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SOUTH AFRICAN RESERVE BANK  
Prudential Authority

## Prudential Communication 17 of 2023

### Co-operative Banks Act, 2007 (Act No. 40 of 2007)

#### Notice of invitation to comment - Draft Prudential Standards for Co-operative Financial Institutions and Co-operative Banks

##### ***Objective of this Prudential Communication***

*This communication serves to inform co-operative financial institutions (CFIs) and co-operative banks of the publication of draft Prudential Standards, for consultation, in terms of section 101 of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (FSR Act).*

#### **1. Application**

- 1.1 This Prudential Communication is applicable to all interested persons, CFIs and co-operative banks.

#### **2. Purpose**

- 2.1 The purpose of this Prudential Communication is to inform CFIs and co-operative banks of the publication of draft Prudential Standards, for consultation, in accordance with section 101 of the FSR Act. The consultation process is also an opportunity for CFIs and co-operative banks to provide input, through questionnaires, on the Statement of Need for, Intended Operation and Expected Impact (Statement) of the draft Prudential Standards. The Statement will thereafter be released with the draft Prudential Standards for consultation in terms of section 98 of the FSR Act.

#### **3. Notice of invitation to comment**

- 3.1 On 9 July 2021 the Prudential Authority (PA) issued three draft Prudential Standards outlining requirements in relation to registration and operations, governance as well as risk management and internal controls by CFIs and co-operative banks for informal consultation.

- 3.2 Based on supervisory observations as well as comments received on the draft Prudential Standards issued in 2021, the PA found it necessary develop a framework for CFIs and co-operative banks that is proportional to the risk posed. The PA has therefore re-drafted the Prudential Standards and is proposing tiering of the co-operative banking sector by categorising CFIs and co-operative banks into basic, intermediary, and advanced models with commensurate financial soundness, governance, operational and risk

management requirements. The tier allocated to a particular CFI or co-operative bank is not intended to be in the public domain in order to avoid any perceptions of the riskiness of the financial institution.

- 3.3 The informal consultation process will provide an opportunity for the PA, through questionnaires, to access the reaction of the sector to the proposed tiered requirements as well as solicit input to the Statement.
- 3.4 The PA acknowledges the important role CFIs and co-operative banks plays in providing financial services to its members. It is therefore important that a framework is created which allows the PA to effectively regulate and supervise CFI and co-operative banks.
- 3.5 The PA therefore publishes the following documentation for public consultation in accordance with section 101 of the FSR Act for consultation:
  - 3.5.1 Notice of invitation for comment;
  - 3.5.2 draft Prudential Standard CBA-01 – Registration and operational requirements for CFIs and co-operative banks;
  - 3.5.3 draft Prudential Standard CBA-02 – Governance requirements for CFIs and co-operative banks;
  - 3.5.4 draft Prudential Standard CBA-03 – Risk management requirements for CFIs and co-operative banks;
  - 3.5.5 draft Prudential Standard CBA-04 – Financial soundness requirements for CFIs and co-operative banks;
  - 3.5.6 questionnaires relating to the expected impact of the draft Prudential Standards on the CFI and co-operative bank sector; and
  - 3.5.7 comments template.

#### **4. Submission requirements**

- 4.1 Comments and responses on the draft Prudential Standards and accompanying documents must be submitted using the attached Comments Template to [PA-Standards@resbank.co.za](mailto:PA-Standards@resbank.co.za) for the attention of Mrs Elize Myburgh by 29 February 2024.
- 4.2 Any enquiries regarding this communication must be directed to the aforementioned e-mail address.

**Fundi Tshazibana**  
**Chief Executive Officer**

**Date:**