



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

FINANCIAL SECTOR ASSESSMENT PROGRAM: SOUTH AFRICA'S FINANCIAL SYSTEM STABILITY ASSESSMENT REPORT

The International Monetary Fund (IMF) and the World Bank published the third Financial Sector Assessment Program (FSAP) Financial System Stability Assessment (FSSA) report for South Africa on the 11 February 2022.

The FSAP assessment is conducted jointly by the IMF and the World Bank every five years, in terms of the Financial Stability Board's (FSB's) Framework for Strengthening Adherence to International Standards. The assessment started with a scoping mission held in July 2019, followed by two lengthier missions which were concluded in the third quarter of 2021. The assessment team met with the National Treasury, South African Reserve Bank (SARB), Prudential Authority, Financial Sector Conduct Authority, National Credit Regulator, industry participants, and public-sector entities such as the Public Investment Corporation. The report was informed by the authorities' views on the stability and soundness of the country's financial system. The authorities welcome the comprehensive and positive findings and recommendations in the report, and will continuously undertake reforms and interventions that seek to further enhance the stability of the country's financial system.

The report focuses on thematic areas of work on banking; insurance; interconnectedness; stress-testing; crisis management and preparedness; sustainable finance and pensions; macroprudential supervision; systemic liquidity management; payment system oversight and supervision; financial inclusion; cyber security; and fintech.

The findings presented in the report broadly welcome the authorities' work in preserving financial stability, even against the backdrop of the COVID-19 pandemic, and the notable progress made in implementing the agreed upon reforms since the 2014 FSAP. The report makes a number of recommendations to further enhance the domestic financial sector's regulatory, supervisory and policy environment.

The report's risk outlook is aligned to South Africa's own assessment of systemic risks outlined in the [latest Financial Stability Review \(published by the SARB on 24 November 2021\)](#), which recognizes the threat of a material increase in banks' exposure to government debt and slow and inequitable economic growth as medium to long-term risks to financial stability. The report also notes that banks remain resilient in line with SARB's latest stress tests and FSAP's baseline scenario.



The key recommendations in the FSSA report include the need to:

- promote fintech while balancing the risks it may pose to financial stability;
- improve the implementation of the risk-based approach to AML/CFT supervision, and bringing all sectors covered by the FATF standards under the AML/CFT framework;
- address the challenges related to climate risk; and
- embrace the new opportunities of sustainable finance.

The report also considered the impacts of digitalisation and climate risk on competition, efficiency, financial inclusion and market development, and recommends steps that can be taken by the authorities to ensure positive outcomes for financial customers and the financial system.

South Africa's third FSAP was held at the height of the pandemic, and demonstrated the resilience of the country's financial system, how the country has maintained a strong regulatory and supervisory framework, and how the country responded and managed the stresses transmitted to the system as a result of the pandemic.

The South African authorities will continue to work closely with the IMF, the World Bank, the Financial Stability Board and other jurisdictions so that the South African and global economies are able to efficiently allocate resources for financial risks to be properly assessed and managed in the interests of balanced and sustainable economic growth.

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