

Presenting to the Standing Committee on Finance

# Implementation of the Prudential Authority

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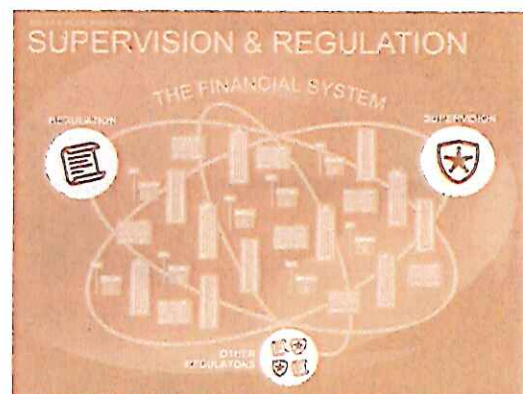
17 April 2018



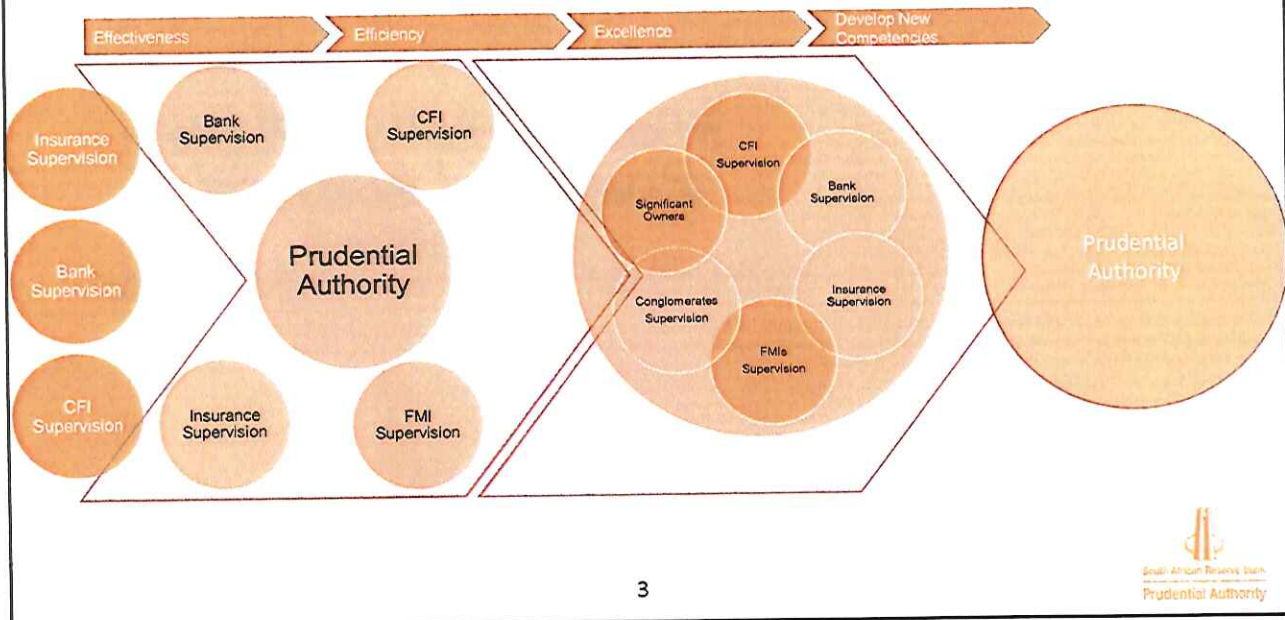
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Prudential Authority

## Overview of presentation

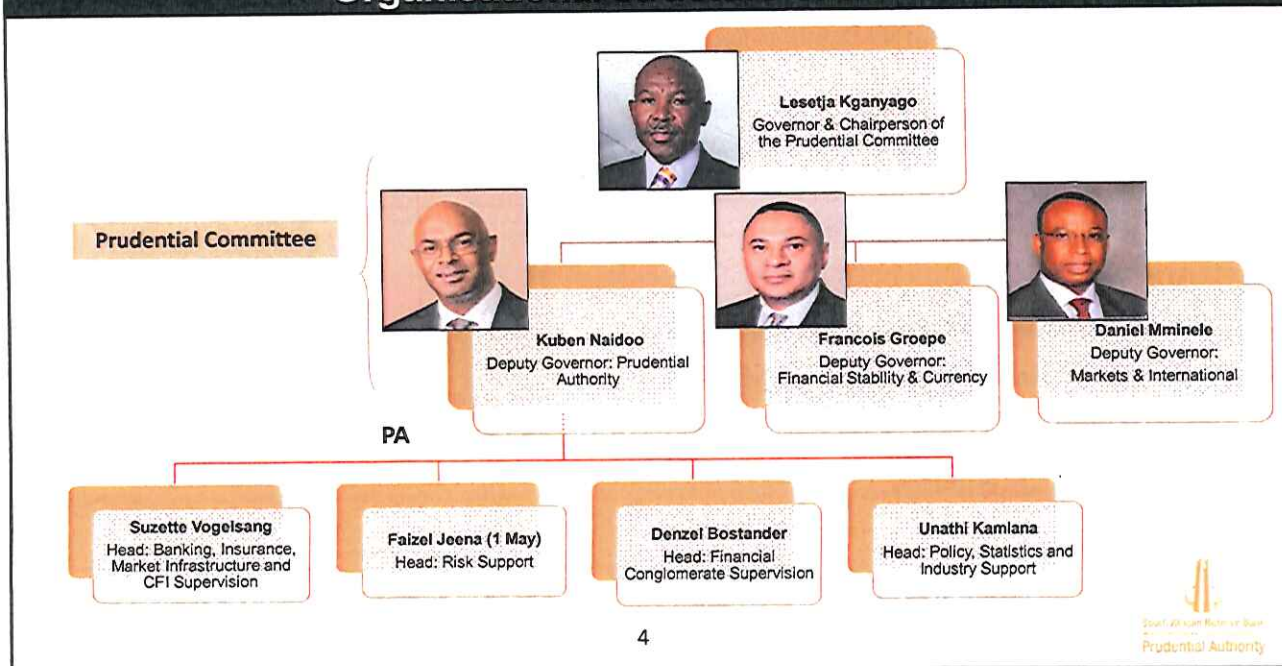
1. The PA transformation
2. Organisational Structure of the PA
3. Prudential Committee
4. Levies
5. Cooperation and collaboration
6. Progressive realisation of PA Mandate
7. Financial Stability



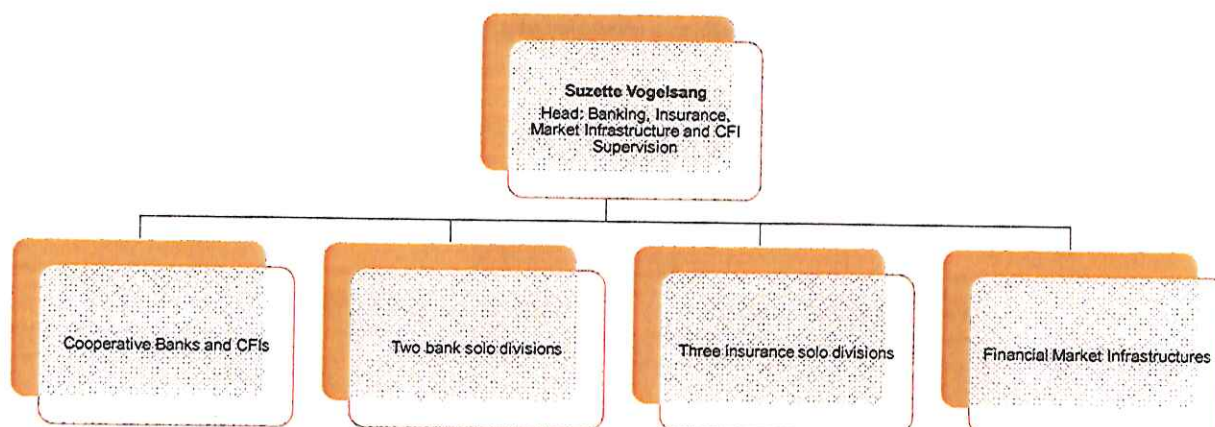
## The PA transformation



## Organisational structure of the PA



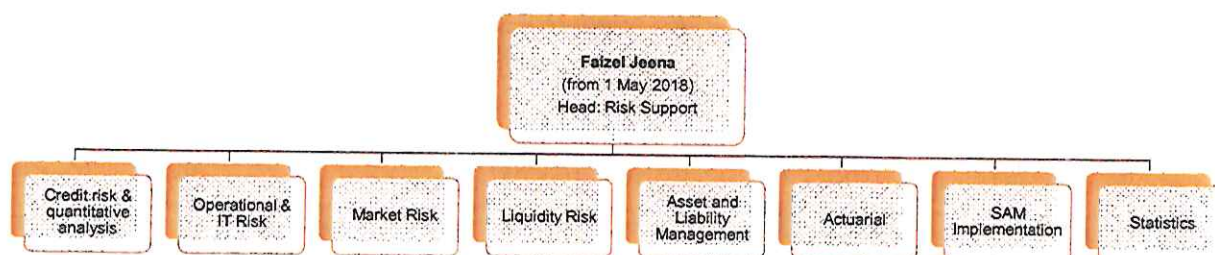
## Banking, Insurance, Market Infrastructure and CFI Department



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## Risk Support Department



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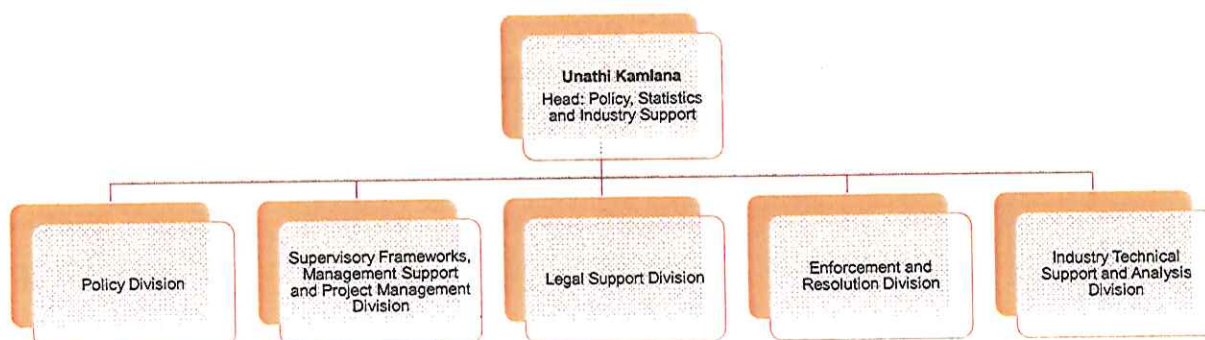


## Financial Conglomerate Supervision Department



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## Policy, Statistics and Industry Support Department



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## Prudential Committee

- Established its section 41 of FSRA
- Operates in terms of sections 42-46
- First meeting 16 April 2018 – following establishment of PA on 1 April 2018

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## Funding of the PA implementation (Transition phase)

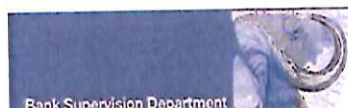
DESCRIPTION	2017/2018 FY BUDGET	2018/2019 FY BUDGET
PERSONNEL COSTS	205m	244m
OPERATIONAL COSTS	82m	51m
<b>TOTAL BUDGET</b>	<b>287m</b>	<b>295m</b>

- For the 2018/19 financial year, the **PA will continue to be funded from the Reserve Bank's own resources** until the Levies Bill is promulgated (envisaged to only take effect from 1 April 2019 for the 2019/20 FY).
- The Bank Supervision Department's approved budgets for the 2017/18 and 2018/19 financial years amounted to R287 million and R295 million respectively. **Despite twin peaks implementation on 1 April 2018, only a 3 per cent increase in the budget.**
- The additional responsibilities for **prudential regulation of other financial institutions in addition to banks** will increase both the personnel and operational costs of the PA.

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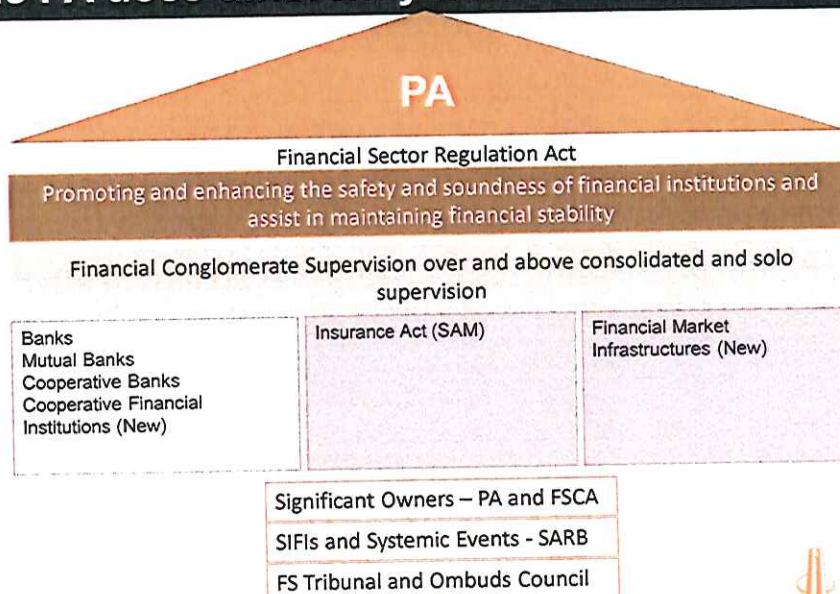


## What the PA does differently from BSD?



Bank Supervision Department

- ❖ Promoting the soundness of the domestic banking system and to contribute to financial stability.



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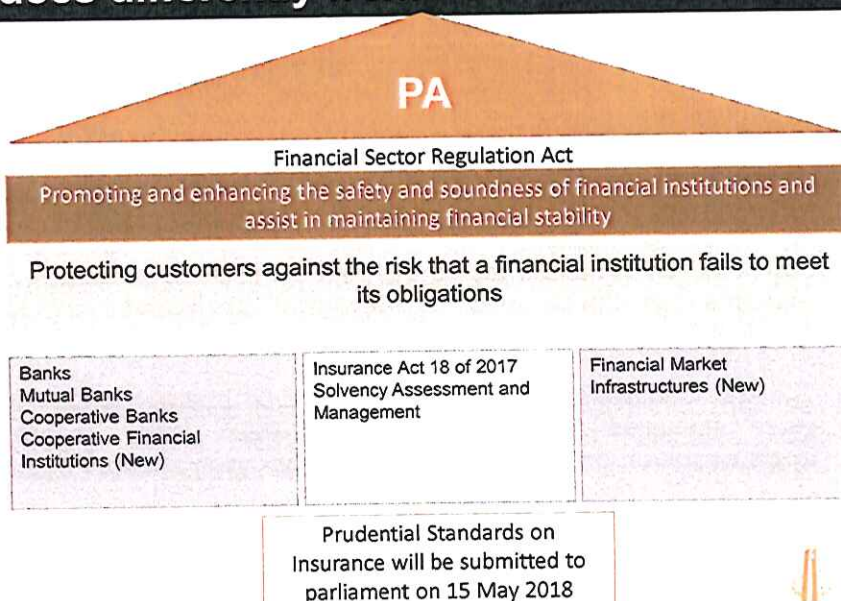
## What the PA does differently from FSB Insurance?



FINANCIAL SERVICES BOARD

Promote and Maintain a sound financial investment environment in South Africa

- ❖ Promoting the maintenance of a fair, safe and stable insurance market for the benefit and protection of policyholders.

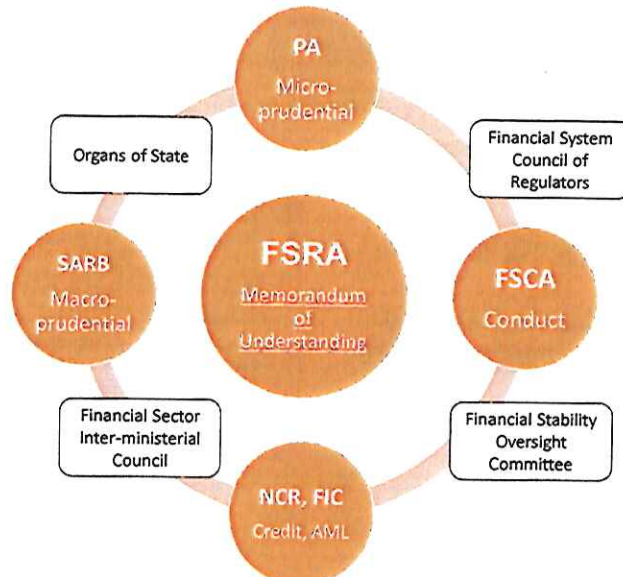


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## Working with other regulators and the SARB



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## Primary interactions between the PA and the FSCA



Two-key licensing



Regulatory Instruments



Financial conglomerates



Significant Owners



Inspections and Investigations



Enforcement

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## Interactions between the PA and the SARB

### SARB

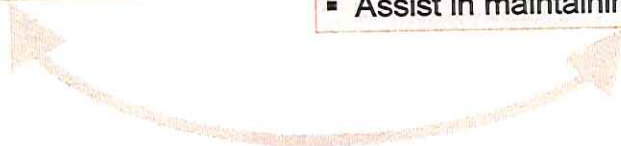
Macro-prudential regulator

- Protecting and enhancing financial stability
- Restoring and maintaining financial stability in terms of a systemic event

### PA

Micro-prudential regulator

- Promoting and enhancing safety and soundness of financial institutions (financial products and securities services) and FMIs
- Assist in maintaining financial stability



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## Progressive realisation of the mandate of the PA

As per FSRA – Regulation and Supervision of

- Pension Funds
- Collective Investment Schemes
- Friendly Societies

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## Financial Stability

- Financial Stability Oversight Committee
  - Established its section 20 of FSRA
- Future work -
  - Resolution Framework
  - Deposit insurance
  - Resolution Bill – to be tabled

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**Thank you**



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