I)(xiii) of the Manual and to express a limited assurance conclusion on those lines based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information* (ISAE 3000 (Revised)). That standard requires that we plan and perform our engagement to obtain limited assurance about whether anything has come to our attention that would cause us to believe that the information contained in the Report B line items is not prepared, in all material respects, in accordance with the provisions specified in the Manual.

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves assessing the suitability in the circumstances of the Authorised Dealer's use of the provisions set out in the Manual as the basis for the preparation of the Report B line items, assessing the risks of material misstatement of the Report B line items whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Report B line items. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

### **Summary of work performed [adjust as appropriate]**

Our work performed included:

- Making inquiries primarily of persons responsible for financial and accounting matters, risk management and the Return and applying analytical procedures;
- Inspecting evidence to support the completeness and accuracy of information extracted from the management and other information systems of the authorised dealer to the Return; and
- Re-performing calculations of information reflected in the relevant lines of the Return, and extracted from the relevant product information systems, and where the information differed from the accounting policies applied in the management accounts and statutory financial statements, ascertaining that the amounts reflected in the above Return had been classified or calculated on the basis required by the Manual.
- (...)

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion on whether the information contained in the Report B line items has been prepared, in all material respects, in accordance with the provisions specified in the Manual.

### **Limited assurance conclusion [adjust as appropriate]**

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the information contained in the Report B line items of the Authorised Dealer, as at *[insert year-end date]* is not prepared, in all material respects, in accordance with the provisions specified in the Manual.

### **Basis of preparation of the Report B line items and restriction on use and distribution**

Without modifying our conclusion, we emphasise that the Report B line items of the Authorised Dealer, were prepared for the purpose of reporting to the SARB and the [*Directors, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting*] of the Authorised Dealer. As a result, the Report B line items may not be suitable for another purpose.

Our report is intended solely for the purpose of our compliance with Section B.2(I)(xiii) of the Manual and for no other purpose. It should not be distributed to or used by any parties other than the SARB and the [*Directors, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting*] of the Authorised Dealer.