South African Reserve Bank
Prudential Authority

PRUDENTIAL AUTHORITY REGULATORY STRATEGY 2025–2030

Promoting and enhancing the **safety, soundness and integrity** of regulated financial institutions

South African Reserve Bank

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REGULATORY STRATEGY

2025–2030

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Executive summary

The Prudential Authority (PA) is required to adopt a regulatory strategy that provides overarching guidance to the PA on achieving its objectives and executing its regulatory and supervisory functions. Additionally, the regulatory strategy outlines the PA's regulatory and supervisory priorities for the next five years, specifies the intended key outcomes of the strategy, and establishes the guiding principles for the performance of the PA's regulatory and supervisory functions.[1]

The PA has outlined a comprehensive regulatory strategy to enhance the safety and soundness of South Africa's financial sector through six priorities as well as supporting initiatives and frameworks.

The PA, through its first priority, will focus on strengthening and enhancing the regulation and supervision of deposit-taking institutions. This priority aims to assist in maintaining the stability and integrity of the financial system by implementing several key initiatives and projects to achieve specific key outcomes. One of the primary goals is the full implementation of the Basel III post-crisis reform regulatory instruments, which will embed more effective regulatory and supervisory practices for registered commercial banks. Additionally, the regulatory and supervisory framework for mutual banks will be revised and implemented to foster sound governance and risk management practices within these financial institutions. The priority also includes the implementation of a comprehensive and updated regulatory and supervisory framework for co-operative banks and co-operative financial institutions, which will seek to enhance their operational efficiency and financial soundness. Furthermore, the existing Regulations relating to Banks will be converted to Prudential Standards, ensuring that the regulatory framework remains agile, relevant and effective in addressing the ever-evolving challenges of the financial sector.

The PA's second priority is to implement and enhance the financial conglomerate regulatory and supervisory framework. This involves the implementation of a capital framework for financial conglomerates, ensuring that they have adequate capital to absorb potential losses. Additionally, financial conglomerates will be required to provide accurate and reliable information to the PA, as per 'Prudential Standard FC06 – Auditing requirements for financial conglomerates'. A revised and comprehensive financial conglomerate supervisory framework will also be developed to ensure more effective oversight and regulation of these complex entities.

Strengthening and enhancing the prudential regulation and supervision of market infrastructures (MIs) is the focus of the third priority. This includes the revision of the Financial Markets Act 19 of 2012 to ensure that it remains relevant and effective in addressing the challenges of the modern financial landscape. Additionally, more effective regulatory and supervisory frameworks for MIs will be developed in collaboration with the Financial Sector Conduct Authority (FSCA), ensuring that these critical components of the financial system operate smoothly and securely.

The fourth priority of the PA is to strengthen and enhance the regulatory and supervisory frameworks for insurers and insurance groups. Since the Insurance Act 18 of 2017 came into effect in 2018, it is an opportune time to review the current regulatory framework and develop an updated, comprehensive and proportionate regulatory and supervisory framework for insurers based on international best practice. This will ensure that insurers operate within a sound and secure environment, providing protection to policyholders and maintaining the stability of the insurance sector.

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1 Refer to section 47 of the FSR Act.

Enhancing the supervision of anti-money laundering/combating the financing of terrorism/counter-proliferation financing (AML/CFT/CPF) forms the basis of the fifth priority of the PA. This involves embedding regulatory and supervisory practices and frameworks on beneficial ownership, ensuring that the natural persons who have the ability to influence and/or control financial institutions are 'fit and proper' and can be identified and verified by financial institutions. Reporting requirements on financial institutions regarding beneficial owners will be introduced. Additionally, a more effective risk-based supervisory approach will be developed, aligned with the methodology of the Financial Action Task Force, to ensure that AML/CFT/CPF measures are implemented effectively and efficiently.

The PA's sixth priority is to develop and implement approaches to the prudential regulation and supervision of retirement funds, collective investment schemes (CISs), friendly societies and medical schemes. This includes embedding a prudential regulatory and supervisory approach for retirement funds and CISs, ensuring that these entities are adequately regulated and supervised by the PA. Additionally, an appropriate regulatory and supervisory framework for friendly societies and medical schemes will be developed to ensure their effective oversight and regulation.

In addition to the six priorities listed above, the PA's risk management framework addresses various risks related to its strategy, supervisory mandate, culture, operations, reputation and finances. To manage these risks more effectively, the Risk Appetite Statement of the PA, which is crucial for fostering a robust risk culture within the organisation, will be enhanced.

The PA recognises the critical role of the financial sector in the country's economy and emphasises the importance of transformation, financial inclusion and competition. The PA and the Cross-Departmental Research Committee of the South African Reserve Bank will embark on further research on competition in the financial sector as well as the role of the PA in supporting competition.

The PA has elevated the need to respond to the two 'mega trends' of climate risk and financial technology, which continue to have a significant impact within the financial sector. As such, the PA will enhance its regulatory and supervisory frameworks in response to the regulated financial institutions' impact and exposures to crypto-assets, artificial intelligence and open finance.

The PA remains committed to addressing climate-related risks and promoting sustainable finance through the Prudential Authority Climate Task Team (PACTT). Over the past five years, the PACTT has developed supervisory guidelines, conducted surveys and collaborated with external parties to enhance the PA's approach to climate-related risks. The PA plans to further refine its supervisory framework and develop climate-related metrics and indicators to monitor these risks.

The PA's Target Operating Model aims to transform the organisation into an information-led entity, enhancing its data management capabilities. The implementation of the supervisory technology solution, Umoja, is a key component of this transformation.

Collaboration and co-operation with various stakeholders remains fundamental within the PA's approach. The PA works closely with the FSCA, National Treasury, international regulators and international standard-setting bodies to enhance regulatory frameworks, share information and identify emerging risks. These collaborations aim to create a safer and more stable financial system in South Africa.

The PA's funding model is based on levies collected from supervised entities, with ongoing efforts to review and refine the model to ensure adequate funding for its operations and independence.

These strategic initiatives and regulatory frameworks of the PA are designed to promote a safer and more sound financial sector in South Africa.


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Foreword by the Chief Executive Officer

In an era characterised by unprecedented global challenges, the role of regulatory bodies in the financial sector has never been more critical. As the Chief Executive Officer of the Prudential Authority (PA), it is with a profound sense of duty and anticipation that I present this comprehensive document outlining the PA's regulatory strategy and supervisory priorities for the forthcoming years.

The PA operates under the auspices of the South African Reserve Bank (SARB), embodying the prudential peak of the Twin Peaks Model of financial sector regulation in South Africa. Since its inception in April 2018, the PA has been steadfast in its mission to promote and enhance the safety and soundness of authorised financial institutions, including deposit takers, insurers, insurance groups and designated financial conglomerates. This commitment is further underscored by our mandate to supervise market infrastructures such as central counterparties, central securities depositories, clearing houses, trade repositories and exchanges.

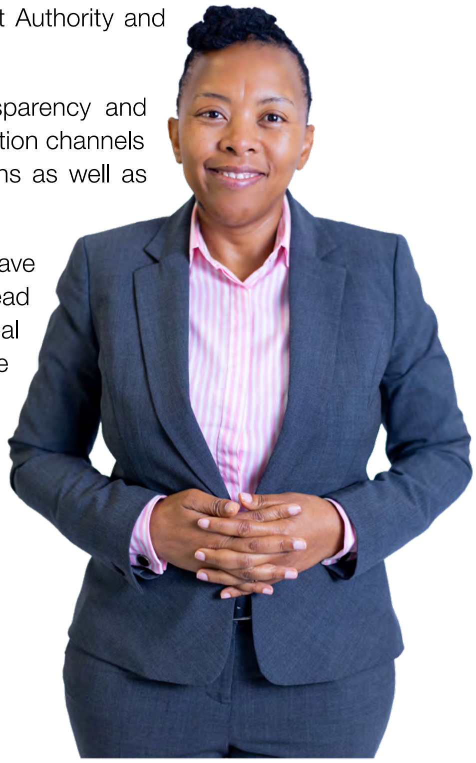
Our Regulatory Strategy 2025–2030 has been meticulously crafted to align with the objectives of the Financial Sector Regulation Act 9 of 2017 and the broader SARB strategy for 2025–2030 by addressing immediate-, medium- and long-term priorities. This strategy reflects not only our adaptive response to the ever-evolving financial landscape, but also our proactive stance in mitigating risks that could compromise the safety and soundness of the financial institutions we regulate.

The global financial ecosystem is increasingly interlinked, and with this interconnectedness comes a spectrum of risks – from cyber-risks and technological disruptions to economic volatilities and climate change risks. These challenges necessitate robust, resilient and dynamic regulatory and supervisory frameworks. To tackle these challenges effectively, the PA has adopted several key strategies, including investing in advanced technologies to enhance our supervisory capabilities, which will enable us to detect and respond to potential threats more swiftly.

The PA's approach also emphasises collaboration with regional and international bodies, industry consultation as well as public awareness to ensure a comprehensive and inclusive regulatory environment. We continue to strengthen our partnerships with global regulatory authorities and international standard-setting bodies to share knowledge and best practice, ensuring that we remain at the forefront of regulatory and supervisory innovation. As we advance, the PA will continue to work in concert with the SARB, the Financial Sector Conduct Authority and other regulators to uphold the integrity of our financial system.

Furthermore, the PA remains committed to fostering a culture of transparency and accountability within the financial sector. We are enhancing our communication channels to provide clearer regulatory guidance to the regulated financial institutions as well as improved engagement mechanisms for our broader stakeholders.

In closing, I extend my gratitude to all the stakeholders and partners who have played an instrumental role in our journey thus far. Together, we forge ahead with a commitment to excellence, resilience and innovation in the face of global risks, steadfast in our mission to ensure a more stable and more secure financial sector for South Africa.



Fundi Tshazibana

Chief Executive Officer
Prudential Authority

1. Introduction

The Prudential Authority (PA) is required to publish a regulatory strategy which sets out the regulatory and supervisory priorities and outcomes for three years. The inaugural PA Regulatory Strategy 2018–2021 was published in October 2018, and the second version, for the period 2021–2024, was published in October 2021.

By virtue of falling within the administration of the South African Reserve Bank (SARB), the PA also falls within the SARB's strategy formulation, execution and reporting processes. To align the PA's new regulatory strategy with the SARB's 2025–2030 strategy, the Prudential Committee (PruCo) decided that the PA's regulatory strategy for 2021–2024 be extended to end in 2025.

This PA regulatory strategy details the progress made by the PA in giving effect to the regulatory and supervisory priorities for the years 2021–2025 as well as the focus and approach of the PA for the next five years (i.e. 2025–2030).

2. The mandate of the PA

Established in April 2018, the PA is the financial sector regulator that is responsible for regulating and supervising, in terms of financial sector laws, financial institutions that provide financial products and securities services as well as market infrastructures (MIs) in South Africa. Representing the prudential peak of the Twin Peaks Model of financial sector regulation in South Africa, the PA operates alongside the Financial Sector Conduct Authority (FSCA), which was also established in April 2018, to form the conduct peak. Together, the PA and the FSCA assist the SARB in maintaining financial stability.[2]

The PA was established to promote and enhance the safety and soundness of authorised financial institutions, including deposit-taking institutions, insurers, insurance groups and designated financial conglomerates. Upon the termination of the transitional period as provided for in section 291 and 292 of the Financial Sector Regulation Act 9 of 2017 (FSR Act), the PA will become responsible for promoting and enhancing the safety and soundness of retirement funds, collective investment schemes (CISs), friendly societies and medical schemes. Additionally, it supervises MIs such as central counterparties (CCPs), central securities depositories (CSDs), clearing houses, trade repositories (TRs) and exchanges. The PA is tasked with protecting the customers of these financial institutions from the risks associated with institutions failing to meet their obligations.

Co-operation between the PA, the FSCA, the SARB and other regulators is essential for the success of the Twin Peaks Model.

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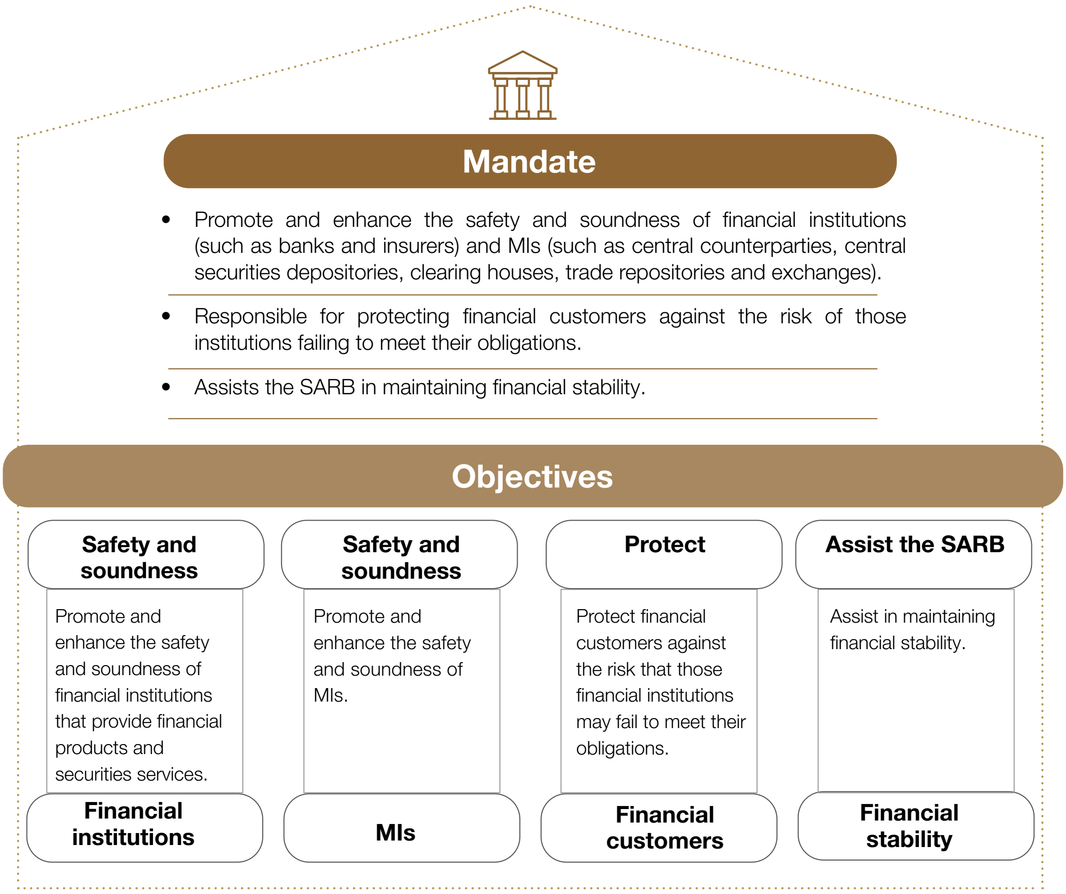
2 In terms of the FSR Act, the SARB is responsible for:

a. protecting and enhancing financial stability; and

b. if a systemic event has occurred or is imminent, restoring or maintaining financial stability.

Figure 1: The mandate and objectives of the Prudential Authority



The governance structures, allocation of resources, financial management and reporting obligations applicable to the PA are prescribed by the FSR Act.

The overall governance of the PA is entrusted to the PruCo. This Committee comprises the Governor of the SARB as Chairperson, Chief Executive Officer (CEO) of the PA (who is also a Deputy Governor of the SARB) and two other Deputy Governors of the SARB. The Governor has the discretion to invite individuals, such as senior SARB staff members, to attend PruCo meetings. Additionally, the four heads of department (HoDs) of the PA as well as the Head of the SARB's Financial Stability Department are standing invitees to PruCo meetings.

The daily management and administration of the PA falls under the responsibility of the CEO. The CEO of the PA must be a Deputy Governor of the SARB and is appointed by the Governor, with concurrence of the Minister of Finance. The appointment is for a term of up to five years, which may be renewed once for an additional period of up to five years.

Figure 2: The current structure and responsibilities of the Prudential Committee

Chairperson

E L (Lesetja) Kganyago
Governor

Members

N (Nomfundo) Tshazibana
Deputy Governor and
CEO of the PA

R (Rashad) Cassim
Deputy Governor

M (Mampho) Modise
Deputy Governor

Responsibilities

The Prudential Committee (PruCo) of the Prudential Authority (PA):

- provides oversight on the management and administration of the PA to ensure that it is effective and efficient;
- oversees the implementation of key matters assigned to the PA by various laws pertaining to financial regulators;
- authorises the CEO of the PA to sign memorandums of understanding (MoUs) with international regulators;
- makes prudential and joint standards as well as other regulatory instruments in terms of various laws pertaining to the financial sector; and
- approves the PA's Annual Report for tabling at the National Assembly.

3. The operations of the PA

The PA comprises four departments, all of which report to the CEO of the PA. The CEO and the four HoDs comprise the PA's Management Committee (Manco) that is responsible for general operations and management regarding prudential policy, regulatory and supervisory matters as well as information technology (IT) and human resources (HR) management. In addition, the PA Manco provides advisory, technical and administrative support to PruCo.

Figure 3: The current structure of senior management of the Prudential Authority[3]

N (Nomfundo) Tshazibana
Deputy Governor and
CEO of the PA

The PA Management Committee (Manco) is responsible for the general operations and management regarding prudential policy, regulatory and supervisory matters, information technology (IT) and human resources (HR) management. It also provides advisory, technical and administrative support to the Prudential Committee (PruCo).

D (Denzel) Bostander
Head of Department

Financial Conglomerate Supervision Department This department is responsible for the consolidated prudential supervision of larger, more diverse and more complex financial groups, including institutions designated as financial conglomerates. It is also responsible for supervision relating to anti-money laundering, combating the financing of terrorism and counter-proliferation financing (AML/CFT/CPF).

O (Olaotse) Matshane
Head of Department

Policy, Statistics and Industry Support Department This department oversees policy formulation and the implementation of regulatory and supervisory frameworks. It also provides operational support, industry analysis and technical support on capital and accounting requirements, as well as support on legal administration and enforcement responsibilities.

K (Kerwin) Martin
Head of Department

Banking and Insurance Supervision Department This department is responsible for the prudential supervision of smaller- to medium-sized banks, insurance companies and co-operative financial institutions (CFIs) as well as securities and derivative market infrastructures (MIs), on a solo or consolidated basis.

F (Faizel) Jeena
Head of Department

Risk Support Department This department provides regulatory and supervisory support on credit, operational, market, insurance as well as asset and liability management risk, but also support on quantitative and actuarial analysis and financial institution statistics.

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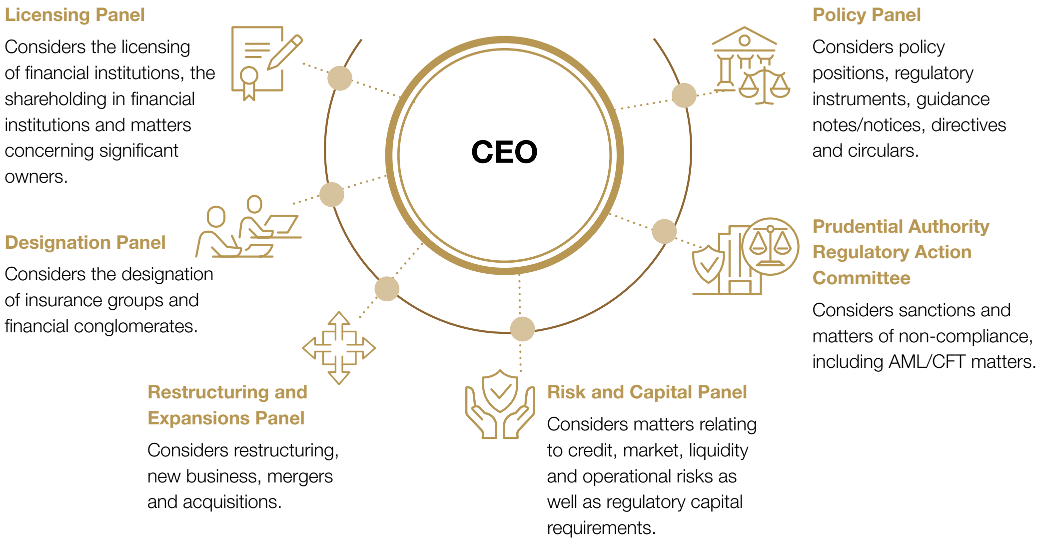
3 The expansion of the PA's regulatory scope has necessitated a review of its organisational design. The updated PA organisational structure will be published in the PA's 2026/27 Annual Report.

3.1 The PA team

The PA team is made up of SARB employees who are seconded to the PA. The team's work ethic is centred around the values of respect and trust, open communication, integrity, accountability and excellence. Staff consistently engage with these values to cultivate a culture that promotes appropriate behaviour.

Since its establishment in 2018, the PA has implemented operational and governance structures to ensure effective decision-making and accountability. To ensure consistency and accountability in decision-making, the PA has established several panels and committees that serve as advisory bodies to the CEO of the PA.

Figure 4: Panels and committees within the Prudential Authority



3.2 Accountability of the PA

As a result of the PA being established as a juristic person operating within the administration of the SARB, the governance systems and processes adopted by the PA are aligned with those of the SARB, where relevant. The PA is audited by the SARB's Internal Audit Department and falls under the jurisdiction of the SARB's Risk Management and Compliance Department. Additionally, the PA is also subject to the oversight of the SARB's Audit Committee and Risk Management Committee.

Section 239 of the FSR Act requires the PA to prepare and adopt, for each financial year, a budget that includes an estimate of its expenditure as well as projected estimates of its expenditure for the next two financial years. The PA must publish this budget and consider any submissions made in respect of the budget as well as the fees and levies proposals which it receives. The budget is submitted to the Minister of Finance and tabled in Parliament for a period of 30 days.

The PA prepares an Annual Report[4] on its activities that is submitted to the Minister of Finance for tabling in the National Assembly. The financial accounts for each financial year, which are prepared by the PA, form part of the Annual Report of the SARB. The SARB's Annual Report[5], which incorporates the SARB's financial statements, is also tabled in Parliament, in terms of the South African Reserve Bank Act 90 of 1989, as amended (SARB Act).

In fulfilling its mandate, the PA must ensure that it exercises its powers and performs its duties in a reasonable and justifiable manner. Any administrative actions taken by the PA must comply with the requirements of the Promotion of Administrative Justice Act 3 of 2000.

4 The PA's Annual Report 2024/25 is available at https://www.resbank.co.za/content/dam/sarb/publications/reports/pa-annual-reports/2025/Prudential%20Authority%20Annual%20Report%202024.2025.pdf.

5 The SARB's Annual Report 2024/25 is available at https://www.resbank.co.za/en/home/publications/publication-detail-pages/reports/annual-reports/2025/sarb-2024-25.

A person[6] that feels aggrieved by a decision[7] made by the PA may apply to the Financial Services Tribunal for reconsideration of the decision. The Financial Services Tribunal has been established in terms of the FSR Act.

3.3 How the PA performs its regulatory and supervisory tasks

The two fundamental aspects of the PA's approach are:

- the regulatory framework, which sets out the rules and requirements imposed on financial institutions and MIs, covering licensing, ongoing supervision, enforcement and resolution; and
- the supervisory framework, which outlines how the PA supervises compliance with the prudential requirements and any other relevant requirements on financial institutions and MIs.

3.3.1 The PA's approach to regulation

The PA is empowered by the FSR Act to issue prudential standards, guidance notices and interpretation notices to give effect to the regulatory frameworks applicable to financial institutions. The PA is also empowered to issue joint standards together with the FSCA.

In terms of the regulatory instrument-making process, the PA considers:

- any regulatory gaps identified in the existing regulatory frameworks;
- the need for guidance and interpretation rulings on the existing regulatory frameworks; and
- the development of internationally accepted standards and best practice[8] that South Africa, through various forums, has committed to incorporate into the regulatory frameworks.

The FSR Act sets out a process for making regulatory instruments in a transparent and accountable manner which is aimed at ensuring that there is adequate stakeholder engagement and that the expected impact of the proposed regulatory instruments is balanced against the costs and any other unintended consequences for the financial sector and financial customers.

While the outcome of financial sector regulation has the obvious benefits of increasing consumer confidence and enhancing the safety and soundness of the regulated sector and the broader economy, incorporating the regulatory impact in the process of making regulatory instruments allows for the careful balancing of additional compliance burdens and costs that are passed on to financial customers.

As part of the aforementioned processes, the PA values engagement with all the regulated entities and other relevant persons/entities on the respective regulatory instruments to gather the necessary quantitative and qualitative information that the PA requires to determine or assess the potential impact of the proposed instruments.

The FSR Act also requires that the PA consults[9] on the standards being issued, and a consultation report must be issued when standards are finalised.

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6 A 'person' is defined in section 1 of the FSR Act; it means a natural or a juristic person, and includes an organ of state.

7 A 'decision' is defined in section 218 of the FSR Act.

8 The PA plays an active role in international standard-setting bodies with a view to influence the formulation of appropriate prudential and other standards that contribute to the achievement of its mandate.

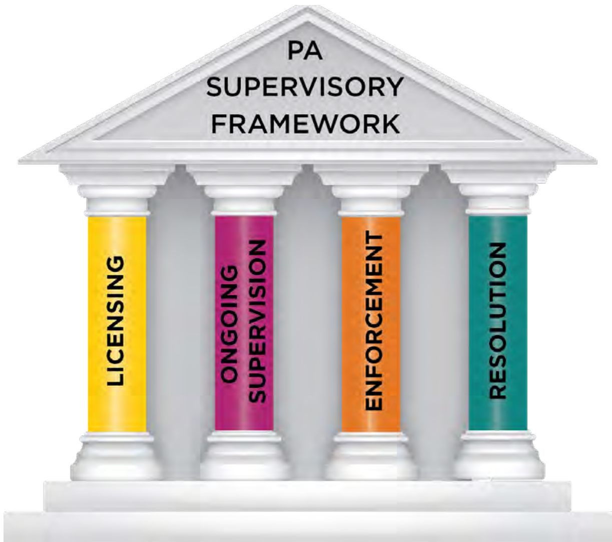
9 The PA follows the prescribed public consultation process, which includes submitting its draft regulatory instruments to Parliament before implementation. The consultation process for making regulatory instruments involves: publishing a draft instrument; publishing a statement explaining the need for, and the intended operation of, the instrument; publishing a statement on the expected impact of the instrument; and publishing a notice inviting submissions on the draft instrument, together with details pertaining to the form of the submissions. The period for making submissions must be at least six weeks from the date of publication for public consultation. The PA is required to publish a consultation report for each regulatory instrument, which must include a general account of the issues raised in the submissions and a response to the issues.

3.3.2 The PA's approach to supervision

Section 34(4)(a) of the FSR Act requires the PA to follow a risk-based, forward-looking (pre-emptive), outcomes-focused and integrated approach to supervision.

The supervisory approach is embedded within the PA's prudential supervisory framework, which is based on four pillars derived from a typical life cycle of a financial institution: from when it is licensed, to whether a regulator would need to resolve the entity if it were unable to sustain itself ('from cradle to grave').

Figure 5: The pillars of prudential supervision



Licensing: The licensing function aims to ensure that no person carries out certain business activities (as defined by various pieces of legislation and which constitute a PA-regulated activity) without being registered by the PA to conduct those activities in general or on specific conditions. Licensing serves as a critical gatekeeping function that is central to maintaining a safe, stable and trustworthy financial system.

Ongoing supervision: All licensed financial institutions are subjected to ongoing supervision where the PA ensures compliance with prudential requirements as set out in the relevant pieces of legislation and underlying regulatory instruments.

Enforcement: The PA is empowered to enforce specific interventions and remedial enforcement actions in instances where it has identified serious prudential concerns that could pose a threat to the safety and/or soundness of a financial institution, the financial interests of consumers and/or the stability of the broader financial system.

Resolution: As part of its contribution towards financial stability, the PA needs to ensure that, where a financial institution is no longer regarded as being safe and/or sound, its orderly exit from the financial system should ensue. However, for banks, and where the SARB has designated financial institutions as being of domestic systemic importance, the SARB will manage the exit process in close co-operation with the PA.

Section 34(4)(b) of the FSR Act requires the PA to consider international regulatory and supervisory standards as set by international standard-setting bodies to the extent that it is practicable for the South African context. The PA's supervisory approach largely incorporates the supervisory principles and practices as published by the likes of the Basel Committee on Banking Supervision (BCBS), the Financial Stability Board (FSB), the International Association of Insurance Supervisors (IAIS), the International Organization of Securities Commissions (IOSCO) and others.

4. Progress on the priorities identified in the Regulatory Strategy 2021–2025

Significant inroads have been made to achieve the mandate of the PA as well as its regulatory and supervisory priorities adopted in the PA's Regulatory Strategy 2021–2025. The PA's regulatory strategic objectives of promoting the safety and soundness of regulated financial institutions and MIs included:

- strengthening and enhancing the prudential regulation and supervision of deposit-taking financial institutions; and
- implementing the prudential regulation and supervision of financial conglomerates;
- strengthening and enhancing the prudential regulation and supervision of MIs;
- strengthening and enhancing the regulatory and supervisory frameworks for insurers;
- strengthening and enhancing the regulatory and supervisory framework for significant owners;
- enhancing anti-money laundering/combating the financing of terrorism (AML/CFT) supervision;
- developing approaches to the prudential regulation and supervision of retirement funds, CISs, friendly societies and medical schemes; and
- developing cross-sectoral regulatory instruments for harmonising requirements across different industries.

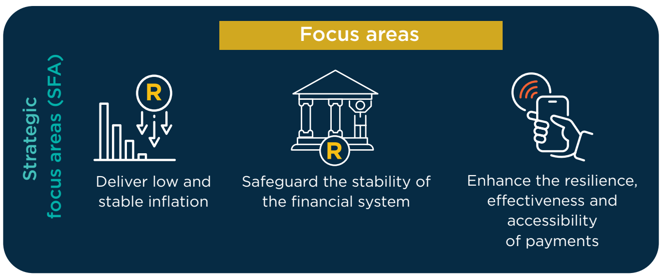
These core strategic objectives were supported by:

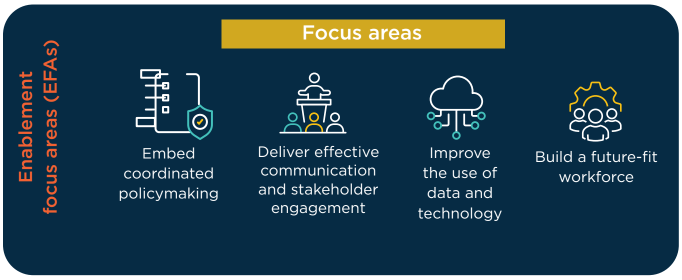
- the PA's approach to transformation, financial inclusion and competition;
- the PA's approach to financial technology (fintech);
- the PA's approach to sustainable finance and climate change;
- the PA's Target Operating Model (TOM) – developing, improving, enhancing and integrating the supervision of these financial institutions through systems and data enablers;
- administrative action;
- adequate funding of the PA; and
- coordination and collaboration with the SARB and other regulators.

The table in the Annexure sets out the regulatory and supervisory priorities adopted by the PA for the period October 2021 to March 2025 and provides an update on the initiatives identified to support the priorities.

5. The SARB's Strategy 2025–2030

In April 2025, the SARB launched its Strategy 2025–2030[10] – a comprehensive plan designed to meet its mandate, vision and mission. This strategy is built around seven key focus areas – divided into three strategic focus areas (SFAs) and four enablement focus areas (EFAs) – each with specific objectives, initiatives and measures to assess success.





[10] Refer to the SARB's Annual Report 2024/25 at https://www.resbank.co.za/content/dam/sarb/publications/reports/annual-reports/2025/sarb-2024-25.pdf.coredownload.inline.pdf.

The table below provides a description of the three SFAs of the SARB.

Table 1: Description of the SARB's strategic focus areas (SFAs)

Strategic focus area (SFA)	Description
SFA 1: Deliver low and stable inflation.	The SARB aims to reduce and maintain inflation within the target set. To achieve this, the SARB plans to enhance its modelling and forecasting capabilities, reform the interest rate benchmarks, and develop a price-setter engagement strategy. Success will be measured by the percentage change in headline inflation, with a target of 4.5% by 2025/26 and 3% by 2030.
SFA 2: Safeguard the stability of the financial system.	The SARB intends to strengthen measures to maintain financial stability by developing stress-testing frameworks, enhancing the resolution framework and implementing cross-sector stress-testing. The effectiveness of these initiatives will be gauged through a systemic risk monitoring framework, compliance with regulatory frameworks and an effective risk-based supervisory approach. The PA is a direct contributor to SFA 2 in line with its prudential mandate from a micro-regulatory perspective in collaboration with the relevant SARB departments which also play a role in supporting financial stability.
SFA 3: Enhance the resilience, effectiveness and accessibility of payments.	The SARB seeks to improve the inclusivity, efficiency and security of the national payment system. Key initiatives include the Payment Ecosystem Modernisation (PEM) Programme, optimising the currency supply chain and improving the cash supply chain infrastructure. The success of these efforts will be measured by the percentage split in cash versus digital transactions, the adoption of fast payment systems and a reduction in currency counterfeiting incidents.

In addition to the three SFAs, the SARB's strategy includes four EFAs, which are outlined in the table below.

Table 2: Description of the SARB's enablement focus areas (EFAs)

Enablement focus area (EFA)	Description
EFA 1: Embed coordinated policymaking	The SARB aims to enhance policy coordination and effectiveness by developing a policy-focused research agenda, aligning governance processes and enabling coordinated policymaking through data-sharing initiatives.
EFA 2: Enhance public trust in the SARB through communication and engagement.	The SARB plans to improve public awareness and its reputation by developing and implementing stakeholder engagement and communication strategies, and by updating its corporate social investment strategy.
EFA 3: Leverage the use of data and technology.	The SARB aims to strengthen the delivery of strategic programmes and to enhance its cybersecurity posture by improving data management and analytics technologies, enhancing the availability of information and technology (I&T) systems, and improving cybersecurity practices.
EFA 4: Build a future-fit workforce.	The SARB seeks to develop a workforce with diverse skills and expertise by optimising its talent management and succession processes, establishing relevant skills for future needs, and implementing its diversity and inclusion (D&I) strategy.

6. The PA's regulatory and supervisory priorities for 2025–2030

Since its establishment in 2018, the PA has outlined key focus areas for regulatory interventions across various sectors under its jurisdiction and made considerable progress towards fulfilling its mandate.

In unpacking its regulatory and resultant supervisory priorities for the next five years, the PA will focus on the ultimate outcomes encapsulated in SFA 2. The PA will assess its progress in executing its regulatory strategic objectives on a six-monthly basis as part of the SARB's strategy process. The strategy process ensures that there is specific alignment between the PA and the strategies of the SARB's Financial Surveillance, Financial Stability and National Payment System departments, the Resolution Authority as well as the Corporation for Deposit Insurance (CODI).

The regulatory and supervisory purview of the PA will be augmented in the next five years where the PA will take over the prudential responsibility of retirement funds, CISs and CIS managers, friendly societies and medical schemes, as required by the FSR Act. The regulatory perimeter will also be monitored where fintech is anticipated to be the most disruptive force in the PA's supervisory environment. These developments will be closely monitored where appropriate, and proportionate regulatory and supervisory responses will be implemented. Additionally, the impact of climate change and climate risk is being evaluated.

The PA's core regulatory strategic objectives in achieving its primary mandate of promoting the safety and soundness of regulated institutions and MIs, ensuring that financial institutions do not fail to meet their obligations to financial customers, and to assist the SARB in maintaining financial stability, are outlined in paragraphs 6.1 to 6.6 below, as follows:

- Priority 1 : Strengthen and enhance the regulation and supervision of deposit-taking institutions.
- Priority 2 : Implement and enhance the financial conglomerate regulatory and supervisory framework.
- Priority 3 : Strengthen and enhance the prudential regulation and supervision of market infrastructures.
- Priority 4 : Strengthen and enhance the regulatory and supervisory frameworks for insurers and insurance groups.
- Priority 5 : Enhance AML/CFT supervision.
- Priority 6 : Develop and implement approaches to the prudential regulation and supervision of retirement funds, collective investment schemes, friendly societies and medical schemes.

These core strategic objectives will be supported by the following initiatives:
- enhancing the PA's risk management framework;
- transformation, financial inclusion and competition;
- financial innovation and new technologies;
- sustainable finance[11] and climate change;
- the PA's TOM – developing, improving, enhancing and integrating the supervision of financial institutions through systems and data enablers;
- administrative actions and enforcement;
- the funding of the PA; and
- co-operation and collaboration.

During 2019 and 2020, South Africa was subjected to the Financial Sector Assessment Programme (FSAP) by the International Monetary Fund (IMF) and World Bank. Since the publication of the FSAP report on 11 February 2022, the PA has drafted a plan identifying remedial actions to address the recommendations. This work is being undertaken with the FSCA and National Treasury (NT) where there are recommendations that requires action from various

[11] The PA's Climate Roadmap 2024–2026 indicates an initiative of conducting ongoing research and knowledge building relating to sustainable finance market development to support the just transition to a low-carbon economy.

parties. In addition, the PA is currently addressing the recommendations through ongoing efforts to enhance frameworks relating to banking regulation and supervision, insurance supervision, fintech, climate risks and cybersecurity. These remedial deliverables are already embedded within the PA's strategic and day-to-day activities.

6.1 Priority 1: Strengthen and enhance the regulation and supervision of deposit-taking institutions

Key outcomes of Priority 1

The intended key outcome of this priority is a safe and sound deposit-taking sector, supported by the following:

- the full implementation of the Basel III post-crisis reform regulatory instruments;
- the embedment of more effective supervisory practices for banks;
- a revised and implemented mutual banks regulatory and supervisory framework;
- the implementation of a comprehensive and updated regulatory and supervisory framework for co-operative banks and CFIs;
- a policy approach to a tiered deposit-taking sector; and
- the conversion of the Regulations into prudential standards.

Over the next five years, the PA will focus on strengthening the effectiveness of its risk-based regulatory and supervisory approach for banks (including the branches of foreign banks), mutual banks, co-operative banks and co-operative financial institutions (CFIs). The areas of focus are discussed in paragraphs 6.1.1 to 6.1.3 below.

The PA will also contribute to the work of reviewing the relevant regulatory frameworks within the deposit-taking sector to enhance a risk-based and proportional regulatory as well as supervisory approach. The concept of proportionality focuses on grouping or categorising banks into distinct segments based on aspects such as nature, size, complexity, risk profile as well as business models. Each segment is then subjected to a set of appropriate and specific regulatory requirements. The concept of proportionality embraces the approach of applying appropriate requirements where lower-segment deposit-taking institutions, which are not as systemically important within the financial system, face rules commensurate with the risks that they pose. A well-balanced regulatory environment can help lower barriers to entry, which may encourage transformation, financial inclusion, and competition within the financial sector. In this regard, the PA and NT have reached out to the World Bank for technical assistance to review the prudential regulatory framework for deposit-taking institutions.

The PA's regulatory and supervisory frameworks will also be updated to cater for newer business models and developments that have emerged within the sector as well as further policy developments by NT.

6.1.1 Banks

The BCBS is the primary global standard-setter for the prudential regulation of banks and facilitates regular co-operation on supervisory matters relating to banking. Its 45 members comprise central banks and bank supervisors from 28 jurisdictions.[12] The PA is a member of the BCBS, where it participates in, and contributes to, among other things, the work done by many of the BCBS's working groups in respect of the different risks which banks are exposed to. Through these forums, the PA influences the development of global banking standards and gains a better understanding of internationally agreed-upon requirements to be implemented in South Africa.

Following the global financial crisis that commenced in 2007, various international standard-setting bodies agreed to put in place, among other things, comprehensive measures, policies, regulations and reforms to promote financial stability as well as the safety and soundness of individual financial institutions.

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12 See https://www.bis.org/bcbs/.

In December 2017, the BCBS published the outstanding components of the Basel III post-crisis reform package.[13] The revised Basel framework comprehensively addresses the shortcomings identified in the pre-crisis regulatory framework and provides a regulatory foundation for a more resilient banking system that supports the real economy. In addition, on 16 December 2022, the BCBS issued a standard that sets out the requirements for the prudential treatment of banks' exposures to crypto-assets – including tokenised traditional assets, stablecoins and unbacked crypto-assets – for implementation by member jurisdictions by 1 January 2026.

During the 2025–2030 period, the PA will:

- implement the remaining Basel III post-crisis reform package, being:
    - the revised standardised approach for credit risk;
    - the revised internal ratings-based (IRB) approaches for credit risk;
    - the revised operational risk framework;
    - the leverage ratio – the revised exposure definition;
    - the revised credit valuation adjustment framework;
    - the minimum capital requirements for market risk; and
    - the output floor, either through the amended Regulations relating to Banks (Regulations) or through prudential standards;
- implement the requirements related to banks' exposure to crypto-assets through a prudential standard;
- commence and embed more effective supervisory practices related to the post-crisis reform package and the crypto-assets prudential standard; and
- commence with the conversion of the Regulations to prudential standards.

In addition, the existing frameworks will continue to be monitored to ensure the achievement of their objectives, and such regulations and regulatory instruments will be made and amended, if necessary.

6.1.2 Mutual banks

In response to mutual banks' ever-evolving nature, size, complexity and risk profile, the PA has begun developing seven prudential standards covering governance and risk management, operational risk management, credit risk, liquidity risk, Interest Rate Risk in the Banking Book (IRRBB), capital and economic returns.

During the 2025–2030 period, the PA will implement:

- a revised mutual banks regulatory framework; and
- an updated supervisory framework based on regulatory refinements.

The PA's approach to mutual banks will also depend on the work that is being undertaken on the proportionality of the deposit-taking sector.

6.1.3 Co-operative banks and co-operative financial institutions

Similarly to other deposit-taking institutions, co-operative banks and CFIs are exposed to a number of risks that can adversely affect their ability to achieve business objectives, reduce their earnings and negatively affect their capital. In this regard, standards are being drafted that propose proportionality in the co-operative banking sector by categorising co-operative banks and CFIs into basic, intermediary and advanced models with commensurate financial soundness, governance, operational and risk management requirements. This approach is aimed at enabling these financial institutions to graduate organically through relatively less onerous prudential requirements until these qualify to be licensed as banks under the Banks Act 94 of 1990 (Banks Act). Due to their cross-cutting nature, the governance and risk management requirements are being drafted in collaboration with the FSCA as joint standards.

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[13] Available at https://www.bis.org/bcbs/publ/d424.htm.

[14] Non-bank financial institutions do not include CFIs, which are regulated and supervised in terms of the Co-operative Banks Act 40 of 2007.

During the 2025–2030 period, the PA will implement:

- a comprehensive and updated regulatory framework for co-operative banks and CFIs; and
- an updated supervisory framework based on the regulatory refinements.

The PA's approach to co-operative banks and CFIs will also depend on the work that is being undertaken on the proportionality of the deposit-taking sector.

The PA continues with its work to ensure that institutions engaged in bank-like activities, including non-bank financial institutions[14], are subject to appropriate prudential regulation in order to effectively manage risk and support competition.

6.2 Priority 2: Implement and enhance the financial conglomerate regulatory and supervisory framework

Key outcomes of Priority 2

The intended key outcome of this priority is safe and sound financial conglomerates, supported by the following:

- an implemented capital framework for financial conglomerates;
- accurate and reliable information provided by financial conglomerates to the PA of 'Prudential Standard FC06 – Auditing requirements for financial conglomerates'; and
- a revised and comprehensive financial conglomerate supervisory framework.

The PA has developed a comprehensive risk-based regulatory framework for financial conglomerates, building on the implemented prudential standards. Given the complexity and interconnectedness of financial conglomerates, it is crucial to have robust supervisory processes in place. An embedded and mature supervisory process ensures that financial conglomerates maintain adequate capital buffers, implement sound risk management practices and adhere to prudential standards.

The PA seeks to create a more effective, risk-based supervisory approach for financial conglomerates as well as an embedded and mature supervisory process related to financial conglomerates to adequately address the risks arising through the requirements imposed by the PA through conglomerate standards. The PA and the FSCA collaborate to establish effective regulatory and supervisory frameworks.

During the 2025–2030 period, the PA will:

- finalise and implement 'Prudential Standard FC01 – Capital requirements for financial conglomerates';
- finalise and implement 'Prudential Standard FC06 – Auditing requirements for financial conglomerates'; and
- update and implement the revised financial conglomerate supervisory framework.

6.3 Priority 3: Strengthen and enhance the prudential regulation and supervision of market infrastructures

Key outcomes of Priority 3

The intended key outcome of this priority is a safe and sound MI sector, supported by the following:

- an embedded framework on recovery plans for MIs;
- accurate and reliable information provided by TRs to the PA and other regulators; and
- more effective regulatory and supervisory frameworks for MIs, as agreed with the FSCA.

The PA is a member of the IOSCO, which is the international body that brings together the world's securities regulators and is recognised as the global standard-setter for financial markets regulation. The IOSCO develops, implements and promotes adherence to internationally recognised standards for financial markets regulation and works closely with other international organisations on the global regulatory reform agenda.[15]

[15] For more on the IOSCO, see https://www.iosco.org/.

The introduction of the FSR Act was accompanied by new regulations issued in terms of the Financial Markets Act 19 of 2012 (Financial Markets Act). The regulations of the Financial Markets Act, promulgated on 9 February 2018, aim to ensure that South Africa complies with international commitments to implement regulatory and legislative reforms to enhance the safety of financial markets and regulate the over-the-counter (OTC) derivatives market.[16]

The PA and the FSCA have continued to focus on initiatives relating to the implementation of financial regulatory reforms as agreed to by the Group of Twenty (G20) in 2009. Ensuring compliance with the regulatory and supervisory frameworks for MIs is an important element for the PA to fulfil its statutory mandate. Adherence to regulatory standards ensures that MIs operate within a safe and sound framework, mitigating any potential risks and enhancing transparency.

In February 2022, the PA and the FSCA issued the Joint Roadmap for the Development of a Regulatory Framework for Central Clearing in South Africa (Joint Roadmap) to highlight the steps that the PA and the FSCA would endeavour to undertake to enable central clearing of OTC derivative transactions.

Phase 1 has been completed, with Phases 2 and 3 in progress, as follows:

- Phase 1: A licensing framework for a local CCP was prescribed[17], culminating in the licensing of JSE Clear in September 2023.
- Phase 2: The timelines for the development of regulatory frameworks relating to an equivalence framework were outlined, to enable the licensing of external financial market infrastructures (FMIs), including a joint standard setting out the exemption criteria for external CCPs and TRs. The draft joint standard relating to the criteria for exempting external CCPs or TRs was tabled in Parliament in January 2025.
- Phase 3: This phase entails the construction of eligibility criteria for OTC derivative transactions that are subject to mandatory clearing. The PA and the FSCA are in the process of engaging with relevant stakeholders in order to conduct extensive research on the challenges emanating from OTC derivative markets.

Having reached significant milestones in the development and implementation of regulatory frameworks for MIs, the PA and the FSCA continue to build on this foundation. Their ongoing efforts aim to align South Africa's financial markets with international standards and practices, ensuring robust and transparent operations. As the authorities move forward, the focus will shift towards finalising critical regulatory standards and enhancing the supervisory mechanisms that govern these infrastructures, ensuring the stability and integrity of the financial system. This continued commitment is crucial for addressing systemic risks and adapting to the evolving landscape of global financial regulation.

During the 2025-2030 period, the PA will:

- finalise the joint standard on recovery plans for MIs to address systemic risk (the PA and the FSCA consulted with the industry in July 2024 on the joint standard);
- continue to contribute to the review of the Financial Markets Act, incorporating the recommendations from the Financial Markets Review[18];
- assist the SARB in developing criteria for identifying systemically important MIs;
- assess adherence to the principles developed by international standard-setting bodies for the regulation of MIs; and
- develop a prudential framework for enhanced supervision of MIs, in line with their nature, size, complexity and risk profile, in order to strengthen the safety and soundness of MIs.

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16 In 2009, the leaders of the G20 agreed to a comprehensive reform agenda for the OTC derivatives market.

17 Namely the 'Joint Standard 1 of 2021 – Requirements relating to central counterparty licence applications'.

18 The Financial Markets Review, issued by NT in collaboration with the SARB and the FSCA, provides recommendations for conduct practices in domestic OTC fixed-income, currency, commodities and derivatives financial markets.

6.4 Priority 4: Strengthen and enhance the regulatory and supervisory frameworks for insurers and insurance groups

Key outcomes of Priority 4

The intended key outcome of this priority is a safe and sound insurance sector, supported by the following:

- an embedded capital framework for South African-based but internationally active insurance groups that is aligned with international standards;
- an enhanced insurance framework in relation to micro-insurers and cell-captives to ensure that it is appropriate for the business models and risks experienced by the industry; and
- an updated, comprehensive and proportionate regulatory and supervisory framework for insurers based on international best practice.

In 2018, the Insurance Act 18 of 2017 (Insurance Act) came into effect. Since then, the PA has worked on embedding and strengthening the insurance regulatory and supervisory frameworks. In drafting the Insurance Act and prudential standards, the regulators and supervisors focused on international best practice and the standards set by the IAIS.

The IAIS[19] is a voluntary membership organisation of insurance regulators and supervisors from more than 200 jurisdictions, representing 97% of the world's insurance premiums. It sets international standards for developing and implementing principles, standards and other supporting material for the supervision of the insurance sector. The PA is a member of the IAIS and contributes to many of the workstreams formed by the IAIS. In this way, the PA is able to participate in, and influence the development of, insurance standards.

In December 2024, the IAIS adopted the Insurance Capital Standard (ICS)[20], developed as a consolidated group-wide capital standard for internationally active insurance groups. The ICS comprises three components: valuation, qualifying capital resources, and a standard method for determining the ICS capital requirement. As the quantitative aspect of the Common Framework, the ICS aims to establish a common language for supervisory discussions on group solvency, thereby promoting global convergence among group capital standards.

During 2024, the PA observed some challenges faced by micro-insurers and cell-captives, which have an impact on their resilience and sustainability. For micro-insurers, these challenges were confirmed in the joint communication published by the PA and the FSCA which, among other things, alludes to the need to review the micro-insurance framework within the Insurance Act.[21]

By developing and implementing regulatory interventions, the PA also aims to address the impact of climate change and promote more sustainable finance practices.

During the 2025–2030 period, the PA will:

- conduct a gap analysis of the international insurance principles compared to South Africa's insurance regulatory framework;
- refine the insurance regulatory and supervisory frameworks, including relevant standards;
- review and enhance the micro-insurance prudential policy framework to encourage, among other things, transformation and financial inclusion;
- align insurance capital requirements with international standards; and
- develop and finalise a standard for cell-captives.

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19 The mission of the IAIS is to promote the effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders and to contribute to global financial stability.

20 For further information on the ICS, see https://www.iais.org/activities-topics/standard-setting/insurance-capital-standard/.

21 Joint Communication 7 of 2024 is available at https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-public-awareness/Communication/2024/Joint-Communication-7-of-2024-Review-of-the-Regulatory-framework-for-the-distribution-of-funeral-insurance-in-South-Africa.

6.5 Priority 5: Enhance AML/CFT supervision

Key outcomes of Priority 5

The intended key outcome of this priority is to protect the integrity of the financial sector against financial crime, supported by the following:

- enhanced and embedded processes and procedures on AML/CFT/CPF risk-based supervision; and
- embedded regulatory and supervisory frameworks and practices on beneficial ownership.

In terms of the Financial Intelligence Centre Act 38 of 2001 (FIC Act), the PA is responsible for the AML/CFT supervision of banks, mutual banks, money value transfer services, co-operative banks and life insurers. The AML/CFT Division within the PA is responsible for supervising and enforcing compliance with the FIC Act.

The PA assesses the adequacy and effectiveness of money laundering, terrorism financing and proliferation financing (ML/TF/PF) risk management and compliance programmes by accountable institutions. Its AML/CFT Division conducts risk-based supervision, including on-site and off-site activities.

The PA enforces compliance with the FIC Act and imposes administrative sanctions when necessary.

The PA participates in various AML/CFT committees and collaborates closely with the Financial Intelligence Centre (FIC), the FSCA and NT. The FIC publishes anti-money laundering/combating the financing of terrorism/counter-proliferation financing (AML/CFT/CPF) legislation, joint guidance notes, directives and public compliance communications on its website. Additionally, the PA also publishes sector-specific guidance and directives in terms of the Banks Act and the FIC Act.

The Financial Action Task Force (FATF) serves as the intergovernmental body responsible for setting international standards with regard to AML/CFT/CPF. South Africa is a member country of FATF.

In 2019, FATF conducted a Mutual Evaluation (ME) of South Africa to assess the effectiveness of its AML/CFT regime. As a supervisory body under the FIC Act, the PA was evaluated for its effectiveness in risk-based supervision of banks and life insurers. The ME Report was published in October 2021. The PA, the SARB and NT collaborated with other government stakeholders to address the deficiencies identified by FATF within the 12-month observation period given to South Africa.

Despite these best efforts, and despite South Africa addressing most of the action items identified in its ME Report, in February 2023 South Africa was recognised as a jurisdiction under increased monitoring, colloquially referred to as being 'greylisted'.

FATF has since recognised that the PA has made significant progress in implementing a risk-based approach to supervision. Among the efforts undertaken are:

- the issuance of sector-specific guidance;
- the completion of the second round of sectoral risk assessments;
- the institution of a new risk-rating tool;
- the enhancement of inspection frequency;
- the regular conduct of outreach and awareness sessions with banks and life insurers; and
- engagement with foreign supervisors in host jurisdictions concerning cross-border subsidiaries and their respective money laundering and terrorism financing (ML/TF) risks.

In February 2024, FATF announced the advancement of four out of the six pending action items. South Africa has now successfully addressed or largely addressed 20 out of the 22 action items outlined in its action plan.[22] This leaves two remaining items to be addressed in the next reporting period, which runs from March 2025 to June 2025. The two outstanding items relate to the investigation and prosecution of serious and complex ML/TF matters.

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22 NT's media statement, 'FATF greylisting progress update for South Africa: two action items remain to be addressed', is available at https://www.treasury.gov.za/comm_media/press/2025/2025022101%20Media%20Statement%20-%20FATF%20Greylisting%20Progress%20Update%20for%20South%20Africa.pdf.

To address the deficiencies identified in the ME Report, the FSR Act was amended to include Chapter 11A on the beneficial owners[23] of financial institutions, which took effect on 31 December 2022. Chapter 11A of the FSR Act aims to increase transparency in the financial sector by enabling the PA and the FSCA to establish standards on the fit and proper requirements for beneficial owners (particularly regarding honesty and integrity) as well as on the reporting of relevant information about beneficial owners to the PA and the FSCA. Additionally, the FSR Act empowers the PA and the FSCA to create standards applicable to financial institutions concerning the identification and verification of beneficial owners as well as the reporting of pertinent information in respect of beneficial owners to the PA and the FSCA.

During the 2025–2030 period, the PA will:

- conduct a gap analysis of the existing frameworks, processes and practices relating to AML/CFT/CPF, and identify areas for enhancement;
- implement and embed solutions, where required, to enhance supervisory effectiveness, including aspects linked to market entry as well as on- and off-site supervision (e.g. guidance, outreach and awareness, as well as the revision of inspection procedures);
- draft and implement a joint standard that sets out the requirements in respect of beneficial ownership;
- undergo a fifth-round ME assessment by FATF; and
- conduct outreach and awareness initiatives to assist supervised entities in understanding their AML/CFT/CPF obligations and risks to enable them to ensure that they employ effective controls and preventive measures.

6.6 Priority 6: Develop and implement approaches to the prudential regulation and supervision of retirement funds, collective investment schemes, friendly societies and medical schemes

Key outcomes of Priority 6

The intended key outcome of this priority is to enable a twin-peaks approach through distinct prudential and market conduct regulation for the retirement fund, CIS, friendly society and medical scheme sectors. This outcome will be supported by:

- an embedded prudential regulatory and supervisory approach for retirement funds, CISs and CIS managers;
- an updated prudential regulatory and supervisory approach for friendly societies; and
- an updated prudential regulatory and supervisory approach for medical schemes in collaboration with the CMS.

Upon the termination of the delegation in terms of sections 291 and 292 of the FSR Act, the PA will commence with its powers to prudentially regulate and supervise retirement funds, CISs, friendly societies and medical schemes, as determined by the Minister of Finance. Research related to the friendly societies sector is being conducted to inform refinements to the sector's future regulatory and supervisory regime. Discussions on the regulation of medical schemes are in progress with NT, the National Department of Health, the Council for Medical Schemes (CMS) and the FSCA.

Collaborative work between the PA and the FSCA has been underway, consisting of the following deliverables in preparation for transitioning the prudential regulation and supervision of retirement funds, CISs and CIS managers:

- the regulatory approach as well as memorandums of understanding (MoUs) which need to be developed or refined;
- the supervisory approach covering supervisory frameworks relating to licensing, ongoing supervision, sanctions and enforcement as well as resolution;

[23] The FSR Act states that a beneficial owner 'means a natural person who, directly or indirectly, ultimately owns a financial institution or exercises effective control of that financial institution'.

- the organisational design and HR capacity;
- IT and business processes relating to how prudential data will be collected, analysed and reported by the PA;
- change management and communications; and
- the PA's funding model, incorporating how levies and fees will be imposed and collected by the PA.

During the 2025–2030 period, the PA will:

- execute the transition of prudential regulation and supervision for retirement funds, CISs and CIS managers in accordance with the implementation plan;
- review the findings from the research conducted on friendly societies and incorporate these into a refined regulatory and supervisory approach for the sector; and
- review the prudential regulatory and supervisory approach for medical schemes in collaboration with the CMS, NT and the FSCA.

7. The PA's risk management framework

The SARB has commenced updating its enterprise risk management framework, which includes the manner in which relevant departments approach regulatory and supervisory oversight of the financial sector. Consequently, the PA has reviewed its own risk management framework to further enhance its risk-based, pre-emptive and outcomes-focused approach to regulation and supervision. In pursuit of its mandate, the PA encounters various risks associated with its strategy, supervisory mandate, culture, operations, reputation and finances. To address these risks effectively, the PA has identified the need to formally articulate its Risk Appetite Statement (RAS), which is crucial for fostering a robust risk culture within the organisation.

The risk management framework will improve how the PA identifies measures and also mitigates and manages the level and types of risks that might impact on its ability to achieve its strategic objectives. This framework will ensure that risk management is consistent, guided and integrated into the PA's decision-making processes. The risk management framework will also establish boundaries for risk-taking, ensuring that key risks are considered when making decisions. This will contribute to more effective governance and resource allocation, balancing complex and competing priorities.

During the 2025–2030 period, the PA will focus on:

- finalising and adopting the RAS, which will enhance the decision-making processes in the operations of the PA; and
- embedding the RAS into the operations of the PA, such as licensing, enforcement as well as ongoing supervision and resolution[24].

8. Transformation, financial inclusion and competition

The PA recognises the fundamental role played by the financial sector in South Africa. The financial sector, being the lifeblood of the economy, is a sector where transformation, inclusion and competition are absolutely critical for growth and sustainability. Hence, the objectives of the FSR Act include the promotion of transformation and financial inclusion in the financial sector, and it is one of the functions of the PA to support sustainable competition in the sector.

[24] The SARB was designated as the Resolution Authority with effect from 1 June 2023 and is therefore responsible for the resolution of designated institutions. The resolution process referred to here relates to those PA-regulated financial institutions (i.e. non-banks and non-systemically important financial institutions) falling outside of the Resolution Authority's framework.

8.1 Transformation

The PA is embedding its approach to supporting transformation of the financial sector through licensing and ongoing supervision, and has developed internal supervisory guidance on the manner in which transformation should be monitored in regulated financial institutions. The PA considers the transformation plans of regulated financial institutions in further discussions with the respective boards of directors (boards).

8.2 Financial inclusion

As part of NT's plan to have a holistic approach to financial inclusion, NT published a policy paper in November 2023 titled 'An inclusive financial sector for all'. This policy paper proposes various projects that should be prioritised to support the successful achievement of the priority areas identified. In order to implement the objectives identified, NT recommends the establishment of two bodies: (i) an intragovernmental Financial Inclusion Working Group (FIWG) established under the Financial System Council of Regulators, as provided for in the FSR Act; and (ii) a Financial Inclusion Forum (FI Forum) for industry and other non-governmental stakeholders to engage policymakers and regulators on strategic priorities. These two bodies will foster greater collaboration in developing and implementing a financial inclusion strategy/action plan and transcending entrenched interests while providing a platform for regulators and financial service providers to address matters related to financial inclusion.

Section 34(1)(e) of the FSR Act mandates the PA to support financial inclusion. In pursuit of this requirement, the PA has drafted a paper outlining its approach to financial inclusion that elaborates on this statutory duty.

The PA plans to support financial inclusion by focusing on:

- the PA's regulatory and supervisory approach to supporting financial inclusion;
- requesting financial inclusion data;
- licensing financial institutions;
- co-operating and collaborating with other financial inclusion stakeholders; and
- participating in other initiatives and financial inclusion/transformation forums.

South Africa is hosting the presidency for the G20 in 2025. The leaders of the G20 are promoting reforms in support of a more inclusive financial sector, endorsing a Financial Inclusion Action Plan (FIAP), and have established the Global Partnership for Financial Inclusion (GPFI) as a coordinating platform. The GPFI coordinates the implementation, by the signatory countries, of the FIAP and the G20 Principles for Innovative Financial Inclusion which were developed in 2010. Various implementing partners support the GPFI, including the Alliance for Financial Inclusion (AFI), the Consultative Group to Assist the Poor (CGAP), the Organisation for Economic Co-operation and Development (OECD), the International Finance Corporation and the World Bank. Within the G20 Finance Track, the PA is represented on the GPFI and is involved with the tracking of the FIAP.

Furthermore, the SARB is a member of the AFI, which is a global policy leadership alliance that works to advance financial inclusion.

8.3 Competition

The PA has approached the SARB's Cross-Departmental Research Committee (CDRC) to assist with research to support the development of the PA's approach to supporting more sustainable competition within its statutory mandate.

9. Financial innovation and new technologies

Financial innovation and new technologies play a driving role in transformation, financial inclusion and competition – the PA sees them as an essential mechanism to bridge the gaps in the financial sector. The PA supports responsible innovation and is a member of the South African Intergovernmental Fintech Working Group (IFWG). The IFWG is a coordinating body of financial sector policymakers and regulators engaging on fintech matters to demystify the regulatory landscape, provide a space for safe experimentation and actively advance innovation.

There are three main initiatives under the IFWG, namely: (i) the Regulatory Sandbox; (ii) the Regulatory Guidance Unit (RGU); and (iii) the Innovation Accelerator – all housed within the IFWG Innovation Hub. The IFWG Innovation Accelerator is currently working on various topics, including crypto-assets, open finance and financial markets innovation.

In an effort to be streamlined and well-coordinated in how it responds to the prudential implications of fintech within the IFWG, the PA has established a PA Fintech Working Group.

During the 2025–2030 period, the PA, through the PA Fintech Working Group, will focus on developing and implementing regulatory and supervisory approaches to:

- crypto-assets and stablecoins;
- open finance;
- artificial intelligence; and
- any other technological innovation that may be regarded by the PA and/or the IFWG as having a significant impact on the safety and soundness of the financial sector.

10. Sustainable finance and climate change

The PA established the Prudential Authority Climate Task Team (PACTT) in 2019 with a mandate to develop, promote and coordinate the PA's regulatory and supervisory response to climate risks that might impact on the entities regulated and supervised by the PA, and to drive these interventions in a coordinated and collaborative way within the PA, within the SARB and with other relevant stakeholders, taking physical and transition risks into account.

Over the past five years, the PACTT has diligently pursued its mandate. To enhance the PA's knowledge and understanding of climate-related risks, internal and external presenters have shared their insights during the PA's information sessions. The development of a supervisory guideline on climate-related risks has equipped frontline supervisors with crucial knowledge, while the 2023 flavour-of-the-year process fostered meaningful discussions with the boards of banks and insurers.

Participation in various international surveys, local and global committees, webinars as well as seminars has further broadened the PA's perspective on climate-related issues. A voluntary survey on disclosures – followed by a mandatory survey on strategy, risk management, governance, disclosures and stress-testing – provided a comprehensive understanding of the industry's landscape regarding climate-related matters.

In 2022, the PA issued a prudential communication that clearly outlined its position and high-level expectations on climate-related risks. In May 2024, the PA published its Climate Roadmap for 2024–2026[25], outlining the different initiatives it committed to implement during that period. During 2024, the PA published guidance notes for climate-related risk management, governance, and disclosures for banks and insurers. The aggregated outcomes from financial institutions' board discussions during the 2023 flavour-of-the-year process were also shared within an observation report.

[25] See PA Climate Roadmap 2024-2026.

Collaboration with external parties led to workshops and meetings focused on climate risk indicators and credit risk assessments. Additionally, training sessions were offered to other African regulators and supervisors, emphasising the PA's approach to climate-related risks.

During the 2025–2030 period, the PA will focus on the following:

- Develop and enhance climate risk management regulatory and supervisory tools to strengthen financial sector resilience, including:
  - discussion documents;
  - guidance notes;
  - observation reports;
  - climate risk indicators; and
  - supervisory case studies and training materials.

Any further refining and enhancing of regulatory frameworks will be based on developments from international standard-setting bodies such as the BCBS and the IAIS.

- Embed supervisory practices into industry through:
  - industry engagements, workshop and roundtables;
  - supervisory training programmes and case studies; and
  - reporting templates and dashboards.

This will contribute to the ever-evolving climate data and disclosure ecosystem as well as integration with existing governance, social and ethics requirements.

- Enhance practices as domestic and international policies and standards evolve, to potentially incorporate:
  - sustainability objectives, including nature-related risk and prudential transition planning;
  - supervisory risk assessment component and rating tools;
  - scenario analysis and stress-testing; and
  - assurance considerations.
- Enhance internal capacity to deal with climate-related risks, including other sustainability-related matters such as nature-related risks.
- Identify, based on proportionality, the extent to which banks and insurers have adopted the guidance provided in the climate-related guidance notes on risk management, governance and disclosures.
- Identify banks and insurers' maturity in terms of nature-related disclosures based on the recommendations from the Task Force on Nature-related Disclosures (TNFD).

11. The Target Operating Model of the PA

After establishing the PA in 2018, its Target Operating Model (TOM) was defined based on the PA's mandate and key objectives. As part of this initiative, the PA committed to developing a target state designed to enable several principles, including becoming an information-led organisation, improving the efficiencies of its internal processes as well as attracting and retaining the relevant human capital.

Since 2019, the PA has undertaken various initiatives to implement its TOM. Efforts have continued to execute the PA's data strategy by embedding internal data governance and management capabilities. The first data taxonomy was completed, and work is ongoing to incorporate the outcomes from the taxonomy into the approach for data collection. During this time, the PA has built new internal business capabilities and conducted a number of proofs of concept to test the applicability of emerging technologies to some of its regulatory and supervisory processes.

Additionally, the PA has progressed with the roll-out of its supervisory technology (suptech) solution, completing the first phase in 2023. The second phase is underway, focusing on collecting data from supervised institutions.

Looking ahead, the PA will further refine its operating model to accommodate the prudential supervision of retirement funds, CISs, CIS managers, friendly societies and medical schemes. This refinement will entail further evolution of its internal capabilities to ensure more efficient onboarding and the embedment of these new responsibilities. Additionally, the PA will continue to implement the relevant updates to its internal structures, processes and systems. The PA will also look to further develop its internal data collection and advanced analytics capabilities in line with the new supervisory mandate.

12. The PA's suptech implementation

The PA commenced with work on its suptech solution, Umoja, in 2021, after the completion of its TOM and design architecture as well as selection of a strategic implementation partner between 2019 and 2020.

The implementation of the Umoja solution covers the following key planned benefits:

- enhanced efficiency through increased automation;
- improved decision-making using quality and timeous data;
- improved sharing of data;
- customer centricity through improved data management;
- strengthened collaboration and co-operation with other institutions; and
- better employee morale through increased automation.

In July 2022, the AML/CFT functionality was implemented on Umoja, being a priority at that stage. The first phase of the solution, supervisory institution management, was implemented in 2023, being a minimal viable product (MVP), with additional functionality planned in Phase 2 (Phase 1 backlog). The supervisory institution management suite of functionality covers institution profile management as well as general licensing, applications and notifications.

During this implementation, the determination and billing of fees and levies (semi-automated) was implemented, based on the Financial Sector and Deposit Insurance Levies Act 11 of 2022.

Phase 2 of the Umoja project was initiated in 2023. The scope of the phase covers the implementation of submission management (returns) for banks, insurers, MIs, mutual banks, co-operative banks and CFIs.

During 2024–2025, returns were implemented for some of the institution types, some of the Phase 1 backlog items were delivered, further automation of the levies process took place, and amendments to fees were gazetted.

The above included analytics and reporting.

The roadmap for 2025–2030 is as follows:

- Implement the banking returns, including those impacted by the Basel III post-crisis reforms, including the market risk and credit valuation adjustment (CVA) requirements for banks and margin requirements.
- Implement the returns for MIs, mutual banks, the BA 900 series and insurers.
- Implement the necessary processes for the Umoja solution based on the transitional arrangements for retirement funds, CISs and CIS managers, friendly societies and medical schemes.
- Continue the delivery of the Phase 1 backlog.
- Continue the enhanced automation of levies.
- Enhance the AML/CFT supervisory processes as configured within the system.
- Start Phase 3 – the implementation of the risk management module – aligned to the PA's risk management framework.
- Mature the product team, as a SARB capability, to enhance, maintain and support the Umoja solution, in partnership with the implementation partner.
- Pursue continuous improvements/enhancements to analytics, processes and the maturity in the management of data.

13. Administrative actions and enforcement

The PA affords troubled financial institutions sufficient opportunity to rectify internal weaknesses relating to non-compliance with the FSR Act, the FIC Act and other financial sector laws. However, the PA does, in appropriate cases, use its enforcement powers to advance its statutory objectives to promote and enhance the safety and soundness of financial institutions and MIs to ensure that financial institutions do not fail to meet their obligations and to assist in maintaining financial stability. The PA's statutory objectives are best achieved by combining supervisory activities with well-targeted regulatory actions, where necessary, to address non-compliance with financial sector laws.

The Prudential Authority Regulatory Action Committee (PARAC) was established in 2019 to assist the CEO of the PA in determining appropriate regulatory actions to be imposed on PA-regulated financial institutions, accountable institutions or persons for non-compliance with applicable financial sector laws and other relevant legislation. Furthermore, PARAC must ensure that the senior management of the PA regularly and rigorously reviews the state of regulated entities to assess their safety and soundness, their compliance with licensing conditions, and their general regulatory and supervisory compliance with the FSR Act and all other relevant financial sector laws.

The FSR Act and other relevant financial sector laws provide an adequate range of tools to deal effectively with non-compliant financial institutions, for which the PA is the responsible authority. Where the PA identifies serious prudential concerns and/or transgressions, these are typically addressed through specific interventions and remedial enforcement actions. In most cases, enforcement actions result in financial institutions remedying the identified prudential concerns and/or transgressions and returning to business as usual, albeit under more intensive supervisory oversight.

The FSR Act allows for various enforcement actions to be imposed by the PA, including the following:

- The PA can issue written directives to a financial institution that provides financial products or securities services, to a key person of a financial institution or to a holding company of a financial conglomerate, requiring them to take specific actions. Persons can give written undertakings to the PA regarding future conduct. Once the PA accepts the undertaking, it becomes enforceable by the PA.
- The PA can impose administrative penalties against a financial institution or a person who has contravened a financial sector law (e.g. the FIC Act) or an enforceable undertaking accepted by the PA.
- The PA can commence proceedings in court to ensure compliance with a relevant financial sector law.
- The PA can perform investigations to establish the extent of non-compliance to inform appropriate regulatory action.
- The PA can, for a valid reason, extend any period for compliance with a provision of a financial sector law.

The PA can also issue other regulatory actions to allow the financial institution to correct its non-compliance and strengthen its internal controls (i.e. condonations and/or caution).

Where necessary, the PA coordinates and collaborates with the SARB and other regulators in respect of matters of common interest, which may include the sharing of information.

Unregulated and unsupervised persons who provide financial products and/or securities services pose a risk to the financial system and financial stability, as they undermine the PA's objective of promoting and enhancing the safety and soundness of financial institutions. They also place the public at risk of losing money. The Banks Act prescribes that only registered banks can take deposits from the general public, and it is an offence for unregistered persons to conduct the business of a bank. In terms of the Insurance Act, a person or an entity may not conduct the business of an insurer, a reinsurer or a business similar to an insurance business without the approval of the PA.

Further information on enforcement and administrative actions taken by the PA is available here.

As part of its mandate, the PA is empowered to investigate the activities of unregistered persons suspected of conducting a business that they are not licensed for. Members of the public and other stakeholders should report such activities to the SARB's independent external hotline service (Deloitte Tip-offs Anonymous), which enables whistleblowers to report wrongdoing related to the business of the SARB, which includes the business of the PA.

The SARB is committed to treating allegations of wrongdoing seriously and will always investigate each case fully.

14. Funding of the PA

The policy paper 'A safer financial sector to serve South Africa better', published by NT in February 2011, highlights that regulators should be appropriately and adequately funded to enable them to effectively execute their mandates. Chapter 16 of the FSR Act, the Financial Sector and Deposit Insurance Levies Act 11 of 2022 (Levies Act) as well as the Financial Sector and Deposit Insurance Levies Administration Act 12 of 2022 (Levies Administration Act) provide for a mechanism aimed at ensuring that the PA is adequately funded. With the promulgation of the Levies Act and the Levies Administration Act, a new funding model was introduced for the PA, empowering the authority to collect levies to fund its operations from the financial sector from 2023. The principle underpinning the imposition of levies is to recover from supervised entities the costs for the effective functioning of the PA.

Before the implementation of the Twin Peaks regulatory architecture, insurers, MIs and other regulated entities, with the exception of banks, paid levies to what was then the Financial Services Board. The total costs, both direct and indirect, of running the then Bank Supervision Department of the SARB were entirely funded by the SARB. Under the FSR Act and the Levies Act, all the entities supervised by the PA are required to pay levies to the PA.

The SARB currently funds a significant portion of the PA's total funding requirement. The levies collected from supervised entities have largely covered the direct costs of the PA (e.g. the personnel costs), while the SARB has funded the indirect costs incurred by the PA through the use of the various support functions of the SARB (e.g. the legal, risk management, compliance, internal audit, HR and security functions as well as SARB facilities). As such, the PA is heavily reliant on funding from the SARB. Considering this, the PA is in the process of reviewing its funding model. This review will be sequenced with an exercise by the PA to review its TOM. The PA's funding model review will consider options to reduce funding dependency as well as the impact of the impending transitional arrangements that will see the transfer of the responsibility for the prudential regulation and supervision of retirement funds, CISs and other sectors to the PA. In consideration of a revised funding model, the principles of cost recovery and proportionality will be maintained.

Furthermore, the PA finalised and published its final fee proposals contained in the PA fees determination in December 2024. The PA fees determination is a consolidated fee instrument that incorporates all the fees to be charged by the PA within a single instrument. The commencement of the PA fees determination on 1 February 2025 resulted in the repealing of all other regulatory instruments related to the charging of fees. The PA has also automated, through the Umoja system, the process for charging fees.

15. Co-operation and collaboration

A fundamental principle of the Twin Peaks Model for financial sector regulation is the emphasis on co-operation and collaboration between the PA, the FSCA, the SARB, NT and other financial sector regulators. The MoUs concluded between the PA, the FSCA, the SARB and other financial sector regulators provide a solid foundation for engagements.

15.1 Collaboration with National Treasury

The PA plays a critical role in maintaining stability and confidence in South Africa's financial system. As part of its mandate, the PA ensures that financial institutions operate within the framework of sound governance, risk management and control practices. Collaboration with NT is pivotal, given that NT serves as the policymaker guiding the development of primary legislation, prudential and joint standards, and regulations that affect the PA's mandate and functions. This regulatory oversight, supported by NT's policymaking role, is crucial for safeguarding the interests of depositors, policyholders, and the broader financial system.

The PA and NT collaborate on matters relating to the financial sector, including (but not limited to):

- the development of primary legislation affecting the mandate and functions of the PA;
- the development of prudential and joint standards as well as regulations relating to financial sector laws;
- the tabling of prudential and joint standards in Parliament;
- the authorisation, consultation and/or concurrence required in terms of financial sector laws from the Minister of Finance; and
- the development of policy positions on matters relating to the financial sector.

15.2 Collaboration with the FSCA and other financial sector regulators[26]

The PA collaborates closely with the FSCA in supervising jointly regulated financial institutions, formulating policy positions, making regulatory instruments, and issuing interpretation notices and communications. Monthly operational meetings are held between the PA and the FSCA to facilitate information-sharing, provide updates on areas of common interest, and highlight emerging risks within the financial sector. Additionally, the two authorities provide concurrence in specific areas such as the licensing of financial institutions and the granting of exemptions. The PA has also established processes to share information and consult with the FSCA regarding significant owners, the designation of financial conglomerates, resolution planning, and the execution of resolution strategies for banks and other systemically significant non-bank financial institutions that fall within the remit of the PA.

The PA collaborates with the National Credit Regulator (NCR) on matters concerning the provision of credit by financial institutions regulated by the PA as well as on the development of regulatory instruments.

The PA and the FIC share an important functionary relationship, with the PA serving as the supervisory authority for certain financial institutions under the FIC Act. The PA and the FIC have been working closely together to address the deficiencies highlighted through the FATF ME Report and are making steadfast progress in creating more integrity in the financial system.

Over the next five years, the PA will maintain close collaboration with the FSCA, the NCR, the FIC and other financial sector regulators to achieve the respective mandates.

15.3 Collaboration with the SARB

Since it was established, the PA has collaborated and co-operated with the SARB to give effect to the mandate and functioning of the PA. This collaboration and co-operation will continue, involving measures such as:

- the development and implementation of internal policies;
- culture initiatives;
- budget and financial support;
- operational support, including risk management, audit and compliance;
- concurrence on licensing;
- the designation of financial conglomerates;
- the designation of systemically important financial institutions;
- the resolution of designated institutions;
- financial stability;
- regulatory instruments; and
- contribution to developments in the SARB's National Payment System Department and Financial Surveillance Department.

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26 The FSR Act defines the financial sector regulators as the PA, the FSCA, the NCR and the FIC. The NCR and the FIC are financial sector regulators only in respect of Parts 2, 3 and 5 of Chapter 2 and Parts 1, 2 and 3 of Chapter 5 of the FSR Act.

15.3.1 Collaboration with the Financial Stability Department

The SARB was designated as the Resolution Authority[27] with effect from 1 June 2023 and is thus responsible for the resolution of designated institutions.

The PA, in turn, is responsible for issuing prudential standards on resolution matters. So far, the PA has issued three resolution prudential standards related to stays and resolution moratoria, transfers and flac instruments. The PA and the SARB's Financial Stability Department also work closely in considering recovery plans that are submitted by financial institutions.

Over the next five years, the PA intends to issue resolution prudential standards on resolution groups, valuations, funding and liquidity in resolution, continuity of access to FMIs, resolution planning for designated institutions, operational continuity in resolution, critical functions and core business lines.

Further work will also be conducted with the Financial Stability Department to assist in the embedding of the resolution process through the development of policies, regulatory instruments, supervisory processes and procedures as well as stakeholder engagement with relevant financial institutions.

The PA will continue to collaborate with the Financial Stability Department to address any identified structural vulnerabilities.

15.3.2 Collaboration with the National Payment System Department

The SARB's National Payment System Department (NPSD) has an MoU with the PA in terms of which NPSD and the PA collaborate and coordinate on matters related to the 'Directive for conduct within the national payment system in respect of the Financial Action Task Force recommendation for electronic funds transfers' (Directive 1 of 2022). The PA assists NPSD with the execution of its AML/CFT/CPF supervisory function for payment institutions that fall within the regulatory ambit of the PA. In this regard, the PA conducts inspections on clearing system participants that are banks which were covered under Directive 1 of 2015 and are now covered under Directive 1 of 2022. NPSD staff members accompany the PA in some of the inspections conducted by the PA to test compliance with Directive 1 of 2022.

The PA and NPSD collaborated on the FATF ME of South Africa by ensuring that there was alignment between the reports submitted to FATF on the ME Report and the progress reports on addressing the action items.

The PA and NPSD also collaborated on the provision of regulatory guidance on a number of matters that overlapped between payments and deposit-taking. This co-operation was both bilateral and at the IFWG level.

The PA and NPSD are currently collaborating to enable non-banking financial institutions to offer payment activities involving the pooling of funds, such as remittances and electronic money. This will be effected by the PA proposing to the Minister of Finance, through NT, the issuance of an exemption notice where specific payment activities will be exempt from the definition of 'the business of a bank' under the Banks Act. This collaboration aims to enhance access to the national payment system for non-banks, thereby promoting financial inclusion, competition and innovation within the financial sector.

15.3.3 Collaboration with CODI

CODI became operational on 1 April 2024. The PA and CODI are key components of South Africa's financial safety net. They are both responsible for assisting the SARB in fulfilling its objective of, and responsibility for, protecting, enhancing and restoring or maintaining financial stability. CODI, which is a wholly owned subsidiary of the SARB, is mandated to provide deposit insurance and is responsible for the management of the Deposit Insurance Fund and raising awareness on the benefits and limitations of depositor protection.

27 For more information on the Resolution Authority, see https://www.resbank.co.za/en/home/what-we-do/resolution-authority.

In terms of the FSR Act, CODI, the SARB and other financial sector regulators (including the PA) are required to collaborate and co-operate to assist CODI in exercising its powers and performing its functions. This includes providing prompt assistance and information regarding any matter that the PA and/or the SARB becomes aware of that affects or may affect the performance of any of CODI's powers or functions, as outlined in the FSR Act. Accordingly, the PA is legally required to adhere to any reasonable request from CODI, which may include the following:

- the development of standards;
- the issuance of directives; and
- the promotion of awareness, among financial consumers, regarding the protections provided by CODI.

In 2024, the PA made 'Prudential Standard CODI 1 – Fund liquidity'. Furthermore, a collaboration and coordination working group has been established by CODI, the PA and the SARB (in its capacity as the Resolution Authority) to facilitate collaboration and coordination during both normal and crisis situations. This is because all three entities have roles to play in the event of a financial distress of a bank. Among other tasks, the working group is responsible for clarifying the individual and joint responsibilities of CODI, the PA and the SARB (as the Resolution Authority), including the exchange of information to enable them to fulfil their respective responsibilities. Moreover, CODI and the PA will conclude an MoU that delineates the framework which has been mutually agreed upon.

In the coming years, the PA will conduct further work with CODI to embed the deposit insurance processes through the development of policies, regulatory instruments, supervisory procedures as well as stakeholder engagement with relevant financial institutions.

15.4 Collaboration with foreign financial sector regulators

As financial institutions operate in multiple jurisdictions and market dynamics become increasingly complex, there is a need for regulators to collaborate across borders in the supervision of these institutions. Through combined efforts, regulators can enhance the efficiency of the global financial system, prevent regulatory arbitrage, and build a more resilient financial sector that benefits global and domestic economies.

Section 251(3)(e) of the FSR Act allows the PA to negotiate and enter into MoUs with other designated authorities in pursuance of its mandate.

The PA collaborates with foreign financial sector regulators on various matters, including (but not limited to):

- licence applications from regulated institutions for cross-border establishment;
- the sharing of information pertaining to material supervisory concerns of regulated institutions;
- matters relating to ongoing supervision and ad hoc engagements associated therewith;
- matters relating to suspected financial crime activities;
- crisis situations in the respective jurisdictions;
- the sharing of topical information at supervisory colleges;
- assistance with on-site inspections of cross-border establishments; and
- the facilitation of information sharing between other authorities in the respective jurisdictions.

Subject to section 297 of the FSR Act, negotiations are ongoing to update all the previous MoUs entered into by the erstwhile Bank Supervision Department of the SARB and the erstwhile Financial Services Board, and to enter into MoUs with new jurisdictions.

15.5 Relationships with other stakeholders

The PA recognises the critical importance of building and maintaining working relationships with all stakeholders. Sustaining robust and meaningful stakeholder engagement is viewed as critical to developing a regulatory and supervisory framework that achieves the objectives of a regulator. The exchange of knowledge through collaboration and co-operation with stakeholders will, in turn, yield benefits and contribute towards the maintenance of a sound and stable financial system in South Africa.

As required by the FSR Act, the PA ensures that appropriate stakeholder engagement arrangements and mechanisms are implemented, maintained and strengthened to facilitate consultation and information exchange with financial institutions, MIs, existing financial customers and prospective financial customers on matters of mutual interest.

The PA has a stakeholder engagement framework and plan in place, which is a strategic guide to enhance communication and build trust with its diverse audience. The framework's objectives are to:

- establish a positive presence for the PA;
- engage stakeholders effectively;
- showcase successes; and
- improve transparency and accountability.

The PA's stakeholders include its employees, various SARB committees, other regulators, national authorities, industry bodies, supervised institutions, regional bodies, and international entities and standard-setting bodies. The PA engages with internal and external stakeholders through town halls, industry engagements, newsletters, meetings, prudential communications and media releases. The framework highlights the importance of effective stakeholder engagement in enhancing the PA's credibility and public trust, fostering clear, consistent and impactful communication.

The PA engages with stakeholders at various forums, including those listed below.

15.5.1 Industry bodies, professional associations and industry consultation

The PA regularly engages with industry bodies and professional associations, including the Actuarial Society of South Africa, the Association of Savings and Investment South Africa, the Banking Association South Africa, the Independent Regulatory Board for Auditors, the South African Institute of Chartered Accountants and the South African Insurance Association. These interactions serve as a valuable source of information, helping the PA to gain deeper insight into emerging risks within the financial sector.

Besides the engagements that occur through regulatory and supervisory processes, consultative sessions are held with industry as and when required. The PA holds annual engagements with the regulated financial institutions where it presents on topical matters affecting the industry and interacts on these and other areas of interest as raised by the participants.

15.5.2 International and regional organisations, bodies and forums

The PA, either independently or under the SARB's oversight, actively engages with various international and regional organisations and standard-setting bodies, including the Bank for International Settlements (BIS), the BCBS, the IOSCO, FATF, the IAIS and the Southern African Development Community (SADC).

Further details on the PA's role within these forums can be found on the SARB website.

15.5.3 Collaborative forums

The PA participates as a member in various collaborative forums involving state organs and regulators, including the Financial Regulatory Reform Steering Committee (FRRSC), the Financial Stability Oversight Committee (FSOC) and the IFWG. These forums serve as valuable sources of information and provide a platform for developing strategies to address risks that may impact on the objectives of the participating entities.

15.5.4 Public awareness

The PA conducts public awareness campaigns through various platforms, including web-based publications and media channels. These initiatives aim to educate the public and financial sector participants on key regulatory changes, emerging risks and best practice within the industry. By providing clear and accessible information, the PA helps to build a more resilient and informed financial sector.

16. A framework for the delegation to other regulators

According to sections 48 and 77 of the FSR Act, the PA may delegate a power or a duty to the FSCA through an MoU, in accordance with a framework and system of delegation developed to ensure that any delegation does not constrain the PA or the FSCA in achieving their respective objectives. PruCo is responsible for deciding whether to delegate powers to the FSCA.

Similarly, the FSCA can delegate powers and duties to the PA under the same conditions.

The FSR Act includes two specific delegations.[28] The first delegation involves retirement funds, CISs and friendly societies, where the authority of the PA to make prudential standards and fulfil its objectives is carried out by the FSCA. This transitional arrangement was intended to apply for three years from the establishment date of the PA, with the option for extension or reduction by the Minister of Finance.

The second delegation pertains to medical schemes, where the powers, duties and functions of the PA are performed by the CMS. The scope of the delegation and the related conditions were determined by the Minister of Finance and made public.

Any further extensions to these delegations would be issued through a ministerial notice within a Government Gazette.

17. Conclusion and next steps

In conclusion, the PA remains steadfast in its commitment to ensuring the safety and soundness of financial institutions and MIs in South Africa.

Over the next five years, the PA will focus on strengthening and enhancing the regulatory and supervisory frameworks across various sectors, including banks, mutual banks, co-operative banking institutions, financial conglomerates, MIs, insurers, beneficial owners and AML/CFT/CPF, and will develop and implement prudential regulation and supervision for retirement funds, CISs and CIS managers, friendly societies and medical schemes. This work will be supported by the PA's RAS, which will provide guidance on the use of the PA's resources and focus in meeting its objectives.

The PA's regulatory strategy for 2025–2030 outlines a comprehensive plan to achieve these objectives, emphasising the importance of effective supervision, stakeholder engagement and adherence to international best practice. By maintaining a proactive stance and fostering a culture of continuous improvement, the PA is well-positioned to navigate the complexities of the financial landscape and to continue promoting a safer and more sound financial sector.

28 The determination by the Minister of Finance is available on the SARB website at https://www.gov.za/sites/default/files/gcis_document/202010/43810gon1094.pdf.

18. How to contact the PA

Physical location:	South African Reserve Bank 370 Helen Joseph Street (formerly Church Street) Pretoria 0002
Postal address:	P O Box 8432 Pretoria 0001
Telephone number:	+27 12 313 3911
Website:	https://www.resbank.co.za/en/home/what-we-do/Prudentialregulation
Email address:	PA-Info@resbank.co.za

Annexure: Progress on the priorities identified in the Regulatory Strategy 2021–2025

The following table sets out the regulatory and supervisory priorities adopted by the Prudential Authority (PA) for the period October 2021 to March 2025, and provides an update on the initiatives which supported the priorities.

Areas of immediate focus	Progress made from October 2021 to March 2025
Strengthening the regulation and supervision of deposit-taking institutions through: - updating the banking regulations to align with the updated Basel Committee on Banking Supervision (BCBS) post-crisis reforms for banks; - a Mutual Banks Act that reflects the developments in the mutual banks sector and the introduction of new regulatory instruments; - a comprehensive and updated regulatory framework for co-operative banks and co-operative financial institutions (CFIs); - a comprehensive framework for extending the prudential regulatory perimeter to include prudential risks from non-bank financial institutions and other entities undertaking bank-like activities; and - an approach for regulatory instruments relating to climate change and sustainable finance.	**Banks** As part of the internationally agreed regulatory reform agenda to strengthen the international financial system, the BCBS has issued new or revised regulatory and supervisory frameworks, standards or requirements for implementation by member jurisdictions. During 2021, the PA continued its consultation with stakeholders in respect of the proposed amendments to the Regulations relating to Banks (Regulations) to incorporate: - the revised supervisory framework for measuring and controlling large exposures; and - the total loss-absorbing capacity (TLAC) holdings standard. Following the conclusion of the consultation process, the Minister of Finance approved and issued the required amendments to the Regulations in terms of section 90 of the Banks Act 94 of 1990 (Banks Act), with an implementation date of 1 April 2022. During 2022, the PA continued its consultation with stakeholders in respect of the proposed amendments to the Regulations to incorporate: - the revised securitisation framework and related requirements for the capital treatment of simple, transparent and comparable (STC) securitisations; and - the revised standard for banks' exposure to Interest Rate Risk in the Banking Book (IRRBB). Following the conclusion of the consultation processes, the Minister of Finance approved and issued the required amendments to the Regulations in terms of section 90 of the Banks Act, with an implementation date of: - 1 October 2022 in the case of the required amendments to the Regulations incorporating the revised securitisation framework and related requirements for the capital treatment of STC securitisations; and - 1 January 2023 in the case of the required amendments to the Regulations incorporating the revised standard for banks' exposure to the IRRBB.

Areas of immediate focus	Progress made from October 2021 to March 2025
	During the period 2022 to 2024, the PA consulted stakeholders in respect of: - two draft prudential standards to incorporate the revised market risk framework and related requirements for the capital treatment of credit valuation adjustment (CVA) risk respectively; and - proposed amendments to the Regulations to incorporate the remaining components of the Basel III post-crisis reforms, including the revised standardised approach for credit risk, the revised internal ratings-based (IRB) approaches for credit risk, the revised operational risk framework, the revised leverage ratio framework and the revised output floor. The two draft prudential standards and the proposed amendments to the Regulations were progressed during the financial year and were made effective on 1 July 2025. **The PA has issued the following Banks Act Circulars, Directives and Guidance Notes for banks since October 2021 (still effective):** *Banks Act Circulars issued since October 2021* - Circular 2/2023 : Matters related to the fitness and propriety assessment - Circular 3/2023 : Eligibility of a Sukuk bond issuance - Circular 2/2024 : Basel III post-crisis reforms reporting *Banks Act Directives issued since October 2021* - Directive 2/2021 : Matters related to the issuance of additional tier 1 capital instruments that contain contingent 'must-pay' clauses - Directive 4/2021 : Externally facilitated liquidity stress simulations - Directive 5/2021 : Capital framework for South Africa based on Basel III framework - Directive 6/2021 : Matters related to the use of credit risk models to calculate minimum required capital and reserve funds for specialised lending exposures relating to project finance portfolios - Directive 9/2021 : Principles for the sound management of operational risk - Directive 1/2022 : Liquidity coverage ratio: scope of application and matters related to calculation and disclosure - Directive 2/2022 : Requirements for the conducting of the business of a representative office of a foreign banking institution conducting business in South Africa and of a representative office of a South African bank conducting business outside South Africa

Areas of immediate focus	Progress made from October 2021 to March 2025
	- Directive 3/2022 : Matters related to the requirements for measuring and controlling large exposures - Directive 4/2022 : Requirement to submit anti-money laundering and counter-financing of terrorism risk returns to the Prudential Authority on a periodic basis - Directive 5/2022 : Matters relating to liquidity risk - Directive 6/2022 : Matters related to fit and proper assessment requirements pertaining to beneficial owners - Directive 7/2022 : Matters related to fit and proper assessment requirements pertaining to directors and executive officers - Directive 8/2022 : Completion of return relating to operational risk form BA 410 - Directive 9/2022 : Matters relating to domestic money or value transfer services - Directive 10/2022 : Matters related to the criteria for identifying simple, transparent and comparable term and short-term securitisations - Directive 11/2022 : National discretion related to the liquidity coverage ratio - Directive 1/2023 : Matters related to the net stable funding ratio - Directive 2/2023 : Directive for the completion of the form BA 330 and public comments received on the proposed Directive - Directive 3/2023 : Regulatory treatment of accounting provisions - Directive 4/2023 : Directive on operational resilience - Directive 6/2023 : Directive to replace 'D1 of 2021: South African domestic systemically important banks (D-SIBs) to submit group consolidated information on a six-monthly basis' - Directive 7/2023 : Directive on matters relating to eligible external credit assessment institutions - Directive 8/2023 : Threshold amounts related to the revised standardised and IRB approaches for credit risk and the liquidity risk framework - Directive 1/2024 : Pillar 3 disclosure requirements for Interest Rate Risk in the Banking Book (IRRBB) - Directive 2/2024 : Reporting requirements in terms of regulation 46 of the Regulations relating to Banks - Directive 3/2024 : Minimum regulatory requirements relating to the deposits covered by the Corporation for Deposit Insurance and banks' fund liquidity contributions - Directive 4/2024 : Proposed amendments to the Regulations relating to Banks - Directive 5/2024 : Loss absorbency requirements for additional tier 1 and tier 2 capital instruments - Directive 6/2024 : Implementation of a positive cycle-neutral countercyclical capital buffer - Directive 1/2025 : Returns to be submitted to the PA

Areas of immediate focus	Progress made from October 2021 to March 2025
	Banks Act Guidance Notes issued since October 2021 - Guidance Note 5/2021 : Supervisory guidelines for the Advanced Measurement Approach (AMA) - Guidance Note 5/2022 : Supervisory guidelines for matters related to the prevention of banks or controlling companies being used for any money-laundering or other unlawful activity (effective implementation of group controls) - Guidance Note 6/2022 : Supervisory guidelines for matters related to the prevention of banks or controlling companies being used for any money-laundering or other unlawful activity (business risk assessment) - Guidance Note 7/2022 : Guidelines for matters related to the prevention of banks or controlling companies being used for any money-laundering or other unlawful activity in respect of correspondent banking relationships - Guidance Note 9/2022 : Matters related to the credit risk models of banks using the internal ratings-based (IRB) approach (IRB banks), to calculate minimum required capital and reserve funds for their credit risk exposures - Guidance Note 10/2022 : Supervisory guidelines for matters related to the prevention of banks or controlling companies being used for any money-laundering, terrorist financing or other unlawful activity - Guidance Note 11/2022 : Operational risk practices – completion and submission of the form BA 410 - Guidance Note 12/2022 : Guidelines related to risk management practices concerning proliferation financing risk - Guidance Note 3/2023 : Proposed implementation dates in respect of specified regulatory reforms - Guidance Note 4/2023 : Matters on the use of terrorist financing or other unlawful activity - Guidance Note 2/2024 : Guidance on climate-related governance and risk practices for banks - Guidance Note 3/2024 : Guidance on climate-related disclosures for banks - Guidance Note 4/2024 : Criteria for identifying outlier banks in relation to Interest Rate Risk in the Banking Book - Guidance Note 5/2024 : Supervisory guidance for matters related to business risk assessment and assessment for money-laundering, terrorist financing and other unlawful activities

Areas of immediate focus	Progress made from October 2021 to March 2025
	Mutual banks Considering mutual banks' ever-evolving nature, size, complexity and risk profile, the PA is in the process of developing prudential standards covering governance, risk management, operational risk management, credit risk, liquidity risk, IRRBB, capital and leverage requirements as well as economic returns. **The PA has issued the following Directives for mutual banks since October 2021 (still effective):** - Directive 1/2022 : Matters relating to fit and proper assessment requirements pertaining to directors and executive officers - Directive 2/2022 : Matters relating to fit and proper assessment requirements pertaining to beneficial owners - Directive 3/2022 : Matters relating to domestic money or value transfer services - Directive 1/2023 : Reporting requirements in terms of regulation 6 of the Regulations relating to Mutual Banks - Directive 1/2024 : Minimum regulatory requirements relating to mutual banks' fund liquidity contributions to the Corporation for Deposit Insurance **Co-operative banks and co-operative financial institutions** Following the draft prudential standards issued for public consultation in 2021, the PA published four prudential standards for co-operative banks and CFIs – covering registration, operational requirements, governance, risk management and financial soundness – for informal consultation on 16 November 2023. These draft prudential standards introduce tiering of the co-operative banking sector by categorising co-operative banks and CFIs into basic, intermediary and advanced models with commensurate requirements. The PA is planning to issue the consultation report, as well as statement of need for, the intended operation and expected impact of, together with the standards, for formal consultation. Due to their cross-cutting nature, the governance and risk management requirements are being drafted in collaboration with the Financial Sector Conduct Authority (FSCA) as joint standards.

<table>
<tr><th>Areas of immediate focus</th><th>Progress made from October 2021 to March 2025</th></tr>
<tr><td>Implementing the financial conglomerate regulatory and supervisory framework through:
- addressing the risks arising from financial conglomerates through the requirements imposed by the PA through the four financial conglomerate standards;
- ensuring that the PA has a good understanding of the capital requirements applicable to the designated financial conglomerates; and
- ensuring that financial conglomerates are safe and sound, and that conglomerate-specific risks are adequately addressed.</td>
<td>In 2021, the PA’s Designation Panel designated the following financial groups as financial conglomerates:
<table>
<tr><th>Name of holding company of the financial conglomerate</th><th>Date of designation</th></tr>
<tr><td>Absa Group Limited</td><td>3 June 2021</td></tr>
<tr><td>Standard Bank Group Limited</td><td>3 June 2021</td></tr>
<tr><td>Old Mutual Limited</td><td>9 July 2021</td></tr>
</table>
In December 2021, the PA finalised and published four prudential standards for financial conglomerates:
- FC02 : Intragroup transactions and exposures
- FC03 : Auditor requirements
- FC04 : Governance and risk management
- FC05 : Risk concentration

These prudential standards became effective from 1 January 2022.
In January 2022, the PA released the draft ‘FC01: Capital requirements for financial conglomerates’ for field testing. The field testing commenced in February 2022 with designated financial conglomerates and financial groups that volunteered to participate.

The purpose of the field testing is to, among other things, provide:
- an opportunity for financial conglomerates to understand the requirements of the draft ‘Prudential standard on capital’ and to develop systems and processes to calculate capital;
- the holding company of a designated financial conglomerate with details of the technical specifications of the draft ‘Prudential standard on capital’ for calculating the capital requirements;
- financial conglomerates with the reporting template for sending through their calculations;
- the data and learnings on the application of the draft ‘Prudential standard on capital’ to identify any potential shortcomings, which will assist in refining the draft standard before issuing it as a formal prudential standard; and
- an opportunity for the PA to develop systems and processes to assess the capital calculations and risk profiles.</td></tr>
</table>

Areas of immediate focus	Progress made from October 2021 to March 2025
	Since February 2022, the PA has been reviewing the regulatory reporting from financial conglomerates based on the draft capital standard. The analysis has not required any significant changes to the draft standard. The PA will therefore commence with the standard-making process for FC01. The supervisory framework for financial conglomerates is already in use and will undergo refinements to incorporate details of the capital requirements standard.
Strengthening and enhancing the prudential regulatory and supervisory framework for market infrastructures (MIs) through: - the development of a complete regulatory framework that captures all the material risks which are linked to MIs and aligns with international standards.	The first Market Infrastructure Capital Assessment Process (MICAP) assessments were concluded for certain MIs in December 2021. The main purpose of the MICAP is for the PA to continually assess the suitability of an MI's methodologies and risk management practices utilised in quantifying the capital set aside by an entity in response to various risk types. In 2021/22, the PA, together with the FSCA and the Financial Stability Department of the South African Reserve Bank (SARB), reviewed the self-assessment undertaken by MIs to determine compliance with the Principles for Financial Market Infrastructures (PFMI). Thereafter, relevant authorities and the SARB have continued to monitor and assess relevant MIs' observance of the PFMI. In February 2022, the PA, the FSCA and the SARB published a joint roadmap for the development of a regulatory framework for central clearing in South Africa.The roadmap sets out: - a licensing framework for a local central counterparty (CCP), culminating in the licensing of JSE Clear in September 2023; - the timelines for the development of regulatory frameworks relating to an equivalence framework; - the licensing of external financial market infrastructures (FMIs); - exemption criteria for external CCPs and trade repositories (TRs); and - eligibility criteria for over-the-counter (OTC) derivative transactions subject to mandatory clearing. For structured debt instruments, in October 2022, the PA published Directive 10 of 2022 outlining the criteria for identifying STC securitisation schemes, in line with the BCBS's securitisation post-global financial crisis reforms. Thereafter, the PA published an update to the commercial paper exemption notice. The PA is still engaged in the consultation process, with the aim of publishing the final amendments to the commercial paper exemption notice in 2026. In June 2023, the PA and the FSCA, through 'Joint Standard Amendment 1 of 2023', amended 'Joint Standard 2 of 2020: Margin requirements for non-centrally cleared OTC derivative transactions'. The amendments related to: - provisions to enable reporting from authorised OTC derivative providers as well as financial institutions that are counterparties as defined in the Joint Standard;

Areas of immediate focus	Progress made from October 2021 to March 2025
	- provisions enabling the imposition of appropriate risk mitigation requirements by providers wanting to make use of non-cash collateral; - refinements to the provisions on quantitative portfolio margin models to clarify the application requirements on the historical data utilised for calibration that is applicable to the entire identified period of historical data to be utilised for calibration purposes on the quantitative portfolio margin models; - refinements on the phasing in of initial margin requirements to align with the dates communicated in Joint Notice 1 of 2022 ; and - aligning the terminology in the Joint Standard to that of the Financial Sector Regulation Act 9 of 2017 (FSR Act). The draft 'Joint Standard on minimum requirements for market infrastructures' recovery plans' was published for public consultation, which ended in July 2024. The draft Joint Standard proposes minimum requirements to be complied with by MIs in formulating and implementing their recovery plans. Comments on the draft Joint Standard are being considered by the PA and the FSCA. In December 2024, the PA and the FSCA issued a 'Determination of regulatory reporting' in terms of 'Joint Standard 2 of 2020: Margin requirements for non-centrally cleared OTC derivative transactions' to determine the information related to the requirements in the Joint Standard as well as the form, manner, content and frequency of regulatory reporting. During 2024, National Treasury (NT) incorporated comments from the PA and the SARB on the draft Financial Markets Act Amendment Bill. The draft Joint Standard relating to the criteria for exempting an external CCP or an external TR was submitted to NT for tabling in Parliament in January 2025. The finalisation of the draft Joint Standard would signal a key milestone for South Africa's Group of Twenty (G20) commitment to mandating central clearing of OTC derivative transactions.
Strengthening and enhancing the regulatory and supervisory frameworks for insurers through: - an embedded risk-based regulatory and supervisory framework for insurers; and - an approach for regulatory instruments relating to climate change and sustainable finance.	In July 2021, the draft 'Prudential Standard: Public disclosure requirements for insurers' (PDI Standard), under section 45 of the Insurance Act 18 of 2017 (Insurance Act), was published for consultation. The draft PDI Standard requires insurers to disclose specific quantitative and qualitative information. The PA has conducted extensive consultations since 2021 to refine the proposed public disclosure standard, which is currently undergoing internal reviews within the PA's governance structures. In December 2021, through Joint Communication 7 of 2021, the PA and the FSCA confirmed supervisory preference for the naming convention when referencing a licensed insurer or controlling company. The uniformity in the naming convention will ensure consistency across all licensed insurers and controlling companies. Also in December 2021, the PA published prudential standards on the audit requirements for insurers, insurance groups, micro-insurers, Lloyd's and branches of foreign reinsurers. These standards became effective on 1 January 2022. The PA also published Guidance Notice 5 of 2021, which aims to assist insurers and controlling companies in complying with the requirements outlined in the prudential standards. In November 2022, the PA issued Guidance Notice 1 of 2022, which sets out the practices and guidelines aimed at assisting insurers in complying with the requirements of 'Prudential Standard GOI 3: Risk management and internal controls for insurers' and 'Prudential Standard GOI 3.1: Own risk solvency assessment for insurers', as these standards apply to liquidity risk management for insurers. The guidance notice seeks to illustrate the approaches that should be considered in treating and managing an insurer's liquidity risk.

Areas of immediate focus	Progress made from October 2021 to March 2025
	In early 2023, the PA shared with the industry a high-level interim approach to index-based or parametric insurance. This is a form of insurance where claim payments are based on values obtained from an index that serves as a proxy for losses. The PA will consider licensing applications for index-based products under section 5(4) of the Insurance Act. 'Joint Standard 1 of 2024: Outsourcing by insurers' was made by the PA's Prudential Committee (PruCo) and published in May 2024. The Joint Standard became effective on 1 December 2024 and repeals the 'Prudential Standard on governance and the operational standard for insurers (GOI) 5: Outsourcing by insurers'. The Joint Standard is intended to harmonise outsourcing requirements for the insurance sector and to enhance oversight of all material outsourcing by the PA and the FSCA from a prudential and conduct perspective. The Joint Standard sets out the minimum requirements to be complied with by insurers and micro-insurers for the outsourcing of material functions to third-party service providers to ensure that outsourcing does not impair the prudent management of an insurer's business. In November 2024, the PA and the FSCA published Joint Communication 7 of 2024 to: - clarify the current regulatory position regarding the funeral insurance market; - highlight specific concerns of both the funeral parlour industry as well as the PA and the FSCA relating to the current regulatory position and prevailing market practices concerning the distribution of funeral insurance; - provide details of an inter-regulatory project initiated by the PA and the FSCA to review the framework for distributing funeral insurance in South Africa; and - invite key stakeholders to participate in the project to ensure an inclusive and proportional regulatory framework that protects policyholder interests while encouraging sustainable market development for the funeral insurance sector. In May 2024, a draft liquidity risk management standard for insurers was circulated for public consultation. The draft standard addresses the concern that non-traditional insurance activities are not sufficiently covered by the existing liquidity risk framework outlined in 'Financial Soundness Standard for Insurers 6'. Additional consultations were held with specific insurers for further refinements. The progress made on climate change and sustainable finance is discussed below.
Strengthening and enhancing the regulatory and supervisory framework for significant owners through: - an embedded risk-based regulatory and supervisory framework for significant owners; - fit-and-proper significant owners of regulated financial institutions that strengthen the outcome of the objectives of the FSR Act; and - a registry on significant owners.	The PA continues to monitor the significant ownership framework and considers applications for significant ownership of eligible financial institutions through an embedded business process. The PA has conducted policy work to understand concentration, contagion and systemic risk relating to common significant owners. The PA is able to draw a register of significant owners for banks and insurers.

Areas of immediate focus	Progress made from October 2021 to March 2025
Enhancing anti-money laundering and combating the financing of terrorism (AML/CFT) supervision through: - an embedded risk-based supervisory approach to AML/CFT for the banking and life insurance sectors.	During 2022, the PA made significant strides in enhancing its approach towards AML/CFT by implementing a risk-based approach to supervision. Furthermore, actions were taken to improve market entry controls. AML/CFT risk returns were introduced alongside the automation of a risk-rating tool. Understanding of risk was also enhanced through the second round of sectoral risk assessments (which were published in July 2022) and initiatives undertaken, such as the drafting of a subsidiary risk analysis document and a terrorism financing (TF) risk analysis report. Following the greylisting of South Africa, the Financial Action Task Force (FATF) issued an action plan requiring various stakeholders to address specific deficiencies. In addressing the key findings from the October 2021 FATF Mutual Evaluation (ME) Report of South Africa, the PA issued various instruments – including directives in terms of the Banks Act, the Mutual Banks Act 124 of 1993 (Mutual Banks Act) and the Financial Intelligence Centre Act 38 of 2001 (FIC Act) as well as sector-specific guidance notes – all of which focused on AML/CFT/counter-proliferation financing (CPF) aspects: **Directives** - Directive issued in 2022 by the PA in terms of section 43A(2) of the FIC Act: 'Requirement to obtain the identity of the beneficiaries of life insurance policies and incorporate the beneficiaries as a risk factor when determining the overall money-laundering and terrorist-financing risk rating of a client' - Directive 1/2022 : Matters related to fit and proper assessment requirements pertaining to directors and executive officers (mutual banks) - Directive 2/2022 : Matters related to fit and proper assessment requirements pertaining to beneficial owners (mutual banks) - Directive 3/2022 : Matters relating to domestic money or value transfer services for mutual banks - Directive 4/2022 : Requirement to submit anti-money laundering and counter-financing of terrorism risk returns to the Prudential Authority on a periodic basis - Directive 6/2022 : Matters related to fit and proper assessment requirements pertaining to beneficial owners (banks) - Directive 7/2022 : Matters related to fit and proper assessment requirements pertaining to directors and executive officers - Directive 9/2022 : Matters relating to domestic money or value transfer services for banks **Guidance Notes** - Guidance Note 5/2022 : Supervisory guidelines for matters related to the prevention of banks or controlling companies being used for any money-laundering or other unlawful activity, for effective implementation of adequate anti-money laundering and combating of terrorist financing (AML/CFT) group controls in the operation of their respective group entities - Guidance Note 6/2022 : Supervisory guidelines for matters related to the prevention of banks or controlling companies being used for any money-laundering or other unlawful activity, related to the formulation of appropriate business risk assessments which contribute to effective money laundering and terrorist financing (ML/TF) and proliferation financing (PF) risk management

Areas of immediate focus	Progress made from October 2021 to March 2025
	- Guidance Note 7/2022 : Guidelines for matters related to the prevention of banks or controlling companies being used for any money-laundering or other unlawful activity in respect of correspondent banking relationships - Guidance Note 10/2022 : Supervisory guidelines for matters related to the prevention of banks or controlling companies to inform banks and controlling companies of practices related to the effective implementation of adequate anti-money laundering and counter-financing of terrorism (AML/CFT) controls in relation to crypto-assets (CAs) and crypto-asset service providers (CASPs) - Guidance Note 12/2022 : Guidelines related to risk management practices concerning proliferation financing risk - Guidance Note 4/2023 : Guidelines for matters related to the prevention of banks or controlling companies being used for terrorist financing or other related unlawful activity in respect of matters concerning adequate counter-financing of terrorism (CFT) controls - Guidance Note 5/2024 : Supervisory guidance for matters related to business risk assessments and the assessment of money-laundering, terrorist financing and other unlawful activity for matters related to business risk assessments and the assessment of money-laundering, terrorist financing and other unlawful activity The PA and the FSCA have commenced developing a joint standard which applies to the beneficial owners of financial institutions. This joint standard is intended to prescribe requirements for honesty and integrity of beneficial owners as well as the duties of financial institutions with regard to their beneficial owners.
Developing an approach to the prudential regulation of retirement funds, collective investment schemes (CISs), friendly societies and medical schemes.	The PA and the FSCA have progressed in developing an approach for the prudential regulation and supervision of retirement funds, CISs and CIS managers. Research is currently being conducted on the friendly societies sector, to inform the development of an appropriate regulatory and supervisory framework. Engagements are underway with the Council for Medical Schemes (CMS) regarding the prudential regulation and supervision of medical schemes.
Developing cross-sectoral regulatory instruments for harmonising requirements across different industries.	The 'Joint Standard on information technology governance and risk management' was published in November 2023 and became effective on 15 November 2024. The 'Joint Standard on cybersecurity and cyber resilience' was published in May 2024 and became effective from 1 June 2025. A draft 'Joint Standard on governance requirements' is still being developed and will be published for formal consultation in due course.

Additional priorities	Progress made from October 2021 to March 2025
Transformation, financial inclusion and competition	*Transformation:* The PA monitors insurers' adherence to internal transformation plans. It has also engaged banks on their commitments and progress made under the Financial Sector Charter Code. *Financial inclusion:* The PA continues to support financial inclusion through initiatives aligned with its core statutory mandate. These initiatives include regulation, supervision, data collection as well as stakeholder co-operation and collaboration. The SARB is a member of the Alliance for Financial Inclusion (AFI) and the Global Partnership for Financial Inclusion (GPFI). The AFI is a global policy leadership alliance that works to advance financial inclusion. Furthermore, the G20 is promoting reforms to support a more inclusive financial sector, endorsing the Financial Inclusion Action Plan (FIAP) and establishing the GPFI as a coordinating platform. The GPFI coordinates the implementation, by signatory countries, of the FIAP and the G20 Principles for Innovative Financial Inclusion. *Competition:* The PA is collaborating with the SARB to research competition in the financial sector and to determine the PA's regulatory and supervisory approach.
Supporting financial innovation and new technologies	The PA promotes responsible innovation through its continued participation in the Intergovernmental Fintech Working Group (IFWG). The BCBS was consulted on amendments to its framework for the prudential treatment of banks' crypto-asset exposures. The revised framework was published in 2024. The PA is drafting a prudential standard and related disclosure requirements on banks' crypto-asset exposures. Currently, the PA does not have an explicit policy and regulatory framework focused on using and applying artificial intelligence (AI) in the financial sector. However, during 2024, the PA and the FSCA issued the 'Joint Standard on information technology governance and risk management', which broadly covers the governance of technologies such as AI that are deployed within regulated financial institutions. The PA is also part of the SARB's AI Community of Practice, which, among other things, is responsible for exploring the regulatory and supervisory implications of AI within financial services. To support this work, during 2024, the PA and the FSCA conducted a joint survey targeting financial institutions' views on the materiality of AI adoption within the financial sector. This study aims to thoroughly investigate the AI landscape within South Africa's financial sector, with a specific focus on the safety and soundness of financial institutions, consumer protection and financial stability. Participating institutions have responded to the survey, and the PA is currently analysing the results, with anticipation to finalise the report in due course.

Additional priorities	Progress made from October 2021 to March 2025

Developing appropriate regulatory and supervisory approaches to sustainable finance and climate change	The PA established the Prudential Authority Climate Task Team (PACTT) in 2019 with a mandate to promote, develop and coordinate the PA's regulatory and supervisory response to climate risks that will impact on the entities regulated and supervised by the PA, and to drive these interventions in a coordinated and collaborative way within the PA, within the SARB and with other relevant stakeholders, taking physical and transition risks into account. Over the past four years, the PACTT has executed on its mandate as follows; it:
	- enhanced the knowledge and understanding of climate-related risks within the PA through:
	  ◦ information sessions where presenters (both internal and external) covered various climate-related topics;
	  ◦ the development of a supervisory guideline on climate-related risks for frontline supervisors;
	  ◦ discussions with the boards of directors (boards) of banks and insurers as part of the 2023 flavour-of-the-year process;
	  ◦ participating in various surveys from international organisations; and
	  ◦ participating in local and international committees, webinars, roundtable discussions, seminars etc;
	- enhanced the PA's understanding of the industry's landscape on climate-related matters through a voluntary survey on disclosures followed by a mandatory survey on strategy, risk management, governance, disclosures, stress-testing and scenario analysis;
	- developed Prudential Communication 10 of 2022 to provide the industry with the PA's position and high-level expectations on climate-related risks;
	- enhanced its regulatory framework for climate-related risks by developing guidance notes for climate-related risk management, governance and disclosures for banks and insurers, which were published in 2024;
	- published an observations report that aggregates the outcomes of the board discussions during the 2023 flavour-of-the-year process;
	- collaborated with external parties by hosting workshops and meetings on climate risk indicators and credit risk assessments; and
	- provided training for other African regulators and supervisors on climate-related risks and specifically the PA's approach.
	
	During the period under review, the PA continued monitoring sustainable finance market developments and emerging practices to inform local and international policy and to set standards for prudential authorities. The PA actively contributes to climate-related discussions, surveys, papers and working groups, including the BCBS, the Financial Stability Board (FSB), the International Association of Insurance Supervisors (IAIS), the Network of Central Bankers and the Network for Greening the Financial System (NGFS).

Abbreviations

AFI	Alliance for Financial Inclusion
AI	artificial intelligence
AMA	advanced measurement approach
AML	anti-money laundering
AML/CFT	anti-money laundering/combating the financing of terrorism
AML/CFT/CPF	anti-money laundering/combating the financing of terrorism/counter-proliferation financing
Banks Act	Banks Act 94 of 1990
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
board	board of directors
CA	crypto-asset
CASP	crypto-asset service provider
CCP	central counterparty
CDRC	Cross-Departmental Research Committee
CEO	Chief Executive Officer
CFI	co-operative financial institution
CFT	combating the financing of terrorism
CGAP	Consultative Group to Assist the Poor
CIS	collective investment scheme
CMS	Council for Medical Schemes
CODI	Corporation for Deposit Insurance
CPF	counter-proliferation financing
CSD	central securities depository
CVA	credit valuation adjustment
Directive 1 of 2022	Directive for conduct within the national payment system in respect of the Financial Action Task Force recommendation for electronic funds transfers
D&I	diversity and inclusion
D-SIB	domestic systemically important bank
EFA	enablement focus areas
FATF	Financial Action Task Force
FIAP	Financial Inclusion Action Plan
FIC	Financial Intelligence Centre
FIC Act	Financial Intelligence Centre Act 38 of 2001
FI Forum	Financial Inclusion Forum
Financial Markets Act	Financial Markets Act 19 of 2012
fintech	financial technology
FIWG	Financial Inclusion Working Group
FMI	financial market infrastructure
FRRSC	Financial Regulatory Reform Steering Committee
FSAP	Financial Sector Assessment Programme

FSB	Financial Stability Board
FSCA	Financial Sector Conduct Authority
FSOC	Financial Stability Oversight Committee
FSR Act	Financial Sector Regulation Act 9 of 2017
G20	Group of Twenty
GPFI	Global Partnership for Financial Inclusion
HoD	Head of Department
HR	human resources
IAIS	International Association of Insurance Supervisors
ICS	Insurance Capital Standard
IFWG	Intergovernmental Fintech Working Group
IMF	International Monetary Fund
Insurance Act	Insurance Act 18 of 2017
IOSCO	International Organization of Securities Commissions
IRB	internal ratings-based
IRRBB	Interest Rate Risk in the Banking Book
ISBN	International Standard Book Number
I&T	information and technology
IT	information technology
Joint Roadmap	Joint Roadmap for the Development of a Regulatory Framework for Central Clearing in South Africa
Levies Act	Financial Sector and Deposit Insurance Levies Act 11 of 2022
Levies Administration Act	Financial Sector and Deposit Insurance Levies Administration Act 12 of 2022
Manco	Management Committee
ME	Mutual Evaluation
MI	market infrastructure
MICAP	Market Infrastructure Capital Assessment Process
ML/TF	money laundering/terrorism financing
ML/TF/PF	money laundering/terrorism financing/proliferation financing
MoU	memorandum of understanding
Mutual Banks Act	Mutual Banks Act 124 of 1993
MVP	minimal viable product
NCR	National Credit Regulator
NGFS	Network for Greening the Financial System
NPSD	National Payment System Department
NT	National Treasury
OECD	Organisation for Economic Co-operation and Development
OTC	over-the-counter
PA	Prudential Authority
PACTT	Prudential Authority Climate Task Team
PARAC	Prudential Authority Regulatory Action Committee
PDI Standard	Prudential Standard: Public disclosure requirements for insurers
PEM (Programme)	Payment Ecosystem Modernisation (Programme)

PF	proliferation financing
PFMI	Principles for Financial Market Infrastructures
PruCo	Prudential Committee
RAS	Risk Appetite Statement
Regulations	Regulations relating to Banks
RGU	Regulatory Guidance Unit
SADC	Southern African Development Community
SARB	South African Reserve Bank
SARB Act	South African Reserve Bank Act 90 of 1989, as amended
SFA	strategic focus area
STC	simple, transparent and comparable
suptech	supervisory technology
TF	terrorism financing
TLAC	total loss-absorbing capacity
TNFD	Task Force on Nature-related Disclosures
TOM	Target Operating Model
TR	trade repository