



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Media Statement: No change in Bank Oversight Body

The Mail & Guardian today carried a story under the rubric “*Will the banks get a new boss?*” concerning the Minister of Finance weighing the possibility of a new independent regulator for South African banks. This story is incorrect – there is no intention to set up a new prudential regulator for banks, as this is currently done very efficiently and effectively by the South African Reserve Bank (SARB) through its Banking Supervision Department. This department, led by Mr Errol Kruger, will therefore continue to be the sole prudential regulator of banks.

The article confuses two very different regulatory functions, one related to market conduct and the other to prudential regulation (and financial stability). The recommendations of the Banking Enquiry Panel of the Competition Commission deal with market conduct issues in the retail banking sector, including the question of access to the national payment system (NPS). The regulation of the banks in terms of their membership of the NPS must therefore not be confused with the prudential regulation of banks and financial stability issues, nor should the regulators be confused, as a separate regulator (via a different SARB department, the National Payment System Department) plays this role for the payments system.

Many of the proposals in the Banking Enquiry Panel’s report can be implemented (and some have already been implemented by some banks). The Minister will be meeting with the CEOs of banks shortly, to ensure that the response of the banking sector and government can be finalised as soon as possible. At all stages during this process, government has been mindful of the need to protect the financial and settlement system against any systemic risk.

The article then also confuses the above two processes with the work arising from international responses to the global financial crisis, particularly the proposals from the G20 and Financial Stability Board to improve the stability of the financial sector. The proposal announced by the Minister during his Budget speech to consider a council of regulators is meant to improve coordination between all the current financial regulators, and not to replace any of them with a new body. The issue of co-ordination is one of the weaknesses identified worldwide through the G20 process.

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