



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Press Release: Amended Bank Regulations to Give Effect to “Basel 2.5”

Following the global financial crisis, international standard-setting bodies such as the G-20 forum, the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS), have issued new or amended requirements and standards, aimed at addressing fundamental weaknesses that have been identified in financial regulation. In respect of banking, the BCBS subsequently released various documents, including amendments to the Basel II framework, known as ‘Basel 2.5’, and the ‘Basel III’ framework. The amended Regulations mainly give effect to “Basel 2.5”, and aim, amongst others to:

- strengthen the risk coverage of the capital framework;
- reduce risks from certain securitisation and off-balance-sheet activities;
- discourage excessive lending;
- strengthen board and senior management oversight in banks and banking groups;
- increase public disclosure; and
- strengthen the oversight of bankers’ remuneration through incorporating the Financial Stability Board’s Principles for Sound Compensation Practices. These guidelines are intended to better align the incentives for senior managers with the long term sustainability (and hence better risk management practices) of the institution.

On 31 October 2011, the Minister of Finance approved amended Regulations relating to Banks. The amended Regulations follow extensive consultations with the banking sector and other stakeholders over the past two years. The amended Regulations, which will be implemented with effect from 1 January 2012, will be published in the Government Gazette in due course. The finalised document is available on the South African Reserve Bank website:

<http://www.resbank.co.za/RegulationAndSupervision/BankSupervision/BankingLegislation/Pages/ProposedAmendmentsToLegislation.aspx>

Extensive consultation has already commenced between the Bank Supervision Department of the South African Reserve Bank, the National Treasury, industry and other stakeholders on the necessary changes required for the implementation of the “Basel III” framework, and the first draft of those amended Regulations will be released in the early part of 2012.

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