

FINANCIAL SERVICES NEWSLETTER - TECHNICAL

Connect with us:

The Financial Services Division can be contacted by emailing

Kedibone Sono at Kedibones@saica.co.za

Mthokozisi Sibisi at MthokozisiS@saica.co.za

JULY - DEC 2025

WHAT'S INSIDE?

www.saica.org.za

Technical Resources

Articles

2

Advocacy Submissions 2025

3

Newsletters

Banking

8

Regulated Entities

13

Retirement Funds

17

Insurance

18

Medical Schemes

19

Valuations

21

Seminars and Events

22

IFRS Foundation Work Plan

24



TECHNICAL RESOURCES

ARTICLES

Welcome to this month's newsletter, where we spotlight key developments shaping the financial services landscape. From hidden risks in business interruption claims to strategic decisions under IFRS 17, and from retirement reforms to the importance of lifelong learning, these articles provide valuable perspectives for professionals navigating change and complexity. Dive in to stay informed and ahead of the curve.

Underinsurance in business interruption claims: a risk hiding in plain sight

By Jolene Visser CA(SA)

Business interruption insurance is intended to protect companies during unforeseen disruptions, but underinsurance remains a critical and often overlooked risk. Jolene explores why businesses frequently underestimate their exposure and how incorrect calculations can lead to significant financial shortfalls. The article emphasizes the importance of accurate risk assessment and proactive engagement with insurers to avoid costly surprises.

[Read more here.](#)

<https://www.bizcommunity.com/article/underinsurance-in-business-interruption-claims-a-risk-hiding-in-plain-sight-398908a>

IFRS 17 Discounting: Strategic Choices with Significant Consequences

By Michael Winkler and Sunil Kansal

The implementation of IFRS 17 introduced complex discounting requirements that can materially impact financial results. Michael and Sunil unpack the strategic decisions insurers must make regarding discount rates

and risk adjustments. This article provides insights of the issues around determining the time value of money

[Read more here.](#)

<https://magazine.accountancysa.org.za/asa-september-2025/page-50>

The Two-Pot System – A New Chapter

By Belinda Sullivan

South Africa's retirement reform has entered a new era with the introduction of the two-pot system. Belinda explains how this system aims to improve retirement outcomes by allowing partial access to savings while preserving long-term benefits. The article highlights key considerations for employers, employees, and retirement funds as they navigate this significant change.

[Read more here.](#)

<https://magazine.accountancysa.org.za/asa-november-2025/page-46>

Lifelong Learning, an investment for Finance Professionals

Kgaugelo Sepota CA(SA)

In a rapidly evolving financial landscape, continuous learning is no longer optional—it's essential. Kgaugelo advocates for lifelong learning as a strategic investment for finance professionals seeking relevance and resilience. In this article, he shares how his commitment to emerging technologies and data analytics has delivered returns, reinforcing the value of upskilling in a dynamic data landscape.

[Read more here.](#)

<https://magazine.accountancysa.org.za/asa-november-2025/page-50>

SAICA ADVOCACY SUBMISSIONS 2025



SAICA advocates on behalf of its members by actively engaging with the International Accounting Standards Board (IASB). Through calls for comments and proactive submissions, we aim to:

- Influence global standards to reflect the realities of our local environment
- Highlight jurisdiction-specific issues that require IASB's attention for inclusion in upcoming projects
- Ensure South African perspectives are represented in international accounting developments

Below are the key submissions we have made this year:

IFRS Interpretations Committee agenda submission: Scope of the requirements of IFRS 18.83

SAICA submitted this agenda item to the IFRS Interpretations Committee to seek clarity on the intended scope of the disclosure requirements in paragraph 83 of IFRS 18, as envisaged by the IASB.

Key focus of the submission:

Clarification of Scope: The submission raises the question of whether the disclosure requirements in IFRS 18.83 apply only to expenses categorised by nature or function in accordance with IFRS 18.75(a)(ii), or whether disaggregation is also required for all expenses within the operating category, including insurance-related expenses.

Objective:

To clarify differing views on the scope of IFRS 18.83 disclosure requirements and ensure that preparers and auditors have a clear understanding of the requirements. This will promote consistent application and comparability across jurisdictions.

SAICA Submission - Tentative Agenda Decision: Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (or Asset) (IFRS 18)

SAICA's Accounting Practices Committee (APC) [responded](#) to the IFRS Interpretations Committee's request for comments on the Tentative Agenda Decision: Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (or Asset) under IFRS 18.

Submission Background

Paragraph B65 of IFRS 18 requires entities to classify foreign exchange differences in the same category as the income and expenses from the items that gave rise to those differences. The challenge arises when these income and expenses have been eliminated on consolidation.

Fact Pattern

The challenge arises when the income and expenses from the intragroup monetary liability (or asset) have been eliminated on consolidation. The fact pattern involves:

- An intragroup loan between an entity and its subsidiary with different functional currencies

➤ The loan is denominated in the functional currency of either party and is not part of the net investment in the subsidiary

➤ Exchange differences are recognised in profit or loss under IAS 21, even though intragroup balances and related income/expenses are eliminated under IFRS 10

Views Considered

➤ View I: Classify the exchange difference in the operating category as the default category (IFRS 18.52)

➤ View II: Classify the exchange difference in the same category as the income and expenses from the intragroup loan before elimination, or, if impractical, in the operating category

The committee concluded that View I and View II represent reasonable interpretations of IFRS 18. Other views included in the request were not considered reasonable readings of paragraph B65 of IFRS 18.

Comments

The committee noted that, while View 2 provides useful accounting information, IFRS 18 does not offer explicit guidance on foreign exchange gains and losses from inter-company borrowings. As a result, entities will need to exercise judgement when classifying these differences. To address this, the committee recommended allowing an accounting policy choice, enabling entities to classify foreign exchange gains and losses either:

➤ In line with View II principles, or

➤ Within the default operating category

SAICA Submission – IFRIC Agenda Decision on Economic Benefits from Use of a Battery under an Offtake Arrangement (IFRS 16)

The APC [responded](#) to the IFRS Interpretations Committee's request for comments on how an entity applies paragraph B9(a) of IFRS 16 - specifically, how to determine whether a customer has the right to obtain substantially all of the economic benefits from use of an identified asset. This relates to a battery offtake arrangement in a gross pool electricity market.

Background

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To

assess this, the customer must have:

- The right to obtain substantially all of the economic benefits from use of the asset (paragraph B9(a)); and
- The right to direct the use of the asset (paragraph B9(b))

The fact pattern assumes the electricity retailer has the right to direct the use of the battery. The question is whether the retailer also has the right to obtain substantially all economic benefits from its use.

Committee Observations

The committee observed that the economic benefits from the battery arise from its storage capability and capacity. It also observed that the electricity retailer has exclusive rights to:

- Use the entire capacity of the battery throughout the contract period
- Direct when and how the battery is charged and discharged

Applying paragraph B21 of IFRS 16, the committee concluded that the electricity retailer obtains substantially all economic benefits from the battery.

Conclusion

The committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for assessing whether the retailer obtains substantially all economic benefits.

SAICA Submission – Request for Information – Post-implementation Review – IFRS 16 – Leases

The APC provided comments on the IASB Post-Implementation Review of IFRS 16 – Leases. The [submission](#) reflects feedback from members and stakeholders on the practical application of IFRS 16 since its implementation.

Key themes in the submission

Overall Effectiveness: IFRS 16 has largely achieved its objective of improving transparency around lease obligations. However, certain areas require clarification and refinement.

Challenges Identified:

- Significant judgement required in determining lease terms and discount rates.
- Complexity in accounting for sale and leaseback transactions, particularly variable lease payments.
- Practical expedients for low-value and short-term leases are helpful but need clearer guidance.

Disclosure Requirements: While disclosures have improved comparability, some stakeholders believe they are too extensive and could be streamlined without losing relevance.

SAICA's Recommendations

- Provide additional guidance on areas involving significant judgement, such as lease term assessment and discount rate determination
- Consider simplifying disclosure requirements to reduce complexity and cost for preparers
- Explore whether further practical expedients could ease implementation for smaller entities without compromising transparency

SAICA Submission on Tentative Agenda Decision on IFRS 18

The APC [submitted comments](#) on the IFRS Interpretations Committee's proposed updates to agenda decisions following the issuance of IFRS 18 – Presentation and Disclosure in Financial Statements.

Key comments from the submission

- ≡ The APC highlighted that simply replacing IAS 1 paragraph references with IFRS 18 paragraphs in existing agenda decisions may not achieve the intended objective. This approach could lead to unintended consequences in the application and interpretation of IFRS 18 and of the updated agenda decisions
- ≡ The APC recommended that the IFRS Interpretations Committee reconsider each agenda decision holistically in light of IFRS 18's new underlying principles
- ≡ The APC expressed concern about the inconsistent presentation of changes in IFRIC updates, which may confuse stakeholders about what has changed versus what remains unchanged

Recommendation

The APC recommended that IFRS Interpretations Committee should not proceed with the proposed updates in their current form. If updates are pursued, they should be comprehensive and aligned with IFRS 18's objectives.

SAICA Submission on Tentative Agenda Decision: Embedded Prepayment Option (IFRS 9)

The APC [submitted comments](#) on the IFRS Interpretations Committee's tentative agenda decision regarding the application of the requirements in paragraph B4.3.5 of IFRS 9 to determine whether an embedded prepayment option in a loan contract should be separated.

Fact Pattern

The request sought clarification on whether, for purposes of applying paragraph B4.3.5(e)(ii) of IFRS 9 to a prepayment option in a financial liability, the term "the entity" refers to:

- The lender – considering lost interest from the lender's perspective; or
- The reporting entity (the borrower) – consistent with references to "the entity" in other IFRS Accounting Standards

This distinction is significant because the assessment of whether to separate an embedded derivative could differ depending on whether it is assessed from the lender's or the borrower's perspective, impacting whether the instrument is measured at fair value through profit or loss or at amortised cost.

APC findings

Evidence gathered indicates no diversity in practice that would materially affect financial statements. Feedback suggests stakeholders interpret "the entity" as referring to the lender.

Conclusion

The APC concluded that the matter does not have widespread effect and noted that it has not encountered issues in applying paragraph B4.3.5 of IFRS 9 to determine whether to separate an embedded prepayment option.

SAICA Submission on Tentative Agenda Decision: Determining and Accounting for Transaction Costs (IFRS 9)

The APC [submitted comments](#) on the IFRS Interpretations Committee's tentative agenda decision regarding the application of the definition of transaction costs in IFRS 9 and the related requirements.

Fact Pattern

The request asked whether costs incurred before entering into a contractual arrangement, such as legal and advisory fees for a proposed loan, can be considered incremental and meet the definition of transaction costs in Appendix A of IFRS 9.

Two views were presented:

- View 1: Such costs cannot meet the definition if incurred before the contract is signed
- View 2: These costs can meet the definition even if the financial instrument might not be issued

The request also asked that, assuming that the costs are determined to be transaction costs, how to account for these costs between the time they are incurred and the contract is signed.

APC Findings

Evidence indicates no diversity in practice.

Feedback suggests that:

- Costs directly attributable to the origination or issuance of a financial instrument, even if incurred before signing, can be incremental and meet the definition of transaction costs
- These costs are often recognised in the statement of financial position as prepayments or other assets

Conclusion

The APC concluded that the matter does not have widespread effect and noted no issues in practice.

SAICA Submission on IFRS Foundation Due Process Handbook

The APC [submitted comments](#) on the IFRS Foundation's proposed amendments to its Due Process Handbook, which governs how the IASB and the IFRS Interpretations Committee develop and maintain IFRS Accounting Standards.

Key comments from the APC

Terminology Alignment: APC raised concerns about replacing “financial statements” with “general purpose financial reports,” noting potential inconsistencies with IFRS 18, the Conceptual Framework, and IAS 1. APC recommends clear, aligned definitions distinguishing financial reporting from sustainability reporting.

Comment letters vs surveys: APC cautioned that surveys may constrain the quality of stakeholder feedback and recommended using detailed feedback forms when a survey is utilised.

SASB Standards: APC questioned the inclusion of SASB Standards as an annexure to the Handbook, seeking clarity on whether they are supplementary guidance or mandatory. APC also recommended establishing an Interpretations Committee for ISSB standards.

Post-Implementation Reviews (PIR): APC proposed retaining the two-year timeline to start the PIR, but to introduce a ceiling of no more than three years post implementation to ensure that the PIR retains its relevance.

Other Matters

- Clarify how the Handbook applies to IFRS for SMEs
- Include a process for withdrawing IFRIC agenda decisions
- Ensure future provisions for an ISSB interpretations committee

SAICA Submission on Provisions – Targeted Improvements – Proposed amendments to IAS 37

The APC submitted its [comment letter](#) on the IASB Exposure Draft Provisions – Targeted Improvements, which proposes clarifications to IAS 37 regarding recognition, measurement, and discount rates for provisions. The APC broadly supports the updates but highlights practical concerns and suggests refinements.

Recognition Criterion

The APC agreed with aligning IAS 37's liability definition to the Conceptual Framework and related wording changes, except in certain aspects outlined below. Concerns were raised about potential unintended consequences, and suggestions were provided to address these. Key issues included:

- Omission of detection risk – requesting alignment with IFRIC 23 paragraph 8
- Constructive obligations – recommending inclusion of economic consequences in the assessment

Measurement Requirements

The APC broadly agrees with specifying the costs an entity should include when estimating future expenditure required to settle an obligation. However, clarity was sought on what constitutes “costs that relate directly to an obligation”, and whether this includes anticipated future costs.

Discount Rate Requirements

The APC supported the proposed discount rate requirements. However, it noted that the amendments

do not clarify whether non-performance risk should be considered in cash flows when measuring a provision. This ambiguity may lead entities to include non-performance risk in cash flows to achieve a similar outcome as incorporating it into the discount rate.

Effective Date and Other Proposals

The APC recommended an effective date at least two years after IFRS 18 implementation to allow preparers sufficient time.

It supported:

- Additions to IFRS 19
- Enhanced IAS 37 guidance and decision tree, but suggests:
- Linking examples to specific requirements
- Revising examples such as contaminated land and staff retraining for clarity

SAICA Submission on Equity Method of Accounting – IAS 28 Investments in Associates and Joint Ventures

The APC submitted its [comment letter](#) on the IASB Exposure Draft on Equity Method – IAS 28 – Investments in Associates and Joint Ventures. While supporting several proposals, the APC questions whether IAS 28 remains fit for purpose given IFRS 10, IFRS 11, IFRS 12 and ongoing application challenges.

Key comments from the submission

- Measuring cost on obtaining significant influence: The APC agrees in principle with the proposal to measure cost at fair value, including previously held interests and contingent consideration. However, the APC recommends that the IASB define “cost” for additional purchases while retaining significant influence, provide guidance on directly attributable costs, and clarify whether purchase price allocation (PPA) should apply only at the consolidated level or also at the associate level when acquired as part of a business combination
- Changes in ownership interest while retaining significant influence: the APC generally agrees with the proposals but expresses concern about the complexity and data requirements for multiple step-up acquisitions and other changes in ownership interest
- Recognition of investor’s share of losses: the APC notes that the proposals do not address recapitalisations and loan capitalisations when ownership percentage remains unchanged and suggests that the IASB consider US GAAP guidance (ASC 323-10-35-29)

- Transactions with associates (upstream/downstream): The APC supports the proposal to recognise gains and losses in full for upstream and downstream transactions, including those involving the loss of control of a subsidiary. However, it does not support adding disclosure requirements for downstream gains and losses for eligible subsidiaries, as this falls outside the reduced-disclosure principles of IFRS 19
- Transition: the APC does not support the proposed mix of retrospective and prospective application. It highlights that prospective application could lead to significant “catch-up” adjustments, such as larger bargain purchase gains, which may create complexity and reduce the usefulness of financial information.

Overall, the APC supports targeted improvements but calls for simplification, clearer guidance on cost and ownership changes, and reconsideration of whether equity accounting should continue as a one-line consolidation approach or be treated as a valuation methodology.

“The APC responded to the IFRS Interpretations Committee’s request for comments on how an entity applies paragraph B9(a) of IFRS 16 - specifically, how to determine whether a customer has the right to obtain substantially all of the economic benefits from use of an identified asset. This relates to a battery offtake arrangement...”

BANKING



Draft Directive in respect of specific payment activities within the national payment system

The South African Reserve Bank (SARB) issued a Draft Directive that sets out compliance requirements for entities conducting or offering specific payment activities within the National Payment System (NPS). The proposed framework applies to activities such as closed-loop payment systems, payment execution services, acquiring, and e-money issuance. It introduces an authorisation process for entities wishing to operate in these areas and outlines governance, risk management, and consumer protection standards, including safeguarding client funds, transparency on fees, and prohibiting interest on stored value. The Draft Directive also includes provisions for closed-loop systems that operate within a defined network or ecosystem. Accompanying this is the [Draft Exemption Notice \(Draft Notice XX of 2025\)](#), which clarifies certain activities that will be exempt from specific regulatory requirements.

Commencement of the ZARONIA First initiative for the Non-Linear Derivatives Market

The Market Practitioners Group (MPG) announced the commencement of the ZARONIA First initiative for the Non-Linear Derivatives Market, marking a significant milestone in South Africa's transition away from the Johannesburg Interbank Average Rate (Jibar) as the primary reference benchmark.

Commencement of the ZARONIA First initiative

The first phase of the ZARONIA First initiative, focused on Linear Derivatives, commenced on 30 April 2025. This phase aimed to reduce financial market participants' reliance on Jibar.

Second Phase Announcement

In line with the transition roadmap, MPG launched the second phase of the initiative, targeting Non-Linear and Cross Currency Derivatives, and urged inter-dealer brokers (IDBs) to use ZARONIA instead of Jibar as their primary reference benchmark for quoting these products.

For more information, please refer to the official announcements:

[Commencement of ZARONIA First for Linear Derivatives](#)
[Announcement: ZARONIA First for Non-Linear Derivatives](#)

Proposed Directive - Proposed amendment to the Regulations relating to Banks: Interest Rate Risk in the Banking Book

The Prudential Authority (PA) proposed an [amendment](#) to the Regulations relating to Banks concerning Interest Rate Risk in the Banking Book (IRRBB). On 1 July 2025, South Africa implemented amended Regulations incorporating the remaining components of the Basel III post-crisis reforms. The Basel Committee on Banking Supervision (BCBS) adjustments included targeted changes to interest rate shocks and methodologies to ensure more accurate risk measurement under varying market conditions.

Key Proposals

- Incorporating the updated recalibration of shocks standard published by the BCBS on 16 July 2024 into a Directive effective 1 July 2026
- Converting the Regulations into Prudential Standards, with implementation proposed for 1 January 2027
- Deleting Regulation 30 of the current Regulations and replacing it with the updated IRRBB standard, including recalibrated shocks

These proposals are aimed at ensuring that South Africa's regulatory framework remains aligned with the latest international standards issued by the BCBS.

D12-2025 - Implementation roadmap for the Basel III post-crisis reforms and the Directive on distressed restructured credit exposures

The PA issued [Directive D12/2025](#), outlining the phased implementation of the Basel III post-crisis reforms and aligning with Directive D11/2025 on distressed restructured credit exposures.

Key Highlights

- **Reduced reliance on external ratings:** The revised Standardised Approach (STA) aims to reduce reliance on external ratings and introduce more granular, risk-weighting measures
- **Reduced scope modelling:** The Internal Ratings-based Approach (IRB) introduce stricter parameter floors to reduce undue variability of risk-weighted assets (RWA)
- **Phased implementation:** STA and IRB reforms effective 1 July 2025, with output floor gradually increasing to 72.5% by 2028
- **Distressed exposures directive:** D11/2025 introduces clearer definitions and monitoring, fully effective January 2027

This phased approach considers the time needed by banks to update their systems, processes, credit risk models, and governance frameworks, given the technical complexity and resource-intensive nature of these reforms.

Proposed Directive - Large exposure requirements

The [Proposed Directive](#) addresses board committee

composition and the conditions and/or limits specified for measuring and controlling large exposures within banks.

Key Objectives

- Strengthen governance by clarifying board committee responsibilities for large exposure oversight
- Define conditions and limits for measuring and managing large exposures to mitigate concentration risk
- Align South Africa's framework with international best practices for large exposure management

D11-2025 - Prudential treatment of distressed restructured credit exposures

The PA issued [Directive D11/2025](#) to address inconsistencies in the identification, treatment, and reporting of distressed restructured credit exposures by:

- Specifying a minimum set of financial distress indicators for classification
- Clarifying the interpretation of Regulation 67 (default treatment)
- Outlining clear reporting requirements for the quarterly form BA 200

The directive seeks to improve risk management practices and enhance comparability of distressed exposure reporting across the banking sector.

Consultation paper: Draft strategy and timelines for reducing the Corporation for Deposit Insurance's dependency on loan funding

The Corporation for Deposit Insurance (CODI) proposed a phased increase in deposit insurance premiums as part of its strategy to strengthen the Deposit Insurance Fund (DIF) and reduce reliance on bank-provided liquidity tier contributions. This initiative is a key component of CODI's operationalisation and supports its 2030 strategy to build a resilient and self-sustaining DIF.

[The proposed premium adjustments](#) will enable CODI to gradually transition from loan-based funding to a model primarily supported by its own resources. This shift is expected to enhance financial stability, reduce systemic risk, and lower the South African Reserve Bank's (SARB) guarantee exposure.

Requirements for monthly, quarterly, ad hoc and resolution data submissions to CODI

The Corporation for Deposit Insurance (CODI) has issued guidelines for banks on submitting Single Customer View (SCV) data. These [requirements](#), aligned with the Deposit Insurance Regulations of 2024, took effect from 1 October 2025 and include:

- **Monthly Submissions:** Banks must submit total qualifying deposits and total covered deposits to the Corporation within 10 working days following the month-end to which the data submission relates
- **Quarterly Submissions:** Banks must submit supporting SCV calculations for qualifying and covered deposits on a quarterly basis or as specified by CODI
- **Ad Hoc Submissions:** CODI may request additional SCV data at any time. Banks must respond within 48 hours of receiving an ad hoc request, using the reporting date specified by CODI, in the prescribed manner and form

These requirements are issued under **Regulations 27–30 and 39** of the Deposit Insurance Regulations of 2024.

AML/CFT/CPF Communication 1 of 2025: Anti-money laundering, counter-financing of terrorism and counter-proliferation financing awareness communication

The PA issued an [awareness communication](#) highlighting key anti-money laundering (AML), counter-financing of terrorism (CFT), and counter-proliferation financing (CPF) deficiencies identified during its 2022–2024 supervisory cycle.

Banks are urged to review and strengthen their risk management and compliance programmes to address these gaps and ensure full compliance with the Financial Intelligence Centre Act 38 of 2001 (FIC Act) obligations.

Financial Markets Department Newsletter - September 2025

The Financial Markets Department (FMD) has released its September 2025 newsletter, showcasing key initiatives aimed at strengthening South Africa’s financial market infrastructure.

Highlights Include:

- **Liquidity Projects:** Enhancing market efficiency and stability

- **Collateral Reform:** Improving risk management frameworks
- **Sustainable Finance:** Supporting green and inclusive growth
- **Regional Cooperation:** Advancing cross-border financial integration

The newsletter underscores the importance of robust infrastructure, institutional agility, and clear policy direction in building resilient markets.

[Access the full newsletter here.](#)

SARB Working papers exploring climate change risks in the financial services sector

Climate change is reshaping economic and financial landscapes, influencing monetary policy, debt markets, and banking stability. These working papers provide critical insights into how environmental risks intersect with macroeconomic objectives and financial resilience.

• Working Paper: Climate change, monetary policy and price stability in South Africa

This [working paper](#) examines the impact of climate change on the effectiveness of monetary policy in maintaining price stability. It highlights the growing interplay between environmental risks and macroeconomic objectives, emphasizing the need for adaptive policy frameworks.

• Working Paper: The impact of extreme weather events on the term structure of sovereign debt

This [paper](#) investigates how extreme weather events influence sovereign bond yields globally. The research provides critical insights into how climate-related shocks affect sovereign debt markets and underscores the importance of incorporating climate risk into fiscal and debt management strategies.

• Working Paper: Climate change shocks and monetary policy in South Africa: a simulation-based analysis

This [paper](#) assesses how climate-related disruptions—such as agricultural shifts and natural disasters—affect inflation, economic output, and the effectiveness of monetary policy.

• Working Paper: Climate risk and bank lending in South Africa

This [paper](#) reveals that physical climate risk significantly reduces lending activity, especially among commercial banks, emphasising the need to integrate climate risk assessments into credit decision-making and risk management frameworks.

• Working Paper: Climate-related transition risks in Southern African banks: financial exposure and policy implications

This [paper](#) examines the financial exposure to climate-related transition risks and outlines policy measures to strengthen resilience. The findings emphasize the need to enhance prudential regulation through improved disclosures, stress tests and capital adjustments.

• Working Paper: Climate change risk-related awareness and credit risk in the South African banking system

This [paper](#) finds that banks with higher climate and environmental awareness experience significantly lower impaired loan ratios, demonstrating the financial benefits of sustainability-focused practices.

• Working Paper: Climate change, macroprudential policy responses and their distributional consequences in South Africa

This [working paper](#) explores how macroprudential policy tools, such as green and brown capital requirements and carbon taxes, impact inequality, welfare, output, pollution, and financial stability in South Africa, stressing the need to finance green transition to achieve South Africa's 2030 Nationally Determined Contribution (NDC) target and 2050 net-zero goal.

D1-2025 - Directive to Repeal DI returns from Regulations relating to Mutual Banks

The Prudential Authority (PA) published [D1-2025 - Directive to Repeal DI returns from Regulations](#), which repeals DI returns and related instructions from the Regulations for Mutual Banks.

Alongside this directive, the PA has published a [Proposed Directive for Mutual Banks on DI Returns](#), outlining

requirements for the completion and submission of specified financial, risk-based, and related returns.

D10-2025 - Directive on matters related to Pillar 3 disclosure requirements

The PA issued [Directive D10-2025](#), updating Pillar 3 disclosure requirements to align with international standards.

Key Updates Include:

- Use of standardised templates for consistency
- Disclosure at the highest level of consolidation
- Clear disclosure timelines
- Assurance of disclosures for accuracy and reliability
- Cross-referencing for transparency and ease of navigation

These changes aim to enhance market discipline and improve the comparability of disclosures across institutions.

Proposed Directive - Governance Tenure

The [Proposed Directive](#) introduces measures to enhance governance standards and promote independence within bank boards.

Key Highlights:

- **Board Policy:** Banks must adopt a policy that promotes independence
- **Independent Chairperson:** Mandatory for all boards
- **Service Limits:** Clear tenure limits for board members
- **Independence Criteria:** Objective standards to ensure impartiality

D9-2025 - Prudential treatment of credit exposures secured by forest and agricultural land

This [Directive](#) sets out the prudential treatment for credit exposures secured by forest and agricultural land.

Key Requirements:

- Apply a risk weight of 100% to residential land ADC (acquisition, development, and construction) exposures
- Apply a risk weight of 150% to commercial land ADC exposures

These measures aim to ensure appropriate capital allocation and strengthen risk management for exposures linked to forest and agricultural land.

Circular 4 of 2025: Basel III post-crisis reforms reporting

The Prudential Authority (PA) published [Circular 4 of 2025](#), providing important clarification on Basel III post-crisis reforms reporting requirements.

The output floor must be calculated and reported:

- At each tier within a banking group
- At the consolidated level, treating each consolidated group or sub-group as a single entity

This clarification ensures consistency and transparency in regulatory reporting across banking groups.

The PA has also published a [Proposed Directive: Credit Risk Roadmap](#) outlining a roadmap for implementing revised credit risk standards. This directive provides detailed guidance for banks in the implementation of revised credit risk standards.

Key Objectives

- Provide a clear roadmap for rolling out systems, processes, and model changes
- Ensure compliance with the revised standardised (STA) and internal ratings-based (IRB) approaches
- Align with the updated Credit restructures directive

This roadmap is critical for achieving consistency and strengthening risk management practices across the banking sector.



The directive seeks to improve risk management practices and enhance comparability of distressed exposure reporting across the banking sector.



REGULATED ENTITIES



Joint Communication 3 of 2025 – Determinations notification IT and cyber incidents

The Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA) published the [Draft Notification Template Determination](#) for reporting material IT and cyber incidents. This determination is issued in terms of:

- a** Joint Standard 1 of 2023 – IT Governance and Risk Management for Financial Institutions
- b** Joint Standard 2 of 2024 – Cybersecurity and Cyber Resilience Requirements for Financial Institutions

Financial Sector Conduct Authority and Prudential Authority release report on Artificial Intelligence (AI) in South Africa's financial sector

The Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA) have jointly published a report on Artificial Intelligence (AI) in South Africa's financial sector. The report reveals that AI adoption is steadily increasing, with 52% of banks actively employing AI technologies. Key opportunities highlighted include enhanced data analytics, improved operational efficiency, and strengthened cybersecurity measures. However, despite its current benefits and future potential, the report also identifies critical challenges such as regulatory uncertainty, skills shortages, and risks to consumer protection. To address these concerns, the FSCA and PA emphasize the need for robust governance frameworks, improved transparency, and stronger consumer protection measures.

[The full report is available here:](#)

Guidance on Liquidity risk return instructions for completion

The [Prudential Authority issued a Guidance Notice](#) to assist Financial Market Infrastructures (FMIs) with the completion of the monthly liquidity risk return. This guidance aims to provide clarity on reporting expectations and promote consistency in submissions across institutions. By outlining key principles and instructions, the notice seeks to ensure accurate and timely reporting, which is essential for effective liquidity risk monitoring and regulatory oversight. FMIs are encouraged to review the guidance carefully and align their reporting processes accordingly.

Determination of the prescribed minimum denomination for FLAC instrument issuances

The PA finalized the determination of the prescribed minimum denomination for FLAC (First Loss Absorbing Capital) instrument issuances in accordance with Prudential Standard RA03. [This standard](#) outlines the requirements for FLAC instruments issued by designated institutions and forms part of South Africa's broader resolution and financial stability framework.

Key Requirement

The PA determined that the minimum denomination for any FLAC instrument issuance is R1 million. This measure was introduced to ensure that FLAC instruments are appropriately structured for institutional investors and to support effective resolution planning.

Effective Date

Prudential Standard RA03 and the prescribed minimum denomination requirement will take effect on 1 January 2026. Designated institutions were expected to prepare for compliance ahead of this date to align with the new regulatory framework.

Joint Communication 4 of 2025: Criteria for the exemption of an external central counterparty or external trade repository from the provisions of the Financial Markets Act (FMA)

The FSCA and the PA published this [Joint Communication](#) to guide external central counterparties (CCPs) or external trade repositories (TRs) seeking exemption from licensing requirements under the Financial Markets Act (FMA). This initiative aims to promote regulatory alignment while facilitating cross-border market participation.

Key Criteria for Exemption

Applicants must meet specified criteria set out in the Joint Standard, including:

-  Robust Risk Management Frameworks
-  Effective Governance Structures
-  Adequate Supervisory Oversight by a recognized authority

What This Means





External CCPs and TRs that meet these criteria may apply for exemption, enabling them to operate in South Africa without full licensing under the FMA, provided they continue to comply with their home jurisdiction's regulatory obligations.

Stakeholder consultation and engagement on the cross-sector OMNI-Risk Return for financial institutions

The FSCA published the draft OMNI-Risk Return template and Explanatory Guide for public consultation. This communication provides an update on the implementation of the FSCA Integrated Regulatory Solution (IRS) and the roll-out of the OMNI-Risk Return for financial institutions.

Key Requirements

The OMNI-Risk Return framework introduces a cross-sector approach to risk reporting. Financial institutions will be required to:

-  Submit comprehensive risk data using the standardized OMNI-Risk Return template
-  Ensure accuracy and completeness of all reported information
-  Align reporting practices with the FSCA's guidelines to support effective risk monitoring
-  Maintain internal controls to validate data before submission

Updates relating to the OMNI-Risk Return

To ensure ongoing access to all relevant material and further updates relating to the OMNI-Risk Return, including recordings of webinars and workshops, a dedicated OMNI-Risk Return link has been created on the FSCA website. [Click here to access OMNI-Risk Return resources](#)

FSCA publishes third Integrated Report

The FSCA published its third Integrated Report, providing a comprehensive overview of the Authority's performance for the period 1 April 2024 to 31 March 2025.

This report reflects FSCA's commitment to value creation, strategic priorities, and regulatory actions, while ensuring governance and accountability in line with its three-year Regulation Plan. [Click here to download the report.](#)

Publication of draft Conduct Standard - Requirements relating to securities financing transactions (draft Conduct Standard)

The FSCA published a draft Conduct Standard on Requirements Relating to Securities Financing Transactions (SFTs) for public comment. The proposed standard adopts a principles-based approach, focusing on governance, risk management, and internal controls for financial institutions involved in SFTs such as repurchase and reverse repurchase transactions (repos), securities lending, and margin lending transactions.

The objectives of the draft standard are to:

-  Establish a robust regulatory framework for SFTs that aligns with international standards
-  Enhance the efficiency and integrity of South Africa's financial markets, promoting transparency and responsible conduct within the SFT environment








Ensure that SFT participants have appropriate governance, risk management, and internal control frameworks to manage identified risks effectively

[Access the full communication here](#)

Conduct Standard 3 of 2025 (CIS) - Requirements for Managers of Collective Investment Schemes

The FSCA issued Conduct Standard 3 of 2025, which sets out regulatory requirements for managers of Collective Investment Schemes (CIS). This standard updates the current regulatory framework to align with other financial sector laws supervised by the FSCA, particularly those relating to consumer protection.

Key Requirements

-  Governance: Managers must maintain and regularly review governance arrangements to ensure compliance with the Act and relevant Conduct Standards
-  Risk Management: Implement an effective risk management framework, including risk management strategy, policies, procedures, and tools for identifying, assessing, monitoring, and mitigating risks. The framework must define a risk appetite aligned with the manager's strategy and business objectives
-  Compliance Framework: Establish and maintain a documented compliance risk management framework with policies and procedures to detect and manage compliance risks effectively
-  Internal Audit: Maintain an independent internal audit function, separate from day-to-day functions and operational activities of the manager
-  Control Functions: Appoint heads for risk management, compliance, and internal audit functions to oversee the effective operation of the control function

Effective Date

The Conduct Standard is intended to come into operation in August 2026.

[Download the full Conduct Standard and supporting documents here.](#)

Notice of invitation to comment: Draft Prudential Standards

The Prudential Authority invites comments on two Draft Standards, including any potential risks or unintended consequences that might arise from the implementation of these Standards. Stakeholders are encouraged to submit comments by 23 September 2025.



[Draft Prudential Standard RAXX](#) - Requirement for Operational Continuity in Resolution-OCIR:



[Prudential Standard RAXX](#) - Requirements for Continuity of Access to Financial Market Infrastructures for Designated Institutions in Resolution:

Joint Communication 2 of 2025: Cloud computing and offshoring of data

This [Joint Communication](#) shares best practices on cloud computing and data offshoring, highlights the governance role in managing related risks, and signals the intention to introduce regulatory requirements for financial institutions.

The Financial Sector Conduct Authority and the International Finance Corporation announce partnership to improve sustainability reporting in South Africa

The FSCA and the International Finance Corporation (IFC) signed a Cooperation Agreement to support the development of climate and sustainability reporting regulations aligned with the International Sustainability Standards Board (ISSB). The agreement supports the FSCA's ongoing efforts to adopt ISSB standards in South Africa.

This initiative includes the development of a jurisdictional roadmap for ISSB adoption, the design of ISSB-aligned regulatory frameworks, and creation of implementation tools such as guidance for Boards of Directors and supervisory training for FSCA staff.

The collaboration also includes engagements with the financial and corporate sectors to facilitate smooth implementation and promote consistent sustainability disclosures.

[Read the full media release.](#)

Working Paper: Analysing the impact of climate change on economic growth in the SADC region: a synthetic control approach

Despite its limited contribution to global climate change, Africa faces severe climate-related impacts, particularly droughts. This [working paper](#) examined the economic consequences of droughts across Southern African Development Community (SADC) countries using a synthetic control approach.

Key Findings

- a Drought Impact:** Droughts reduced GDP per capita by an average of 18%, with long-lasting economic effects
- a Policy Implications:** The findings underscore the need for long-term policy responses to droughts rather than short-term measures
- a Regional Vulnerability:** SADC countries remain highly exposed to climate shocks, which can significantly hinder economic growth and development

The FSCA and the PA published this Joint Communication to guide external central counterparties (CCPs) or external trade repositories (TRs) seeking exemption from licensing requirements under the Financial Markets Act (FMA). This initiative aims to promote regulatory alignment while facilitating cross-border market participation.

RETIREMENT FUNDS



Publication of the names of pension funds and employers with arrear contributions

The Financial Sector Conduct Authority (FSCA) released its latest communication on arrear contributions to retirement funds, in line with Section 13A of the Pension Funds Act (PFA). This publication aims to promote transparency and accountability by naming employers and pension funds that have failed to remit contributions deducted from employees' salaries.

Key Findings

- 1 As at 31 March 2025, the FSCA received reports of 15,521 employers in breach of Section 13A of the PFA.
- 2 5,821 employers have been published due to the severity and duration of their arrears.
- 3 This represents a 50% increase compared to the previous publication on 31 December 2023, which listed 7,770 employers.

[The complete list of employers and pension funds in arrears is available here.](#)

FSCA Conduct Standard 2 of 2025 (RF) - Conditions Prescribed in respect of Pension Fund Benefit Administrators (Conduct Standard)

The Financial Sector Conduct Authority (FSCA) published [Conduct Standard 2 of 2025 \(RF\)](#): Conditions Prescribed

in respect of Pension Fund Benefit Administrators. This new standard replaces Board Notice 24 of 2002 and strengthens the regulatory framework governing benefit administrators under Section 13B of the Pension Funds Act, 1956, read with the Financial Sector Regulation Act, 2017. The Conduct Standard aims to address key conduct risks, improve governance, and align pension fund administration with other sector-specific regulatory frameworks supervised by the FSCA, including Treating Customers Fairly (TCF) principles.

Key Requirements of the Conduct Standard

- 1 Fit and Proper Requirements: Introduces integrity, competence, and disqualification criteria for benefit administrators and their key persons.
- 2 Complaints Management Framework: Requires administrators to establish and maintain an effective framework for resolving "complaints" (as defined in the Conduct Standard).
- 3 Service Level Agreements (SLAs): Mandates new requirements for SLAs between retirement funds and their benefit administrators.

Simultaneously, the FSCA has published **FSCA RF Notice 10 of 2025**, which prescribes the format of submissions to be made to the FSCA in terms of the Conduct Standard. Most provisions in the Conduct Standard came into effect on 6 August 2025, while others will take effect 6 or 12 months after the publication date.

INSURANCE



Proposed Amendments to Prudential Standard FSB 1 – Framework for Financial Soundness of Branches (Prudential Standard)

The Prudential Authority (PA) has released [proposed amendments](#) to Prudential Standard FSB 1, which sets the framework for financial soundness of branches of foreign reinsurers in South Africa.

Purpose of Amendments:

- Address limitations in the current calculation of minimum trust assets
- Enhance prudential oversight and ensure robust financial safeguards

These amendments aim to reinforce the resilience of the insurance sector and maintain confidence in South Africa's financial system.



These amendments aim to reinforce the resilience of the insurance sector and maintain confidence in South Africa's financial system.



MEDICAL SCHEMES



Circular 38 of 2025: Proposed Levies for Medical Schemes 2026/27

The Council for Medical Schemes (CMS) issued a general notice announcing proposed levies for medical schemes registered under the Medical Schemes Act (131 of 1998) for the 2026/27 financial year.

Proposed levy



Set at R54.66 per principal member per year, payable in two equal instalments



First instalment due by 30 April 2026; second by 30 June 2026

The general notice and CMS's consolidated 2026/27 budget are [available for review](#) on the CMS website.

Circular 37 of 2025: Approval of appointment of scheme auditors

The CMS opened the [process](#) for the appointment of auditors for medical schemes, as mandated by Section 36(2) of the Medical Schemes Act (131 of 1998), on 20 October 2025, with a submission deadline of 7 November 2025. The final standards for the authorisation of auditors and IFRS advisors remained unchanged from the previous year, ensuring continuity and consistency in audit quality and compliance.

Newly authorised auditors and IFRS advisors will be added to the CMS-approved list after completion of the authorisation process.

Prescribed auditor report templates (ISA700 revised reports)

The Independent Regulatory Board for Auditors (IRBA) has published the [Revised Illustrative Auditor's Reports \(ISA 700 Revised\)](#) specifically for medical schemes, effective for audits starting on or after 15 December 2024, with early adoption permitted.

These updated templates incorporate the International Auditing and Assurance Standards Board's narrow scope amendments to ISA 700 (Revised), including requirements for firms to publicly disclose how independence requirements for Public Interest Entities (PIEs) are applied.

Circular 32 of 2025: General concerns noted during the analysis of the 2024 Annual Financial Statements and Financial Annual Statutory returns

This [Circular](#) highlight common issues identified during the review of 2024 Annual Financial Statements (AFS) and Financial Annual Statutory Returns (FASR). The circular sought to improve data quality, promote standardised disclosures, reduce errors, and foster sound financial reporting aligned with IFRS Accounting Standards, addressing recurring problems across submissions.

Medical schemes and administrators are urged to review the detailed findings and guidance in the circular to rectify these issues ahead of the 2025 reporting period.

Updated Medical Schemes Accounting Guide

SAICA is pleased to announce the release of the [2025 updated Medical Schemes Accounting Guide](#). This update has been prepared by the SAICA Medical Schemes Project Group (MSPG), in consultation with the Council for Medical Schemes (CMS), to provide guidance to SAICA members and auditors on the accounting requirements applicable to entities carrying on the business of a medical scheme.

The Council for Medical Schemes (CMS) issued a general notice announcing proposed levies for medical schemes registered under the Medical Schemes Act.





IVSC Annual Report 2024–25

The International Valuation Standards Council (IVSC) has released its Annual Report for 2024–25, highlighting significant progress in global valuation standards and reinforcing the role of IVS as the global framework for consistent, transparent valuations.

Key highlights include:

- 1 Updates on board activities and governance
- 2 Progress in stakeholder collaboration and IVS adoption worldwide
- 3 Insights from the 2024–25 Thought Leadership Programme
- 4 Key developments shaping the valuation profession globally

This report reaffirms IVSC’s commitment to driving high-quality valuation practices and supporting global consistency.

[Access the full report here.](#)

IVSC Perspective Paper: Navigating the Rise of Artificial Intelligence in Valuation: Opportunities, Risks, and Standards

This paper explores the transformative impact of Artificial Intelligence (AI) and related technologies on the valuation profession.

Key Highlights

- 1 **Opportunities:** AI offers significant potential to enhance efficiency, improve data analysis, and support decision-making in valuation processes.
- 2 **Risks:** The adoption of AI introduces challenges such as data integrity, algorithmic bias, transparency, and ethical considerations.
- 3 **Standards:** The paper emphasizes the need for robust valuation standards and governance frameworks to ensure responsible and consistent use of AI across the profession.

As AI continues to reshape industries, valuation professionals must stay informed and adapt to these technological advancements while safeguarding trust and credibility.

[Read the full paper here.](#)

“The adoption of AI introduces challenges such as data integrity, algorithmic bias, transparency, and ethical considerations.”

EVENTS

SEMINARS AND EVENTS



PAST EVENTS

Insurance Webinar – 23 September 2025

The Insurance Webinar held on 23 September 2025 brought together leading experts, including Patrick Bracher, to discuss critical topics shaping the insurance industry.

Key highlights included:

- Recent and upcoming insurance regulatory updates
- Challenges and opportunities in an AI-driven insurance world
- The anticipated impact of IFRS 18 on insurers
- These discussions provided valuable perspectives for professionals to navigate the evolving insurance landscape confidently

[For those who could not attend or wish to revisit the sessions can watch the full recording here.](#)

Medical Schemes Webinar - 28 October 2025

The Medical Schemes webinar held on 28 October 2025 addressed vital developments influencing the medical schemes environment.

The session covered:

- Key regulatory updates
- Recent developments in the **National Health Insurance (NHI)**

- An overview of the **IFRS Sustainability Disclosure Standards** and insights for the medical schemes industry
- A panel discussion on the **IFRS 17 post-implementation review**

These insights equipped attendees with knowledge essential for compliance and strategic planning.

[For those who could not attend or wish to revisit the sessions can watch the full recording here](#)

STRATE Licensed as South Africa's Official Trade Repository – What You Need to Know

This session features a conversation with André Nortjé, Chief Executive Officer at STRATE, unpacking the licensing of STRATE as South Africa's official Trade Repository for over the counter (OTC) derivatives transactions.

In December 2024, the Financial Sector Conduct Authority (FSCA), with the concurrence of the Prudential Authority (PA), granted Strate (Proprietary) Limited (STRATE), South Africa's central securities depository and collateral platform, a licence to operate as a trade repository. This marks a significant milestone in South Africa's financial market infrastructure, aligning the country with Group of Twenty (G20) global financial sector reforms aimed at reducing systemic risk through mandatory reporting of OTC derivative trades.

Why This Matters:

- **Enhances market transparency:** Accurate and timely reporting of OTC derivatives trades
- **Supports Regulatory Oversight:** Enables monitoring of systemic risks and concentration exposures
- **Aligns with global standards:** Meets G20 commitments on OTC derivatives reforms
- **Facilitates benchmark transition:** Plays a key role in the move from Jibar to ZARONIA

This development strengthens South Africa's financial system by enabling data-driven decision-making, supporting benchmark transition, and ensuring compliance with international best practices.



Key Highlights from the Discussion:

- Strate's core role in South Africa's financial ecosystem
- How Strate connects issuers and investors in the capital markets
- Regulatory requirements and obligations for OTC Derivative Providers (ODPs)
- Alignment with global best practices
- Why SAICA members should care about STRATE's evolution

strate

Serving the financial markets

Kedibone Sono CA(SA)
SAICA Head of Financial Reporting

 **SAICA**
DIFFERENCE MAKERS™



WATCH ON
YouTube
[CLICK HERE](#)

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

The pipeline project 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/>

CONNECT WITH US

Email us:

Kedibone Sono
Head of Financial
Reporting:
Kedibones@saica.co.za



Mthokozisi Sibisi
Manager:
MIB Technical
MthokozisiS@saica.co.za



LET US KNOW WHAT YOU THINK!

How helpful did you find the content of this newsletter?

[Click here & tell us more](#)

Follow us!

