



Prudential Communication 2 of 2024

Financial Sector Regulations Act 9 of 2017

Banks Act 94 of 1990

The 2024 Flavour-of-the-year topic communication to banks

Objective of this Prudential Communication

This communication provides information on the Prudential Authority's 2024 calendar year (2024) flavour-of-the year topic for banks, controlling companies and branches of foreign institutions (hereinafter collectively referred to as 'banks') namely, *Strategic business growth and resilience of the regulated financial institutions' business models in the current environment.*

1. Application

1.1 This Prudential Communication is applicable to banks.

2. Purpose

2.1 The purpose of this Prudential Communication is to provide information on the 2024 flavour-of-the year (FOTY) topic for banks, controlling companies and branches of foreign institutions (hereinafter collectively referred to as 'banks').

3. Introduction

3.1 Annually, the Prudential Authority (PA) considers whether any current developments and/or emerging risks affecting regulated financial institutions at an industry level are of such significance that additional focus is required from a supervisory perspective. The topic(s), selected through the PA's governance processes, are communicated to regulated financial institutions in the first quarter of the relevant year and are referred to as 'flavour-of-the- year' topic(s).

3.2 The PA has determined that the 2024 FOTY topic will be Strategic business growth and resilience of regulated financial institutions' business models in the current economic environment.

4. Strategic business growth and resilience

4.1 Background

- 4.1.1 The PA has noted over the past few years that with increasing uncertainty in the macroeconomic environment, the risk and probability of failure of certain regulated financial institutions has increased. This is in part attributable to the non-viability and unresponsive business models and weak strategies, inadequate capital and liquidity planning, underpinned by poor governance and risk management practices.
- 4.1.2 The impact of failure of larger financial institutions is of particular concern for the PA, given the possible contagion risks and systemic impact their failure would pose to the broader financial system.
- 4.1.3 Through focused engagement on this topic, financial institutions will be able to reflect on and refine their strategic business models and processes and provide the PA with information to inform further regulatory and supervisory work that may be required.

5. Acknowledgement of receipt

- 5.1 A written acknowledgement of receipt of this communication, signed by the Chief Executive Officer of the bank should be submitted to the PA Frontline team responsible for the supervision of the bank within 10 working days. Should you have any queries in this regard, please contact the relevant PA Frontline team.

Fundi Tshazibana
Chief Executive Officer

Date: