FSB- G20 - MONITORING PROGRESS – South Africa September 2010 [For Publication in March 2011]

#		G20/FSB RECOMMENDATIONS		DEAD-LINE	PROGRESS TO DATE	PLANNED NEXT STEPS
					Explanatory notes: In addition to information on progress to date, specifying steps taken, please address the following questions: 1. Have there been any material differences from relevant international principles, guidelines or recommendations in the steps that have been taken so far in your jurisdiction? 2. Have the measures implemented in your jurisdiction achieved, or are they likely to achieve, their intended results? Also, please provide links to the relevant documents that are published.	Explanatory notes: Timeline, main steps to be taken and key mileposts (Do the planned next steps require legislation?) Are there any material differences from relevant international principles, guidelines or recommendations that are planned in the next steps? What are the key challenges that your jurisdiction faces in implementing the recommendations?
I. Building high quality capital and mitigating procyclicality						
1	(Pitts)	Basel II Adoption	All major G20 financial centres commit to have adopted the Basel II Capital Framework by 2011.	By 2011	South Africa has fully implemented Basel II, with effect from January 2008 and is continuously updating its regulatory practice to keep up with BCBS standards.	South Africa will closely monitor any reform to the Basel framework. The implementation of new proposals will take place through regulations and amendments to the Banks Act. The latest draft of these are available at www.reservebank.co.za
2	(FSB 2009) (Tor)	Basel II trading book revision	Significantly higher capital requirements for risks in banks' trading books will be implemented, with average capital requirements for the largest banks' trading books at least doubling by end-2010. We welcomed the BCBS agreement on a coordinated start date not later than 31 December 2011 for all	By end-2011	The Banks Act and Regulations Relating to Banks are in the process of being amended to reflect revisions to the Basel II capital framework.	Draft regulations were issued at end-October, 2010. The Banks Act is on course for being amended by mid 2011.

			elements of the revised trading book rules.			
3	(Pitts)	Build-up of capital by banks to support lending	We call on banks to retain a greater proportion of current profits to build capital, where needed, to support lending.	Ongoing	South African banks are well capitalised with a mandated capital adequacy ratio of 9.5 per cent. Currently, banks are capitalised to well above this ratio (14.4 per cent as of May 2010)	South Africa will continue to closely monitor bank capitalisation and credit extension in the domestic economy.
4	(FSF 2009)	Basel II – Pillar 2 enhancement	1.4 Supervisors should use the BCBS enhanced stress testing practices as a critical part of the Pillar 2 supervisory review process to validate the adequacy of banks' capital buffers above the minimum regulatory capital requirement.	End-2009 and ongoing	South Africa requires banks to undertake regular stress tests. In addition, following upon the recent top down stress testing exercise undertaken as part of the 2008 FSAP review, the Bank supervision department of the central bank is developing common stress scenarios to be sent to banks and which are to be applied to their portfolios.	Thematic stress testing reviews, culminating with the benchmarking of each banking group's practices against the BCBS 2009 publication setting out principles for sound stress testing were undertaken at the major banking institutions during the current year. The thematic reviews include a demonstration of how the results of such stress tests have been used to determine the capital buffer.
5	(Lon)	Supplementation of Basel II by simple, transparent, non-risk based measure	Supplement risk-based capital requirements with a simple, transparent, non-risk based measure which is internationally comparable, properly takes into account off-balance sheet exposures, and can help contain the build-up of leverage in the banking system.	Ongoing	The South African banking sector has a leverage ratio of approximately 7.8 per cent as of May 2010, which is well in excess of many global banks.	We believe that the provision of a simple, uniform methodology for calculating leverage ratios will facilitate a cross-country/border comparison of leverage and will implement it as soon as it is feasible.
6	(Pitts)	Development of international rules to improve quantity & quality of bank capital	We commit to developing by end-2010 internationally agreed rules to improve both the quantity and quality of bank capital and to discourage excessive leverage. These rules	End-2010, implement over a timeframe that is consistent with sustained recovery	Capitalisation levels in the South African banking system are high and the quality of capital is of a high standard. South Africa currently has a minimum required capitalisation ratio is 9.5%. The average capital adequacy ratio for the sector at end of May 2010 was 14.4%, excluding foreign currency translation reserve and share based payments reserves, both of which are currently not recognised as qualifying reserves. This is an	South Africa will continue to participate in any process of reform of the Basel framework, and, as such, monitors all proposed changes.

	(Tor)		will be phased in as financial conditions improve and economic recovery is assured, with the aim of implementation by end-2012. We agreed that all members will adopt the new standards and these will be phased in over a timeframe that is consistent with sustained recovery and limits market disruption, with the aim of implementation by end-2012, and a transition horizon informed by the macroeconomic impact assessment of the FSB and BCBS.	and limits market disruption	improvement of 0.7 per cent from June 2009. Furthermore, primary capital and reserve funds (tier 1 capital) amounts to 11.2 per cent of risk weighted capital assets (as of May 2010). This is an improvement of 0.5 per cent from June 2009.	
7	(FSF 2008)	Monitoring of banks' implementation of the updated guidance	II.10 National supervisors should closely check banks' implementation of the updated guidance on the management and supervision of liquidity as part of their regular supervision. If banks' implementation of the guidance is inadequate, supervisors will take more prescriptive action to improve practices.	Ongoing	All banks share their liquidity plans with the supervisor. This topic was the subject of the 2009 annual meetings between the boards of directors of banks and banking groups with the bank regulators where banks are required to demonstrate how they comply with the September 2008 Basel committee publication setting out Principles for Sound Liquidity Risk Management. Banks liquidity contingency plans are regularly reviewed by the Bank Supervisors and this also forms part of the Stress testing thematic reviews which were conducted through 2009.	Monitoring of compliance is ongoing. A review of liquidity risks is being undertaken by a joint task team comprising the Treasury, Bank Supervisor and financial services regulator.
8	(Lon)	Development of liquidity framework	The BCBS and national authorities should develop and	By 2010	South Africa will participate and fully cooperate with any process of international banking reform. The banking regulator is meeting with representatives of industry to	Monitoring of compliance will be ongoing.

			agree by 2010 a global framework for promoting stronger liquidity buffers at financial institutions, including cross-border institutions.		formulate a strategy to meet the required liquidity standards.	
9	(FSB 2009)	Enhancement of supervision of banks' operation in foreign currency funding markets	Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.	Ongoing	Exposure of the banking system to foreign currency funding is strictly regulated.	Monitoring of compliance is ongoing.
10	(FSF 2008)	Strengthening of regulatory and capital framework for monolines	II.8 Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit.	Ongoing	There are no monoline insurers operating in South Africa	Not applicable
II. Strengthening accounting standards						
11	(WAP)	Consistent application of high-quality accounting standards	Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards.	Ongoing	IFRS has been fully implemented.	Monitoring of compliance is ongoing.
12	(FSF 2009)	The use of valuation reserves or adjustments by accounting standard setters	3.4 Accounting standard setters and prudential supervisors should examine the use of valuation reserves or	End-2009	Awaiting guidance from accounting standard setters on the desired approach to relevant accounting standards. Banking groups, in terms of banking legislation, are obliged to comply with the Basel 2 Pillar 3 requirements.	As we receive guidance from international standard setters, we will amend guidance for firms on accounting standards.

		and supervisors	adjustments for fair valued financial instruments when data or modelling needed to support their valuation is weak.			
13	(FSF 2009)	Dampening of dynamics associated with FVA.	3.5 Accounting standard setters and prudential supervisors should examine possible changes to relevant standards to dampen adverse dynamics potentially associated with fair value accounting. Possible ways to reduce this potential impact include the following: (1) Enhancing the accounting model so that the use of fair value accounting is carefully examined for financial instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements.	End-2009	Awaiting guidance from accounting standard setters on the desired approach to relevant accounting standards. Banking groups, in terms of banking legislation, are obliged to comply with the Basel 2 Pillar 3 requirements.	As we receive guidance from international standard setters, we will amend guidance for firms on accounting standards.
14	(FSF 2008)	Enhanced disclosure of securitised products	III.10-III.13 Securities market regulators should work with market participants to expand information on securitised products and their underlying assets.	Ongoing	The Financial Services Board – South Africa's non-bank financial regulator – has implemented a process to strengthen the reporting of information on securitised products and underlying assets as well as improved disclosure of all complex financial products.	New regulations may be required and will be developed to this end.

III. Reforming compensation practices to support financial stability						
15	(Lon) (Pitts)	Implementation of FSB/FSF compensation principles	National supervisors should ensure significant progress in the implementation of FSF sound practice principles for compensation by financial institutions by the 2009 remuneration round. We fully endorse the implementation standards of the FSB aimed at aligning compensation with long-term value creation, not excessive risk-taking. Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary	End-2010	A review of compensation practices has already been completed by the banking regulator. Necessary amendments to the Regulations Relating to Banks have been introduced. These amendments will bring the Regulations in line with recommendations made by the Basel Committee on Banking Supervision in 2010.	Draft regulations were issued end-October, 2010. The Banks Act is on course for being amended by mid 2011.

	(Tor)		public intervention. We call on firms to implement these sound compensation practices immediately. We encouraged all countries and financial institutions to fully implement the FSB principles and standards by year-end, We call on the FSB to undertake ongoing monitoring in this area and conduct a second thorough peer review in the second quarter of 2011.			
16	(Pitts)	Supervisory review of firms' compensation policies etc.	Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention.	Ongoing	A review of compensation practices has already been completed by the banking regulator. Necessary amendments to the Regulations Relating to Banks have been introduced. These amendments will bring the Regulations in line with recommendations made by the Basel Committee on Banking Supervision in 2010.	Draft regulations were issued end-October, 2010. The Banks Act is on course for being amended by mid 2011.

IV. Improving OTC derivatives markets						
17	(Lon)	Development of action plan on the standardization of CDS markets (eg CCP)	We will promote the standardization and resilience of credit derivatives markets, in particular through the establishment of central clearing counterparties subject to effective regulation and supervision. We call on the industry to develop an action plan on standardisation by autumn 2009.	Autumn 2009	National Treasury, FSB, industry and JSE representatives have formed a task team to implement standardisation of derivatives markets.	Following the review, relevant legislation will be introduced.
18	(Pitts)	Trading of all standardized OTC derivatives on exchanges etc.	All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements.	By end-2012 at the latest	South Africa is fully cooperating with resolutions made in this regard and will introduce appropriate legislation and amendments to legislation to, *inter alia*, allow for centralised clearing of OTC contracts.	Financial Markets Bill to be introduced in 2011 which will accommodate changes to the regulatory treatment of OTC contracts.
V. Addressing cross-border resolutions and systemically important financial institutions						
19	(Pitts)	Consistent, consolidated supervision and regulation of SIFIs	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high	Ongoing	As part of risk management, South African regulators are enlarging the scope of regulation to take into account systemic risks	Ongoing monitoring of international development of appropriate standards of measurement.

			standards.			
20	(Pitts)	Development of resolution tools and frameworks for the effective resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future	We should develop resolution tools and frameworks for the effective resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future. Our prudential standards for systemically important institutions should be commensurate with the costs of their failure. The FSB should propose by the end of October 2010 possible measures including more intensive supervision and specific additional capital, liquidity, and other prudential requirements.	October 2010	Awaiting guidance from the FSB on how to regulate and resolve SIFIs	Ongoing.
VI. Strengthening adherence to international supervisory and regulatory standards.						
21	(Lon)	Adherence to international prudential regulatory and supervisory standards	We call on all jurisdictions to adhere to the international standards in prudential, tax and AML/CFT areas. We are committed to strengthened adherence to international prudential regulatory and supervisory standards.	Ongoing	South Africa is a signatory to all relevant conventions and standards. Remaining ROSCs from the 2008 FSAP were completed in 2010 and South Africa was found to be compliant with most standards. The results of the ROSC have been forwarded to the Financial Stability Board. South Africa underwent its second FATF assessment in 2008. The report was released in February 2009 and found that South Africa fully complied with 12 out of the 16 core and key FATF 40 + 9 Recommendations.	South Africa is continuously monitoring any updates to international standards to which it is a signatory.

22	(Lon)	Periodic peer reviews	FSB members commit to pursue the maintenance of financial stability, enhance the openness and transparency of the financial sector, implement international financial standards, and agree to undergo periodic peer reviews, using among other evidence IMF / World Bank FSAP reports.	Ongoing	The remaining ROSCs of the 2008 IMF-led FSAP have been completed in 2010.	South Africa will be peer-reviewed by the Financial Stability Board in 2012.
23	(WAP)	Undertaking of FSAP	All G20 members commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessment of countries' national regulatory systems.	Ongoing	The IMF / World Bank completed an FSAP Update on South Africa during 2008, which included one ROSC. The remaining ROSCs were all completed in 2010 (http://www.imf.org/external/country/zaf/index.htm). South Africa has forwarded the results of the ROSC to the Financial Stability Board. South African regulators are largely compliant with most regulatory standards.	Completed.
24	(FSF 2008)	Additional steps to check the implementation of int'l guidance	V.11 National supervisors will, as part of their regular supervision, take additional steps to check the implementation of guidance issued by international committees.	Ongoing	South Africa is a signatory to all international standards and South African regulators participate in and closely monitor any processes of review of these standards.	Ongoing.
VII. Other issues						
Developing macroprudential frameworks and tools, realigning and ensuring an adequate balance between macroprudential and microprudential supervision						

25	(Lon)	Amendment of regulatory systems to take account of macro-prudential risks	Amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of systemic risk.	Ongoing	Current legislation for banking institutions provides the requisite powers to identify such risks. This is also supplemented by an MOU and regular interaction between the bank and non bank regulators. South Africa has formed an interagency working group to review the current approach to prudential regulatory standards. This forms part of the working group's terms of reference, and concrete proposals to amend regulatory legislation is expected in the medium term. Further, the National Treasury is presently chairing a committee investigating structural funding and liquidity risk management in the South African financial system. The committee comprises representatives from the banking and insurance regulators, as well as representatives from the financial services industry [Update after Seoul Summit] South Africa is moving to a "twin-peak system" of financial regulation. The central bank will be responsible for both macroprudential and microprudential regulation and supervision. The central bank's role in financial stability has also been strengthened, and a interagency Financial Stability Oversight Committee, jointly chaired by the Minister of Finance and the Governor of the Reserve Bank has been created. The financial services regulator will be responsible for market conduct. For details, please see the discussion document (*Strengthening the Financial Sector to Better Serve South Africa*) published in December 2010 at www.treasury.gov.za/documents/mtbps/2010/Financial%20Regulation.pdf	The review by the working group and the structural funding committee will determine whether new legislation is necessary.
26	(Lon)	Powers for gathering relevant information by national regulators	Ensure that national regulators possess the powers for gathering relevant information on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to	Ongoing	South Africa is currently reviewing legislation on information gathering. The preliminary outcome of the review indicates that the Banking Supervisor has sufficient powers to gather relevant information. However, legislation compels the Supervisor to keep this information confidential. As such, we are considering whether or not these powers should be extended to other regulators, similarly to the Australian model, or if the information sharing responsibilities of the supervisor should be increased. The Financial Services Board can request any information from its regulated entities. In respect of securities, any operational risks that may cause a systemic risk will be addressed by the Financial Sector Contingency Forum (FSCF). This is a forum that is represented by, amongst others, the SA Reserve Bank, Financial Services Board and the SROs. The Financial Services Board is also a signatory to the IOSCO	A regulators roundtable was formed in 2008 to improve regulatory coordination. Government is considering a proposal to formalise the roundtable into a council of regulators. Sub-committees on financial stability, enforcement, market conduct and legislative alignment presently report to the roundtable.

			contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions.		Multilateral MoU.	
27	(Lon)	Review of the boundaries of the regulatory framework	We will each review and adapt the boundaries of the regulatory framework to keep pace with developments in the financial system and promote good practices and consistent approaches at an international level.	Ongoing	South Africa has formed an interagency working group to review the current scope of regulation. As part of its mandate, this working group will consider these risks and propose changes to regulations.	The South African Financial Services Board is currently involved in this process in reviewing and amending the Securities Services Act, 2004.
28	(FSF 2009)	Use of macro-prudential tools	3.1 Authorities should use quantitative indicators and/or constraints on leverage and margins as macroprudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific	End-2009 and ongoing	South African authorities are undertaking work on improving the approach to leverage ratios and capital requirements, in line with BCBS proposals. Currently leverage ratios are computed for the sector on a monthly basis as well as for the 5 biggest banks constituting 90% of banking sector assets. At May 2010 the total sector leverage ratio stood at 7.33 per cent, compared to 5.88 in June 2009. The Financial Stability Department of the South African Reserve Bank uses quantitative indicators as part of its macroprudential tools to analyse the financial services sector. Improvement of the existing tools and the development of new one are ongoing. The Financial Services Board is currently investigating ways to regulate the trading in certain unlisted derivatives, and this issue will be addressed in future regulations.	South Africa is awaiting any further guidance from the BCBS and the Financial Stability Board.

			and at the macroprudential (system-wide) level. On leverage ratios for banks, work by the BCBS to supplement the risk based capital requirement with a simple, non-risk based leverage measure is welcome. Authorities should review enforcing minimum initial margins and haircuts for OTC derivatives and securities financing transactions.			
29	(WAP)	Monitoring of asset price changes	Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system.	Ongoing	The central bank monitors asset prices as part of its financial stability surveillance programme. The effects of changing prices on the banking sector are closely monitored by the Bank Supervision Department of the central bank as well as the linkage to loan impairment levels.	Currently the inflation targeting regime does not explicitly incorporate asset prices though, in common with almost all countries that use this approach. Further research into the nexus between asset prices, monetary policy and financial stability, is however required and we welcome initiatives in this regard by the G-20 and the FSB.

30	(FSF 2008)	Supervisory resources and expertise to oversee the risks of financial innovation	V.1 Supervisors should see that they have the requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks.	Ongoing	In the banking system, adequate steps have been taken by the Banking Supervision department to ensure the adequacy of resources so as to be able to understand the risks arising as a result of financial innovation. Whenever banks seek to introduce new products an engagement takes place with the Bank Supervision Department to ensure that the department is comfortable with the risks relating to such products as well as the adequacy of the governance processes undertaken by the bank to satisfy itself regarding the acceptability of the risks, the adequacy of systems to be used to manage such products and risks arising these products and skill of the personnel to be used to oversee such products.	South Africa has formed an interagency working group to review the current scope of regulation. As part of its mandate, this working group will consider the risks posed from financial innovation to different regulators and propose changes to regulations.
31	(FSF 2008)	Supervisory communication with firms' boards and senior management	V.2 Supervisors and regulators should formally communicate to firms' boards and senior management at an early stage their concerns about risk exposures and the quality of risk management and the need for firms to take responsive action. Those supervisors who do not already do so should adopt this practice.	Ongoing	South Africa's banking supervisor regularly and formally communicates concerns with bank's boards of directors, with whom there are formal scheduled meetings each year. In addition, any issues of concern are escalated to the board chairman when they arise. Furthermore, should a need a rise, special meetings with the boards of directors, relevant sub-committees of the board, chairperson of the board or independent non executive directors are held. South Africa's non-banking financial services supervisor (the Financial Services Board) has adopted a risk-based approach to supervision that entails a regular review of financial institutions' risks and quality of risk management. Any concerns are communicated to the institution's board and senior management. The Financial Services Board on an annual basis gets the self-regulatory organisations (exchange and central securities depository) to complete a self-assessment review. Based on the responses of the reviews, the Financial Services Board conducts on-site reviews on the SROs.	Monitoring of compliance is ongoing
32	(FSF 2008)	Improved cooperation between supervisors and central banks	V.8 Supervisors and central banks should improve cooperation and the exchange of information including in the	Ongoing	South Africa supports the development of additional mechanisms. Currently SA has a number of MoU's in place governing the exchange of information and cooperation. There currently exists a MOU between the South African banking regulator and the South African non bank regulator, called the Financial	A regulators roundtable was formed in 2008 to improve regulatory coordination. Government is considering a proposal to formalise the roundtable into a council of regulators.

			assessment of financial stability risks. The exchange of information should be rapid during periods of market strain.		Services Board, which enables the sharing of institution specific information between the two regulatory bodies. In respect of securities, any operational risks that may cause a systemic risk will be addressed by the Financial Sector Contingency Forum (FSCF). This is a forum that is represented by, amongst others, the SA Reserve Bank, Financial Services Board and the SROs. The Financial Services Board is also a signatory to the IOSCO Multilateral MoU.	Sub-committees on financial stability, enforcement, market conduct and legislative alignment presently report to the roundtable.
Hedge funds						
33	(Lon)	Registration of hedge funds	Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their leverage, necessary for assessment of the systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management.	End-2009	In South Africa, all hedge fund managers are already required to register and report certain information to the Financial Services Board. The reporting and disclosure requirements for hedge fund managers will be reviewed in line with IOSCO recommendations.	Legislative amendments will be considered as part of the review process.
34	(Lon)	Effective oversight of cross-border	We ask the FSB to develop mechanisms for	End-2009	We cooperate fully with the cross-border group of the Financial Stability Board and await any further guidance on issues relating to regulation of cross-border institutions and groups.	Ongoing

		funds	cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009.			
35	(Lon)	Effective management of counter-party risk associated with hedge funds	Supervisors should require that institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures.	Ongoing	Banking institutions with exposures to hedge funds are required to manage such exposures in line with sound risk management processes and banking legislation provides sufficient powers for the bank regulator to obtain information relating to such exposures whenever it is deemed necessary. However, currently the hedge fund industry is relatively small and so there are no systemic risk issues. Nevertheless, as noted above, South Africa is in the process of reviewing hedge fund regulations, and these will reflect the need to manage counterparty risk.	Monitoring of compliance is ongoing
36	(FSF 2008)	Guidance on the management of exposures to leveraged counterparties	II.17 Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties	Ongoing	As above, banking institutions with large exposures are expected to manage these and report to the bank regulator.	Monitoring of compliance is ongoing

Credit rating agencies						
37	(Lon)	Registration of CRAs etc.	All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals.	End-2009	The Financial Services Board is in the process of proposing how credit rating agencies should be regulated in the South African markets. Implementation planned for late 2009. In respect of Credit Rating Agencies (CRA), whose ratings are used by banks in terms of Basel 2, these have, in terms of banking legislation, to be approved by the banking regulator and such approval is subject to annual review.	New legislation has been proposed in the form of a Credit Rating Agencies Bill, which is expected to be introduced to Parliament in 2011
38	(Lon)	CRA practices and procedures etc.	National authorities will enforce compliance and require changes to a rating agency's practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process. CRAs should differentiate ratings for structured products and provide full disclosure of their	End-2009	These requirements will be included as part of the CRA regulations that will be promulgated in terms of the CRA Act.	The CRA Act is expected to be introduced to Parliament in 2011.

			ratings track record and the information and assumptions that underpin the ratings process. The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO.			
39	(FSB 2009)	Globally compatible solutions to conflicting compliance obligations for CRAs	Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010.	As early as possible in 2010	The legislation provides for CRAs that are fully compliant in appropriate with foreign jurisdictions to operate in South Africa only subject to registration. Regular reports on their adherence to the rules in foreign jurisdictions will be required.	The CRA Act is expected to be introduced to Parliament in 2011.
40	(FSF 2008)	Review of roles of ratings in regulations and supervisory rules	IV. 8 Authorities should check that the roles that they have assigned to ratings in regulations and supervisory rules are consistent with the objectives of having investors make independent	Ongoing	The role of credit ratings in key pieces of legislation (particularly the Banks Act and the Pension Funds Act) is being reviewed. The intention is to shift away from a system where credit ratings are taken as given towards a system where the relevant institution performs its own judgement, and only uses information from the credit ratings agency as one of many inputs.	Ongoing

			judgment of risks and perform their own due diligence, and that they do not induce uncritical reliance on credit ratings as a substitute for that independent evaluation.			
Supervisory colleges						
41	(Lon)	Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009.	June 2009	A supervisory college involving African supervisors was held in 2007 and 2009. South Africa has a number of institution specific bilateral meetings with regulators of countries where South African banks have a presence and vice versa.	South Africa is closely monitoring any international developments
42	(FSF 2008)	Supervisory exchange of information and coordination	V.7 To quicken supervisory responsiveness to developments that have a common effect across a number of institutions, supervisory exchange of information and coordination in the development of best practice benchmarks should be improved at both national and international levels.	Ongoing	South Africa fully cooperates with all international initiatives on coordination through the Financial Stability Board	South Africa is closely monitoring any international developments
Crisis management						
43	(Lon)	Implementation of FSF principles for cross-border	To implement the FSF principles for cross-border	Immediate	The structure of the domestic crisis management forum has been improved. A Financial Sector Contingency Forum has been established	Crisis management (including cross-border

		crisis management	crisis management immediately. Home authorities of each major financial institution should ensure that the group of authorities with a common interest in that financial institution meets at least annually.		comprising members from the SA Reserve Bank, Financial Services Board, the SROs and National Treasury.	crisis management) will be reviewed as part of a World Bank-sponsored study.
44	(Pitts)	Development of contingency and resolution plans by SIFIs and the establishment of crisis management groups etc.	Systemically important financial firms should develop internationally-consistent firm-specific contingency and resolution plans. Our authorities should establish crisis management groups for the major cross-border firms and a legal framework for crisis intervention as well as improve information sharing in times of stress.	End-2010	Awaiting guidance from the Financial Stability Board	Ongoing

45	(Tor) (WAP) (FSF 2008)	Implementation of BCBS recommendations on the cross-border bank resolution	We endorsed and have committed to implement our domestic resolution powers and tools in a manner that preserves financial stability and are committed to implement the ten key recommendations on cross-border bank resolution issued by the BCBS in March 2010. National and regional authorities should review resolution regimes and bankruptcy laws in light of recent experience to ensure that they permit an orderly wind-down of large complex cross-border financial institutions. VI.6 Domestically, authorities need to review and, where needed, strengthen legal powers and clarify the division	Ongoing	Bank supervision housed in central bank and no need to clarify roles between the bank and supervisor. Review underway to understand links with non-bank supervisor and Treasury. Legislative changes may be required to bank insolvency laws.	Ongoing.

			of responsibilities of different national authorities for dealing with weak and failing banks.			
46	(FSF 2008)	Review of national deposit insurance arrangements	VI.9 National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed.	Ongoing	There is no formal deposit insurance system (deposits are implicitly guaranteed).	A formal DI has been proposed and substantial technical work has been undertaken, including ensuring that the system is aligned to the FSF/FSB principles
Risk management						
47	(WAP)	Development of enhanced guidance for banks' risk management practices	Regulators should develop enhanced guidance to strengthen banks' risk management practices, in line with international best practices, and should encourage financial firms to re-examine their internal controls and implement strengthened policies for sound risk management.	Ongoing	South Africa engages with banks on an ongoing basis to ensure that their risk management practices are in line with international best practice and of the highest standard. It is our opinion that one of the key reasons SA avoided the worst of the global financial crisis was due to sound risk management on the part of the banks, which had been substantially improved following a domestic banking crisis. South Africa has fully implemented the BCBS's 25 Core Principles for Effective Banking Supervision as well as the Basel 2 framework.	South Africa is continuously monitoring compliance.
48	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as	Ongoing	South Africa requires banks to undertake regular stress tests. In addition, following upon the recent top down stress testing exercise undertaken as part of the 2008 FSAP review, the Bank supervision department of the	Thematic stress testing reviews, culminating with the benchmarking of each banking group's practices

			needed.		central bank is developing common stress scenarios to be sent to banks and which are to be applied to their portfolios.	against the BCBS 2009 publication setting out principles for sound stress testing were undertaken at the major banking institutions during the current year. The thematic reviews include a demonstration of how the results of such stress tests have been used to determine the capital buffer.
49	(Pitts)	Efforts to deal with impaired assets and raise additional capital	Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed.	Ongoing	South African banks are well capitalised with a mandated capital adequacy ratio of 9.5 per cent. Currently, banks are capitalised to well above this ratio (14.4 per cent as of May 2010)	South Africa will continue to closely monitor bank capitalisation.
50	(FSB 2009)	Implementation of BCBS/IOSCO measures for securitisation	During 2010, supervisors and regulators will: • implement the measures decided by the Basel Committee to strengthen the capital requirement of securitisation and establish clear rules for banks' management and disclosure; • implement IOSCO's	During 2010	South Africa actively participates in the work of the BCBS and will implement the recommendations of the committee in this area. Similarly, the Financial Services Board is also a signatory to the IOSCO standards.	South Africa is continuously monitoring compliance.

			proposals to strengthen practices in securitisation markets.			
51	(Lon)	Improvement in the risk management of securitisation	The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010.	By 2010	During 2008 a detailed review of Bank securitisation schemes was undertaken to enable a clear understanding of the risks. Not only is the local securitisation market relatively small, but the issue of derivatives based on ABS products is virtually non-existent.	South Africa is continuously monitoring compliance.
52	(Pitts)	Retainment of a part of the risk of the underlying assets by securitisation sponsors or originators	Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.	Ongoing	The level of dependence on securitisation, for funding purposes, by South African banks is very low [less than 5 per cent] and the assets securitised have been through the same credit vetting process used by the banks for their on balance sheet exposures as no “originate to securitise” model exists in South Africa. This issue will continue to be monitored.	South Africa is continuously monitoring compliance.
53	(WAP)	Enhanced risk disclosures by financial institutions	Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate.	Ongoing	Currently banks are required to report losses monthly, in line with the requirements of Basel II pillar 3, which are part of banking legislation. South Africa supports initiatives by the BCBS and elsewhere to improve the reporting standards. South Africa is fully compliant with International Financial Reporting Standards.	South Africa is continuously monitoring compliance.

54	(FSF 2008)	Strengthening of supervisory requirements or best practices for investment in structured products	II.18 Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products.	Ongoing	As mentioned above, the local securitisation market in South Africa is very small. However, South African authorities continue to closely monitor complex financial products.	South Africa is continuously monitoring compliance.
Others						
55	(Pitts)	Development of cooperative and coordinated exit strategies	We need to develop a transparent and credible process for withdrawing our extraordinary fiscal, monetary and financial sector support, to be implemented when recovery becomes fully secured. We task our Finance Ministers, working with input from the IMF and FSB, to continue developing cooperative and coordinated exit strategies recognizing that the scale, timing and sequencing of this process will vary across countries or regions and across the type of policy measures.	Ongoing	Not relevant as government interventions during the financial crisis were limited.	Not relevant

Origin of recommendations:

Pitts: Leaders' Statement at the Pittsburgh Summit (25 September 2009)
Lon: The London Summit Declaration on Strengthening the Financial System (2 April 2009)
Tor: The G-20 Toronto Summit Declaration (26-27 June 2010)
WAP: The Washington Summit Action Plan to Implement Principles for Reform (15 November 2008)
FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience (7 April 2008)
FSF 2009: The FSF Report on Addressing Procyclicality in the Financial System (2 April 2009)
FSB 2009: The FSB Report on Improving Financial Regulation (25 September 2009)