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DIFFERENCE MAKERS

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FINANCIAL SERVICES NEWSLETTER

JANUARY - JUNE 2025

technical

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WHAT'S INSIDE?

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SAICA DIFFERENCE MAKERS

Proposed Directive - Completion of Regulatory return: form BA 701

The Prudential Authority issued this proposed directive to direct domestic systemically important banks and controlling companies (D-SIBs) in respect of the completion and submission of the form BA 701 relating to regulatory and economic capital information. Form BA 701 is used to obtain selected information—including total credit risk, counterparty credit risk, credit valuation adjustment, market risk, and operational risk—to facilitate the comparison of regulatory and economic capital.

Key Requirements:

- The amended Form BA 701 must be completed at both the bank solo and consolidated levels
- The form must be submitted on a six-monthly basis (i.e. 30 June and 31 December), no later than the 60th working day following each reporting date
- For banks with financial year-ends other than 30 June or 31 December, forecasted data may reflect the latest available data closest to the relevant financial year end, while actual data must align with the relevant reporting dates

Proposed Directive: Matters related to securitisation vehicles

The Prudential Authority published this proposed directive aimed at enhancing its monitoring of securitisation schemes risks. This directive introduces updated reporting requirements for issuer Special Purpose Institutions (SPIs) and directs them to:

- Submit the information using for BA 501 for both traditional and synthetic securitisation schemes on a six-monthly basis, based on a half-year and year-end information. This information must be submitted within 30 business days after each reporting period
- Provide a declaration signed by an independent director/trustee and, where applicable, the Chief Financial Officer of the bank
- The appointed auditor must include the verification of the historical information as part of the annual audit process

These updates are intended to align with the latest regulatory requirements and accounting standards for better analysis of the information received.

Draft consultation paper on interoperability in the national payment system

The South African Reserve Bank (SARB) released a consultation paper proposing a revised policy position and regulatory framework on interoperability within the National Payment System (NPS). This initiative aligns with the goals outlined in Vision 2025, which seeks to create a more interoperable, efficient, and competitive payments ecosystem.

What Is Interoperability?

Interoperability refers to the technical or legal compatibility that allows different payment systems and mechanisms to work together seamlessly. It enables users and institutions to clear and settle transactions across systems without needing to participate in multiple platforms.

The consultation paper addresses the interoperability of domestic payment systems, infrastructures, payment schemes and products/applications within the NPS, including both closed-loop and open-loop systems.

Key focus areas include:

- Seamless integration across payment platforms
- Standardisation of QR codes and APIs
- Improved mobile money and merchant payment interoperability

SARB committed to revising existing regulations and developing new frameworks that directly or indirectly support the interoperability goal.

Consultation paper: Climate change policy and regulatory framework in the national payment system

The SARB released a consultation paper proposing a policy and regulatory framework to address climate-related risks within the NPS. This initiative aims to strengthen the resilience to climate related risks of payment institutions and financial market infrastructures (FMIs) in the face of increasing environmental challenges.

While traditional risks such as credit, liquidity, operational, and settlement risks—have long been managed to ensure the safety and efficiency of the NPS, climate change introduces new and complex threats. Natural disasters like floods can disrupt infrastructure and operations, posing serious risks to the continuity of payment systems.

Objectives of the Consultation Paper

The paper outlines a framework aligned with SARB's mandate and the Vision 2025 strategy, focusing on:

- Enhancing the safety, efficiency, and integrity of the NPS
- Promoting financial stability
- Establishing a clear and transparent regulatory framework
- Promoting transparency and public accountability
- Promoting competition and innovation

The SARB advocates for the development of eco-friendly payment instruments and solutions to mitigate the sector's environmental impact Payment institutions and FMIs are encouraged to remain vigilant and proactive in managing climate-related risks.

Consultation paper: Cloud computing and offshoring of data in the national payment system

The SARB released a consultation paper proposing a policy and regulatory framework for the use of cloud computing and data offshoring by payment institutions and operators within the NPS.

The adoption of cloud-computing and data-offshoring services has grown rapidly, driven by technological innovation and the evolving payments landscape. These solutions offer several advantages including scalability, flexibility, operational efficiency and resilience, cost-effectiveness and global service delivery capabilities.

Despite these advantages, cloud computing and data offshoring introduce new risks to the NPS, such as, data protection and location concerns, operational and reputational risks, cybersecurity risks and concentration risks.

Currently, there is no explicit regulatory framework governing these practices within the NPS.

Objectives of the Consultation Paper

The paper aimed to establish a clear and transparent framework that supports:

- The safety, efficiency and integrity of the NPS
- Financial stability
- Innovation and competition
- Public accountability and regulatory clarity

These objectives align with SARB's mandate and the strategic goals of the Vision 2025 strategy.

> It enables users and institutions to clear and settle transactions across systems...

BANKING CONT.

Proposed directive: Threshold amounts related to the revised standardised and internal ratings-based approaches for credit risk and the liquidity risk framework

The Prudential Authority (PA) published a proposed directive specifying updated threshold amounts for banks applying the revised Standardised (STA) and Internal Ratings-Based (IRB) approaches. These threshold amounts also impact the classification of assets and liabilities in the liquidity risk and interest rate risk in the banking book (IRRBB) frameworks.

Some of the updated thresholds include:

- Retail asset class: exposure must be classified if the aggregate amount of the exposures is less than or equal to R12.5 million
- Qualifying retail revolving exposures (QRRE): exposure in the QRRE asset class must be classified if the aggregate exposure amount is less than or equal to R1.5 million
- Firm-size adjustment for corporate SME exposures: a firm-size adjustment applies to entities where the reported turnover or sales for the consolidated group to which the SME borrower is a member is greater than R60 million but less than or equal to R600 million
- Corporate SME Classification: All exposures with turnover less than R600 million must be reported as corporate SME
- AIRB Cut-off: a bank shall not apply the AIRB approach to any general corporate exposure where the total consolidated revenues reported in the group audited annual financial statements exceed R15 billion
- Asset value correlation factor: banks must apply a multiplication factor of 1.25 for exposures to financial institutions with assets greater than or equal to R1.2 trillion

Proposed Directive: Completion of forms BA600 and BA610

The Prudential Authority (PA) published this proposed Directive to guide banks on the completion and submission of forms BA600 and BA610, in line with the amended Regulations relating to Banks (Regulations).

- Form BA600: Collects key information on group risk-based capital requirements, intra-group exposures eliminated for consolidation purposes, and large exposures
- Form BA610: Gathers data on the balance sheet, income statement, capital adequacy, and risk-based capital requirements related to offshore operations of South African banks

The proposed Directive introduces revisions to both forms to ensure alignment with the amended Regulations. It also provides specific instructions and interpretations to promote consistency and accuracy in reporting.

These requirements became effective on 1 July 2025.

Proposed Directive - Submission of consolidated information for South African domestic systemically important banks

The PA published this proposed Directive directing all banks, controlling companies, and auditors of additional reporting requirements for South African Domestic Systemically Important Banks (D-SIBs). These requirements relate to the submission of credit-related statutory BA Returns, based on consolidated information and specified assurance requirements.

Key Requirements:

- D-SIBs must submit BA 200 and BA 210 returns semi-annually (June and December), based on consolidated information at both bank and controlling company level
- D-SIBs with year-ends other than June or December must submit additional BA 200 and BA 210 returns as at their financial year-end
- All BA returns must be submitted within 30 business days following the end of the reporting period

These requirements apply to reporting periods ending on or after 31 December 2025. Banks are encouraged to begin preparations to ensure timely and accurate compliance.

Draft Circular: Interpretation and application of criteria relating to the granularity for retail exposures

This draft Circular provides clarity on the interpretation and application of the granularity criteria for retail exposures under the Standardised Approach (STA) for credit risk. It also outlines how these criteria affect the calculation of minimum capital requirements and the related reporting obligations.

BANKING CONT.

Key clarifications are set out below:

- To qualify for the inclusion in the retail portfolio and consequently risk-weighted at the preferential risk weight of 75 per cent, retail exposures must be sufficiently diversified
- The aggregate exposure to a person must not exceed 0.2% of the bank's total retail portfolio. This threshold excludes exposures to certain retail products such as securities (listed and unlisted, bonds and equities), derivative instruments and residential mortgage loans
- If the aggregate exposure to a person exceeds R12.5 million, the person must be excluded from the retail portfolio
- If a person's exposure exceeds the 0.2% threshold, excluding past due loans:
    - The exposure must remain in the retail portfolio for regulatory reporting purposes
    - It must be risk-weighted at 100%, and not 75%

The granularity criteria should be applied on a consolidated basis at the controlling company level. This ensures that all exposures to a single counterparty across the banking group are fully captured, regardless of how these exposures are distributed among the various banking group entities.

Proposed Directive - Large Exposure Requirements

This proposed Directive provides guidance to all banks, controlling companies, and auditors on the conditions and limits for measuring and controlling large exposures (LEX). It also outlines the composition requirements for Board of Directors (Board)-appointed committee responsible for approving such exposures.

An exposure qualifies as a LEX if it equals or exceeds 10% of the bank's Tier 1 capital and reserve funds. This includes exposures to a single counterparty or a group of connected counterparties.

Banks may not grant credit or make investments exceeding the 10% threshold without prior approval from the Board, or a Board-appointed committee approved by the Prudential Authority.

The committee must consist of the following members:

- At least three independent non-executive directors, one of whom must serve as Chairperson;
- The Chief Executive Officer;
- The Head of Finance;
- The Head of Risk or equivalent (e.g. Head of Enterprise-wide Risk Management);
- The Head of Credit

The proposed Directive aligns with the Basel Committee's revised LEX framework and incorporates updates to the market risk provisions, ensuring consistency with global best practices in credit risk governance.

Updated CODI Member Bank Data Handbook

The Corporation for Deposit Insurance ***(CODI) published an updated CODI Member Bank Data Handbook*** outlining data requirements including data definitions and submission channels. In terms of this handbook, banks are required prepare their total qualifying deposits

> In the event that a bank is placed in resolution, it must submit its total qualifying deposits and total covered deposits, with supporting SCV calculations, to CODI within 48 hours from the date of resolution.

and total covered deposits using Single Customer View (SCV) calculations and submit these balances to CODI on a monthly basis. Additionally, banks must provide these balances, with the underlying SCV calculations, on a quarterly basis or at a frequency specified by CODI. In the event that a bank is placed in resolution, it must submit its total qualifying deposits and total covered deposits, with supporting SCV calculations, to CODI within 48 hours from the date of resolution.

CODI has granted an 18 month exemption under Regulation 38(3) of the Regulations exempting banks from the quarterly SCV submission requirement, effective from 1 April 2024 to 30 September 2025. From 1 October 2025, banks will be expected to resume quarterly SCV submissions.

Directive 2 of 2025: Matters related to the capital treatment of significant investments in insurance entities

The Prudential Authority issued this directive to ensure the consistent application of capital adequacy rules for banks with investments in insurance entities. This directive outlines the limited recognition framework and how such investments should be treated in regulatory capital calculations.

Key Highlights:

When calculating the consolidated amount of qualifying capital and reserves, a bank must deduct investments in insurance related business from its consolidated capital and reserves

- A bank shall not apply the threshold deduction treatment without prior writer approval by the PA
- Where such approval has not granted by the PA, the bank must apply the full deduction treatment
- Post-acquisition reserves shall not be included in calculation of the bank's common equity tier 1 (CET1) capital
- Investments must be recorded at historic cost or an equivalent value (i.e. the initial investment shall never be revalued upwards)
- Banks may adjust the value of the investment for impairments or capital changes

All banks must comply with the requirements of this directive on or before 31 July 2025. Banks that are unable to comply with this Directive may approach the PA to request an extension for the compliance period.

Proposed Directive - Returns to be submitted to the Prudential Authority (PA)

As part of the ongoing Umoja System Implementation Project, the PA is transitioning the regulatory reporting framework for banks and related institutions. The PA has issued:

- Directive 4 of 2024 (11 September 2024), informing banks of its decision to remove all BA returns and related instructions from the Regulations relating to Banks (Regulations)
- Directive 1 of 2025 (31 January 2025), directing banks to submit specified financial and risk-based returns from with effect from 1 February 2025

The PA has now issued a proposed Directive to replace both previous directives. This Directive requires banks to submit the specified financial, risk-based and other returns to the PA in accordance with the requirements specified in the Annexures of this Directive read with the relevant requirements in the Regulations relating to Banks, effective from 1 July 2025.

Each submission must include:

- Form BA 099 for a bank or controlling company
- Form BA 099A for any relevant foreign operation

Approved amendments to the JSE Listing requirements – Delegation

The Johannesburg Stock Exchange (JSE) made amendments to the JSE Listings Requirements regarding the delegation of authority.

What's New?

The Board of the JSE has delegated its authority in relation to the Listings Requirements to the Director: Issuer Regulation (or his/her deputy).

FSCA Approval

The Financial Sector Conduct Authority (FSCA) subsequently approved these amendments, which were published in the Government Gazette through Board Notice 711 of 2025 (No. 51950). The amendments came into effect on 24 February 2025.

The Financial Sector Conduct Authority (FSCA) published the findings of its Decentralised Finance (DeFi) Market Study

The financial sector is undergoing a digital transformation, and Decentralised Finance (DeFi) is at the forefront. This research paper explores the evolving DeFi ecosystem within the South African context, offering a balanced view of its promise and challenges. DeFi platforms operate on blockchain technology, using smart contracts to automate financial services like lending, borrowing, and trading using crypto assets, without traditional intermediaries.

This research paper provides an overview of the benefits, risks, and regulatory considerations of DeFi, highlighting its potential to enhance financial inclusion and increased transparency. However, it also addresses significant risks, including:

1. Smart contract vulnerabilities
2. Market manipulation
3. Cybersecurity threats

The paper calls for a robust and adaptive regulation, stakeholder engagement, and public–private collaboration to ensure consumer protection and market integrity.

The Financial Sector Conduct Authority published the Investment Providers Sustainable Finance Survey Report

As the financial services industry undergoes a major shift towards sustainable finance and finance and environmental, social and governance (ESG) investing, the FSCA's Investment Providers Department conducted a survey to assess how well investment providers are integrating these principles into their strategies. This report provides insights into the current state of ESG integration and highlights key areas for improvement. These areas align with the FSCA's Sustainable Finance Roadmap and the Consumer Risk Report and will guide the FSCA's ongoing work in promoting responsible investment practices.

The report is structured around three core focus areas:

1. Governance
2. Operations and Products
3. Risk and Disclosure

Key Recommendations:

- Develop a clear regulatory framework for sustainable finance, aligned with global standards like the Task Force on Climate-related Financial Disclosures (TCFD) and the UN Sustainable Development Goals (SDGs)
- Collaborate with international partners to strengthen regulatory frameworks
- Invest in education and capacity-building through training, workshops, and awareness campaigns to deepen understanding of ESG investing
- Promote transparency and accountability to prevent greenwashing and protect investors, in line with Treating Customers Fairly (TCF) principles
- Support innovation and SMEs in achieving sustainable development goals and long-term value creation
- Create an enabling environment for ESG integration and green finance through incentives, tax breaks, and regulatory support

Publication of final Conduct Standard 1 of 2025 (General) – Requirements for financial institutions providing financial education Initiatives (Conduct Standard)

The FSCA published the Conduct Standard, setting out clear requirements for financial institutions that provide financial education initiatives.

Coming into effect on 1 April 2026, the Conduct Standard aims to ensure that financial institutions that provide financial education initiatives take reasonable steps to ensure appropriate standards of behaviour, governance and oversight arrangements when developing content as well as when implementing, monitoring, evaluating and reporting on financial education activities.

The requirements can be applied in a manner that is proportional to the financial institution's nature, size, complexity and the nature of the target audience.

Aligning with these requirements will ensure that all financial education initiatives developed by financial institutions are of a similar standard, creating consistency across the sector.

Publication of draft Conduct Standard – Requirements pertaining to the reporting and public disclosure of short sales (draft Conduct Standard)

The FSCA published the Draft Conduct Standard – Requirements for the Reporting and Public Disclosure of Short Sales. This draft Conduct Standard aims to close a long-standing regulatory gap by introducing a formal framework for the reporting and public disclosure of short sales in South Africa. The proposed requirements are designed to align with international best practices and enhance market transparency, integrity, and oversight. The framework will enable the FSCA to monitor short-selling activity more effectively, detect potential market abuse, and respond to emerging systemic risks.

Prudential Authority's 2025 flavour-of-the year topic

The Prudential Authority (PA) communicated its annual supervisory focus for 2025: Third-Party Risk Management. This topic reflects the increasing reliance on third-party service providers by regulated institutions, which can introduce risks such as concentration, cybersecurity, and operational resilience if not properly managed.

The Board of Directors (or equivalent committee) must address the following in presentation to the PA:

- Demonstrate how third-party risk management strategy aligns with the institution's overall strategy and integrates into existing governance structures and frameworks
- Highlight the extent of reliance on third parties, especially where there is elevated concentration risk, significant dependence on sub-contractors, or intragroup and cross-border relationships for critical services

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- Highlight the factors that determine the depth and scope of due diligence when engaging third-party service providers (TPSPs), including governance processes for managing conflicts of interest
- Explain the management of third-party arrangements with or without formal contracts, including dispute resolution mechanisms
- Describe the criteria for selecting TPSPs and the metrics used to evaluate the success of these relationships
- The management of planned and/or unplanned terminations of TPSP arrangements

A copy of the presentation must be submitted to the PA at least three weeks before the scheduled prudential meeting.

Industry Feedback:
The PA will aggregate and communicate the thematic findings from these supervisory engagements to the industry.

- Banks,
- Mutual Banks,
- Insurers,
- Co-operative financial institutions and co-operative banks

Draft Guidance Notice on Bail-in in relation to Flac instruments

The Prudential Authority issued Draft Guidance Notice 2 of 2025 to clarify the application of statutory bail-in as a resolution tool and its interaction with the Prudential Standard RA03: Flac Instrument Requirements for Designated Institutions (Prudential Standard).

Key topics covered in this Guidance Notice include:

- Clarification of the difference between statutory bail-in (imposed by law) and contractual bail-in (agreed upon in contracts)
- Contractual recognition terms for Flac instruments
- Creditor hierarchy and subordination
- Write-off versus conversion in a statutory bail-in

This Guidance Notice aims to ensure consistent understanding and application of the Prudential Standard requirements.

Commencement of the ZARONIA First initiative for the linear derivatives market

The Market Practitioners Group (MPG) launched the ZARONIA First initiative for the linear derivatives market. This marks a significant milestone in South Africa's transition away from the Johannesburg Interbank Average Rate (JIBAR) toward more robust and transparent reference rates. Under this initiative, inter-dealer brokers are strongly encouraged to prioritise trading linear derivatives referencing the South African Rand Overnight Index Average (ZARONIA) over JIBAR. The move is intended to accelerate the market's adoption of ZARONIA-based instruments and reduce systemic reliance on legacy benchmarks.

To support this transition, the FSCA issued FSCA Communication 9 of 2025, urging market participants to adopt ZARONIA-aligned conventions and practices. This aligns with global benchmark reform efforts and enhances the resilience and credibility of South Africa's financial markets.

Prudential Authority and Financial Sector Conduct Authority (FSCA) – Joint Communication 6 of 2024: Financial institutions' preparations towards the transition from JIBAR to ZARONIA

The Prudential Authority (PA) and the FSCA (the Authorities) issued Joint Communication 6 of 2024, calling on financial institutions to intensify preparations for the transition from the Jibar to ZARONIA. This communication highlights the global shift away from interbank offered rates (IBORs), such as LIBOR, and underscores the vulnerabilities identified in JIBAR's design. Following a comprehensive review aligned with international best practices, the SARB has confirmed that Jibar will be discontinued, with ZARONIA identified as the preferred successor rate. While the exact cessation date for Jibar will be announced in due course, the transition is expected to be complex and far-reaching, affecting a wide range of financial products and contracts.

The Authorities urge institutions to conduct comprehensive risk assessments to evaluate the prudential and conduct implications of the transition. These assessments should be proportionate to each institution's exposure to Jibar-linked instruments and should inform robust transition planning across all relevant business units.

Joint Communication 1 of 2025 - Determination of Eligible collateral and risk management

The PA and FSCA (the Authorities) jointly issued this Joint Communication announcing key determinations under Joint Standard 2 of 2020 on margin requirements for non-centrally cleared over-the-counter (OTC) derivative transactions. The Authorities determined that government bonds issued by the United States, United Kingdom, and the European Central Bank—provided they carry a credit rating from a regulated rating agency that is a member of the International Organization of Securities Commissions (IOSCO), are now recognised as eligible collateral. The use of these non-cash collateral instruments is subject to enhanced risk management requirements, as outlined in Joint Notice 2 of 2025.

Discussion paper on the proposed approach to the designation of market infrastructures, exchanges and payment systems as Systemically Important Financial Institutions

The South African Reserve Bank (SARB) published a Discussion Paper outlining its proposed approach to the designation of market infrastructures (MIs), exchanges, and payment systems as systemically important. The discussion paper aims to assist the SARB in identifying systemically important MIs, exchanges, and payment systems whose failure could cause significant disruption to the financial sector and the broader economy. This initiative follows global efforts post the 2007–2009 financial crisis to strengthen financial stability by identifying systemically important financial institutions (SIFIs) and infrastructures.

Exemption of money market portfolios of collective investment schemes from the provisions of Chapter 2, Condition 8(4)(b) of Board Notice 90 of 2014 (BN 90)

The FSCA issued CIS Notice 2 of 2025, exempting managers of money market portfolios from the requirements of subparagraph 8(4)(b) of Board Notice 90 of 2014. Managers are exempted from the requirement that the initial interest rate of a money market instrument must be known at the time of inclusion in the portfolio, provided that:

- a cumulative compound interest rate from the issue date of the money market instrument to the valuation date can be calculated. This rate must be based on the overnight benchmark interest rate published daily by the SARB
- the calculated cumulative rate (plus any applicable credit spread) must be used to calculate daily interest accruals.

This exemption supports the transition of money market instrument rate referencing from Jibar to ZARONIA and other similar rates.

FSCA publishes its Regulatory Strategy for 2025 – 2028

The Financial Sector Conduct Authority (FSCA) published its Regulatory Strategy for the period 1 April 2025 to 31 March 2028, setting out its strategic direction and regulatory priorities for the next three years. This strategy provides high-level guidance on how the FSCA will fulfil its mandate under the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017), focusing on delivering fair outcomes for financial customers and strengthening the integrity of South Africa's financial system.

The strategy outlines the FSCA's commitment to transparency, consultation, and accountability, reinforcing trust among stakeholders. It ensures that the Authority's operational activities remain closely aligned with its legislative mandate, promoting clarity and predictability in the regulatory environment. Notably, the FSCA will expand its regulatory jurisdiction to include payment services, debt collection services, and credit-related services once the relevant licensing provisions under the Conduct of Financial Institutions (COFI) Bill come into effect.

Submission to Parliament of draft Conduct Standard – Requirements for Managers of Collective Investment Schemes

On 8 May 2025, the FSCA submitted the draft Conduct Standard – Requirements for Managers of Collective Investment Schemes (draft Conduct Standard) to Parliament, along with supporting documents, in accordance with section 103(1) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017).

The draft Conduct Standard aims to update and enhance the regulatory framework governing managers of collective investment schemes (CIS). Its primary purpose is to modernise the current, outdated regulatory framework applicable to CIS managers. Furthermore, the draft Conduct Standard aims to ensure that the framework supports the achievement of outcomes consistent with those set out in other financial sector laws supervised by the FSCA, particularly with regard to consumer protection.

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REGULATED ENTITIES CONT.

Reminder: Joint Standard 2 of 2024 - Cybersecurity and Cyber Resilience

The Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA) jointly published Joint Standard 2 of 2024: Cybersecurity and Cyber Resilience Requirements. This Joint Standard 2 introduces comprehensive requirements for financial institutions to implement sound cybersecurity and cyber resilience practices. The objective is to enhance the sector's ability to prevent, detect and respond to cyber threats by ensuring strong governance, effective risk management, and operational resilience.

The standard came into effect on 1 June 2025, and financial institutions will 12 months to achieve full compliance.

Recommended methodology for determining Jibar fallback rates

The Market Practice Group (MPG) is leading efforts to support a broad-based transition from the Johannesburg Interbank Average Rate (Jibar) to the South African Rand Overnight Index Average (ZARONIA). This transition spans the bond, loan, and derivatives markets, and is essential to reducing financial stability risks associated with the continued reliance on Jibar.

The document outlines the methodology and recommendations for calculating fallback spreads and provides guidance to support a consistent and orderly transition across the financial sector.

To ensure a smooth transition, firms are encouraged to:

- prepare for the discontinuation of Jibar
- include robust fallback provisions in financial contracts
- use compounded ZARONIA and a spread that accounts for historical differences between Jibar and ZARONIA
- based the spread on the historical median of the differences between Jibar and compounded ZARONIA over a five-year lookback period

> ...ensure that financial institutions that provide financial education initiatives take reasonable steps to ensure appropriate standards of...

IVSC Perspective Paper: The Integration of ESG in Valuation Practices: IVSC Global Survey 2024

The International Valuation Standards Council (IVSC) released its 2024 ESG Survey, providing a comprehensive analysis of how Environmental, Social, and Governance (ESG) factors are currently being integrated into valuation practices. This survey captures key trends, challenges, and opportunities as the valuation profession navigates the evolving ESG landscape.

Key highlights from the survey

- Growing Importance of ESG: there is a growing awareness of ESG factors among valuation professionals, however, the degree of integration into valuation practices remains varied
- Training and development: While many valuers are incorporating ESG factors, there remains a need for further guidance and standardization to ensure consistent integration of ESG factors across the profession
- Challenges Identified: Respondents noted challenges including data availability, regulatory uncertainty, and the complexity of quantifying ESG impacts on asset values
- Market Differences and Regional Insights: The survey highlights differences in ESG integration across regions and asset types, indicating tailored approaches are necessary

Future Outlook and Recommendations

While ESG integration in valuation practices is progressing, the direction and timeline is unclear. Obstacles that will need to be overcome for the profession to progress in the explicit consideration of ESG factors in valuations include:

- Standardisation of ESG Metrics: developing standardized metrics for evaluating ESG factors in valuations
- Enhanced Professional Development: developing training programs to equip valuers with the necessary skills needed to integrate ESG in valuations
- Stakeholders Engagement: fostering dialogue between valuers, regulators, investors, and other stakeholders to align expectations and practices

The survey reveals diverse perspectives on ESG in valuation, with some markets adopting it extensively, while others are concerned about data reliability, comparability, and practical implications of including ESG in valuations.

The International Valuation Standards (IVS) are now FREE to access online

The IVSC announced that the latest edition of the International Valuation Standards (IVS) will be freely accessible to the public in digital format via the IVSC website starting 31 January 2025. This landmark decision removes the previous paywall, ensuring that valuers, regulators, investors, businesses, policymakers, and all valuation stakeholders worldwide can access the most current global valuation standards without cost.

Download the standards here: https://www.ivsc.org/standards/

The International Valuation Standards Council (IVSC) welcomes new appointments to Standards Boards

The IVSC announced the appointment of several distinguished professionals to its Standards Boards, reinforcing its commitment to developing and maintaining world-class valuation standards. These appointments bring together a diverse group of experts from across the valuation profession, ensuring that the IVS continue to reflect the highest levels of technical excellence, integrity, and global relevance.

The newly appointed members bring extensive experience in valuation, finance, regulation, and related disciplines. Their expertise will be invaluable in shaping the future of valuation standards, particularly as the profession adapts to emerging challenges such as ESG integration, technological innovation, and evolving market needs.

IVSC Statement Regarding Prudential Value for Real Estate

The IVSC released a statement clarifying the implementation of prudential valuation requirements for real estate. This guidance addresses the growing need for consistent, transparent valuation practices amid varying regulatory approaches.

Prudential Value refers to a conservative assessment of real estate value used primarily for regulatory and risk management purposes, distinct from market value. It is increasingly being requested by banks and regulators to ensure financial stability.

Key principles underpinning prudential valuations include:

- Adjusting values to reflect the potential for current market value to be significantly above sustainable long-term values
- Excluding expectations of price increases
- Ensuring valuations do not exceed market value where it can be determined

The IVSC identifies three main approaches in practice:

- Mortgage Lending Value (MLV)
- Adjusted Market Value by Valuer
- Adjusted Market Value by Credit Institutions

While the IVSC does not endorse any specific approach, valuers are urged to seek clear guidance before accepting prudential valuation assignments and to adhere to the IVS, particularly IVS 100 Valuation Framework, which prioritizes compliance with legal and regulatory requirements.

VALUATIONS CONT.

IVSC Perspective Paper: Getting the Process Right: Exploring Valuation Risk under IVS

This IVSC Perspectives Paper explores the concept of valuation risk, defined as the possibility that a valuation outcome may not be appropriate for its intended use. The paper clearly differentiates valuation risk from value uncertainty. While value uncertainty relates to inherent market and asset factors beyond the valuer's control, valuation risk arises from the valuation process itself, including procedures, professional judgement, and quality controls.

To mitigate valuation risk and deliver reliable, IVS-compliant valuations, the paper stresses the importance of:

- Maintaining robust valuation procedures
- Exercising professional scepticism throughout the valuation process
- Ensure valuers have sufficient accumulated knowledge and experience

Valuation risk management is fundamental to maintaining public trust in valuation practice. By focusing on the valuation process and quality controls, valuers can better ensure that their work meets the expectations of users and withstands scrutiny.

IVSC Thought Leadership Webinars

The IVSC offers free year-round webinars bringing together valuation professionals, standard setters, regulators, and other key stakeholders to share insights and discuss emerging trends shaping the future of valuation and its role in business, investment, and risk management.

Each webinar explores critical topics shaping the future of valuation, including:

- Emerging Trends in business, investment, and risk management
- ESG Integration and its impact on valuation practices
- Valuation Risk & Prudential Value
- Updates to IVS and global regulatory developments
- Sector-specific insights

Check the IVSC Event Calendar regularly for upcoming webinars and registration details.

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NEWSLETTERS

INSURANCE

FSCA Information Request 1 of 2025: Request for information on personal lines claims reported in the 2024 calendar year

The Financial Sector Conduct Authority (FSCA) requested all licensed non-life insurers who are members of the National Financial Ombud Scheme (NFO) to submit data on the number of personal lines claims reported during the 2024 calendar year. This request supports the FSCA's mandate to monitor insurer performance and ensure fair outcomes for financial customers.

The data collected will be included in the NFO's annual report and will assist the FSCA in:

- Monitoring the extent to which insurers deliver fair outcomes for customers
- Supporting regulatory oversight and enhancingtransparency in the non-life insurance sector
- Identifying trends and potential areas for consumer protection improvements

Replacement of Quantitative Reporting Template

The Prudential Authority (PA) updated the Quantitative Reporting Template (QRT) sheet OF2 – Statement of Assets, Liabilities and Basic Own Funds to align with the requirements of IFRS 17: Insurance Contracts which replaced IFRS 4. The updated OF2 QRT sheet reflects the structure and terminology of IFRS 17, ensuring that insurers report financial data in a manner consistent with IFRS 17. Despite the update, insurers are reminded to continue using Prudential Communication 7 of 2023 for the Solvency Assessment and Management (SAM) basis columns, where data still aligns with IFRS 4 terminology.

MEDICAL SCHEMES

CMS Circular 3 of 2025: Categorisation of assets in terms of Annexure B to the Regulations of the Medical Schemes Act

The Council for Medical Schemes (CMS) issued updated Guidelines for the categorisation of assets in line with Regulation 30 of the Medical Schemes Act (131 of 1998), read together with Annexure B to the Regulations. These Guidelines are intended to assist medical schemes in completing the Financial Annual Statutory Return (FASR) and are not for identifying instances of non-compliance. The asset classifications are based on information available to CMS and aims to ensure consistency and efficiency in regulatory reporting.

CMS Circular 6 of 2025: General concerns noted during the analysis of the 2023 Annual Financial Statements and Financial Annual Statutory returns

The CMS issued this Circular to highlight general concerns observed during the analysis of the 2023 Annual Financial Statements (AFS) and Financial Annual Statutory Returns (FASR). This Circular not only list discrepancies in the information submitted by medical schemes, but also aims to enhance data quality, reduce errors, and promote good financial reporting practices across the industry. Medical schemes are encouraged to address these matters in future submissions.

Monthly Indicators submissions for 2025

The CMS published this Circular informing all medical schemes of the submission deadlines for the 2025 Monthly Indicators. These indicators, previously known as Real-Time Monitoring (RTM), have been updated to align with IFRS 17: Insurance Contracts for the 2025 financial year.

Key Highlights:

01 **The Monthly Indicators have been revised to reflect the principles and requirements of IFRS 17**

02 **The Circular includes a full schedule of monthly submission deadlines for 2025**

03 **Medical schemes must refer to the Help File for detailed instructions on completing and submission process**

Monthly Indicator submissions enable CMS to monitor the financial health and operational performance of medical schemes in real-time.

SAICA Publishes 2024 Medical Schemes Accounting Guide

The South African Institute of Chartered Accountants (SAICA), through its Medical Schemes Project Group (MSPG) and in consultation with the Council for Medical Schemes (CMS), published the 2024 Medical Schemes Accounting Guide. This guide is designed to assist SAICA members and auditors with the accounting requirements applicable to medical schemes.

The 2024 Medical Schemes Accounting Guide is available for download from SAICA's official website: https://www.saica.org.za/resources/276684/

RETIREMENT FUNDS

FSCA Conduct Standard Amendment 1 of 2025 - Amendments to FSRA Conduct Standard 1 of 2019 (PFA)

The Financial Sector Conduct Authority (FSCA) amended this Conduct Standard introducing a key change in the regulatory process for retirement funds.

The amendment removes Section 14 application forms from the Conduct Standard. These forms will now be determined separately by the FSCA, allowing the Authority to determine the manner of submission, content, and format requirements.

Publication of draft exemption of retail funds from Section 14(1) of the Pension Funds Act, 1956 (PFA)

The FSCA published this draft Notice proposing to exempt retail funds from the requirements of section 14(1) of the PFA. This follows requests from industry stakeholders seeking regulatory relief for retail funds, including retirement annuity and preservation funds.

Why the Exemption

Retirement annuity funds and preservation funds are, by nature, retail funds that individuals join voluntarily. Unlike occupational pension and provident funds, these retail funds do not require an employer-employee relationship. Transfers into or out of these funds are initiated voluntarily by members. To streamline such transactions, the Authority proposed an exemption for retail fund in relation to transactions involving amalgamations or transfers from the requirements of section 14(1) of the PFA. This exemption is subject to the conditions specified below applies to the following types of transfers:

- Transfers between retirement annuity funds
- Transfers between preservation funds
- Transfers from preservation funds to retirement annuity funds

> **Retirement annuity funds and preservation funds are, by nature, retail funds that individuals join voluntarily. Unlike occupational pension and provident funds, these retail funds do not require...**

The exemption is subject to the following conditions:

- Compliance with paragraph 16 of FSRA Conduct Standard 1 of 2019
- Retail funds must keep proper records of all such transactions
- Assets and liabilities must be transferred within 180 days of the effective transfer date
- Any assets transferred must be adjusted for fund returns from the effective date until final settlement

Report on Two-Component related costs and fees

The FSCA published a report detailing the cost implications of implementing the Two-Component Retirement System, which came into effect on 1 September 2024.

Key highlights of the report include:

- The total once-off cost of implementing the Two-Component System is estimated at R1.629 billion
- These costs cover essential activities such as system updates, member communication campaigns, staff training, call centre establishment, and withdrawal processing.
- On average, this translates to an implementation cost of R252 per member, though there is significant variation among administrators, ranging from R0 to R3 072 per member
- Most administrators are recouping these costs through increased monthly administration fees, savings withdrawal transaction costs, or a combination of both

The FSCA will continue to assess whether the fees are justified by the costs incurred and will initiate engagements with the administrators that appear to be outliers, both those charging disproportionate fees, as well as those that appear not to have made any investment in preparing for the Two-Component System.

EVENTS

SEMINARS AND EVENTS

PAST EVENTS

BANKING WEBINAR - 22 MAY 2025

In May, we hosted a highly engaging webinar that brought together industry professionals in the banking sector to explore critical developments shaping the industry. The session covered:

1. JIBAR to ZARONIA: Managing the Transition and Market Implications
2. The Rise of Neobanks in South Africa
3. TAFT Greylisting update

A highlight of the event was the panel discussion on standard setting and maintenance projects affecting the banking industry. This session featured a Technical Director from the International Accounting Standards Board (IASB) alongside leading South African industry experts, offering valuable insights into the IASB's ongoing work and its impact to the South African banking landscape.

Missed the event? You can still access the recording here: https://evolve.saica.co.za/enrol/index.php?id=1070

UPCOMING EVENTS

The financial services sector is evolving rapidly, and staying ahead means staying informed. Our upcoming seminar series is designed to equip professionals with the insights and strategies needed to adapt, innovate, and succeed in today's dynamic environment.

These events will bring together industry experts, thought leaders, and professionals to explore key trends, share best practices, and identify opportunities for growth and transformation.

INSURANCE WEBINAR

Date: 23 September 2025

Register Here: https://www.saica.org.za/event-system/view/?event=682

MEDICAL SCHEMES WEBINAR

Date: 28 October 2025

Register Here: https://www.saica.org.za/event-system/view/?event=726

We encourage all professionals in the financial services sector to take advantage of this opportunity to stay informed, gain strategic insights, and engage with industry experts. Please share these event links with your colleagues, teams, and industry associates who may benefit from attending.

GENERAL

IFRS FOUNDATION WORK PLAN

The IFRS Foundation Work Plan outlines the active and upcoming projects led by the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB).

The work plan includes:

- IFRS Accounting projects
- IFRS Sustainability-related projects
- Research and maintenance projects

We encourage members to review the updates and actively participate in the standard-setting process by engaging with exposure drafts and submitting comments.

Access the latest IFRS Foundation Work Plan here: https://www.ifrs.org/projects/work-plan/#all-projects

Work Plan Updates

The work plan is usually updated after each meeting, offering a holistic view of technical projects, prioritisation, and progress.

View Work Plan Updates here: https://www.ifrs.org/projects/work-plan-updates/

Pipeline Projects

This outlines projects under consideration and requests received by the IFRS Interpretations Committee that have not yet been discussed.

View the IASB pipeline projects here: https://www.ifrs.org/projects/pipeline-projects/

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