



Ref.: 15/8/1/3

To: All banks, branches of foreign institutions, controlling companies, eligible institutions and auditors of banks or controlling companies

Proposed Directive issued in terms of section 6(6) of the Banks Act 94 of 1990

Supplementary regulatory reporting requirements relating to International Financial Reporting Standard 9

Executive summary

In July 2014 the International Accounting Standards Board (IASB) issued International Financial Reporting Standard (IFRS) 9: *Financial Instruments*. IFRS 9 became effective on 1 January 2018 and banks, branches of foreign institutions and controlling companies in South Africa have been reporting in terms of the new accounting standard for financial reporting periods from that date.

IFRS 9 resulted in significant changes to the classification of financial instruments. Furthermore, it fundamentally changed the way in which impairments on financial instruments are calculated. This information is not currently included in any of the returns prescribed in the Regulations relating to Banks (Regulations), and therefore additional regulatory reporting requirements have become necessary.

This proposed Directive specifies the content and frequency of the supplementary information to be submitted to the Prudential Authority relating to IFRS 9.

1. Introduction

- 1.1 In July 2014 the IASB issued IFRS 9, which became effective on 1 January 2018. Banks, branches of foreign institutions and controlling companies (hereafter collectively referred to as banks) are reporting in terms of the new accounting standard for financial reporting periods beginning on or after 1 January 2018.
- 1.2 IFRS 9 resulted in significant changes to the classification of financial instruments. Furthermore, it fundamentally changed the way in which impairments on financial instruments are calculated. This information is not currently included in any of the Banks Act (BA) returns prescribed in the Regulations, which has necessitated the requirement for additional regulatory reporting.
- 1.3 The Prudential Authority (PA) requires timely and accurate information relating to credit exposures and impairments to monitor amongst others:
 - 1.3.1 banks' performance;
 - 1.3.2 banks' asset quality and loan loss provisioning;
 - 1.3.3 banks' ongoing safety and soundness; and
 - 1.3.4 the capital adequacy of banks.

1.4 As such, the PA has designed a supplementary regulatory reporting template, attached hereto as Annexure A, containing information to be completed and submitted to the PA by the banks.

1.5 The method for the submission of the required information will be communicated to banks in due course.

2. Proposed directive

2.1 Based on the aforesaid and in accordance with the provisions of section 6(6) of the Banks Act 94 of 1990, banks are hereby directed to complete the IFRS 9 supplementary reporting template, attached hereto as Annexure A, and to submit it to the PA in line with the required timelines specified in the said template.

2.2 The effective date for the IFRS 9 supplementary reporting template has been determined as follows:

2.2.1 Bank Solo – for the period ending 30 September 2023;

2.2.2 Bank Consolidated – for the period ending 31 December 2023; and

2.2.3 Controlling Company Consolidated – for the period ending 31 December 2023.

3. Invitation for comment

3.1 All interested persons are hereby invited to submit their comments on the proposed Directive (including Annexure A) to: SARB-PA@resbank.co.za, for the attention of Ms I Peter, by no later than 17 March 2023.

3.2 All comments received may be published on the website of the PA, unless a respondent specifically requests confidential treatment.

Fundi Tshazibana
Chief Executive Officer

Date: