



Prudential Communication 15 of 2023

Banks Act, 1990 (Act No 94 of 1990)

Financial Sector Regulation Act, 2017 (Act No.9 of 2017)

Notice of invitation to comment – Draft Prudential Standard on Market Risk and draft Prudential Standard on Credit Valuation Adjustment

Objective of this Prudential Communication

This communication relates to the provisions of section 98 of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (FSR Act), which requires the Prudential Authority (PA) in terms of the process of making a regulatory instrument, such as a Prudential Standard, to publish a Notice of Invitation for Comment as well as the other documentation stipulated herein.

1. Application

- 1.1 This Prudential Communication is applicable to members of the public in relation to regulatory requirements for banks, branches¹, branches of banks, and controlling companies.

2. Purpose

- 2.1 This Prudential Communication serves to fulfil the requirements of section 98 of the FSR Act which requires the PA in terms of the process of making a regulatory instrument to publish a Notice of Invitation for Comment as well as the documentation stipulated herein.

3. Notice of Invitation for Comment

- 3.1 As reflected in Guidance Note 3 of 2023, the PA intends to implement the Basel Committee on Banking Supervision's (BCBS) Revised Market Risk Framework and the Revised Credit Valuation Adjustment (CVA) Framework (Revised Frameworks) in South Africa on 1 July 2025.
- 3.2 The PA has set out various milestones to enable the implementation of the Revised Frameworks within the South African regulatory architecture. The latest milestones were communicated to the industry through the implementation roadmap published under Prudential Communication 10 of 2023.
- 3.3 Key to these implementation milestones is the embedment of a regulatory framework in the form of Prudential Standards [as prescribed by the Banks Act, 1990 (Act No.94 of 1990) read with the FSR Act], supported by regulatory

¹ Commonly referred to as branches of foreign institutions.

reporting requirements, as well as impact assessments (required in terms of section 98 of the FSR Act) on supervised institutions and the wider market, related to the implementation of the Revised Frameworks.

- 3.4 In August 2022, the PA published the draft prudential standards on Market Risk and CVA for consultation and used the consultation as an opportunity to solicit information, through a questionnaire and a Quantitative Impact Study, for the drafting of the Statement of Need for, Intended Operation and Expected Impact of the draft prudential standards.
- 3.5 In this regard, the PA publishes the following documentation in accordance with the provisions of section 98 of the FSR Act for public consultation:
 - 3.5.1 Draft Prudential Standard for Market Risk – Annexure A;
 - 3.5.2 Draft Prudential Standard for CVA – Annexure B;
 - 3.5.3 Statement of Need for, Intended Operation and Expected Impact of the draft prudential standards – Annexure C (as indicated in paragraph 3.4 above);
 - 3.5.4 Comment matrices from the August 2022 consultation – Annexure D and Annexure E;
 - 3.5.5 Reporting templates - Annexure F;
 - 3.5.6 Draft determinations relating to thresholds in the Prudential Standards – Annexure G and Annexure H; and
 - 3.5.7 Comment template – Annexure I.

4. Submission requirements

- 4.1 Comments on the draft Prudential Standards must be made using the comment template and submitted to PA-Standards@resbank.co.za for the attention of Ms Kalai Naidoo on or before **20 December 2023**.
- 4.2 Any enquiries regarding this communication must be directed to PA_RSD-MarketRisk@resbank.co.za .

Fundi Tshazibana
Chief Executive Officer

Date: