
GENERAL NOTICE

NOTICE 942 OF 2012

NATIONAL TREASURY

PUBLICATION OF EXPLANATORY SUMMARY OF THE BANKS AMENDMENT BILL, 2012

The Minister of Finance intends tabling the Banks Amendment Bill, 2012 ("the Bill"), in the National Assembly. The explanatory summary of the Bill is hereby published in accordance with Rule 241(1)(c) of the Rules of the National Assembly.

The mission of the Bank Supervision Department ("BSD") is to promote the soundness of the banking system and contribute to financial stability. A sound banking system and financial stability are two of the prerequisites for the attainment of the mission of the South African Reserve Bank ("SARB") which is *"the achievement and maintenance of price stability"*. In order to promote the soundness of the banking system, it is imperative that the regulation and supervision of banks are based on international standards and best practice.

In order to facilitate the implementation of Basel II, both the Banks Act, 1990 (Act No. 94 of 1990) ("the Banks Act") and the Regulations in terms of the Banks Act were comprehensively amended during 2007, which amendments became effective on 1 January 2008.

During October 2006, the Basel Committee on Banking Supervision ("BCBS") of the Bank for International Settlements ("BIS") issued a revised version of their Core Principles for Effective Banking Supervision (the "Core Principles"). The BSD thoroughly assessed its compliance with the revised Core Principles and identified a number of shortcomings in the legal framework and supervisory process.

During 2008, the BSD was subjected to and involved in a number of international assessments. Although the reports pertaining to the above-mentioned assessments have been favourable in general, there are some areas of the legal framework that need attention in order to fully comply with the stated standards and requirements.

The Companies Act, 2008 (Act No. 71 of 2008) ("the 2008 Companies Act") was promulgated in April 2009 and became effective on 1 May 2011. Since banks are also public companies, the amendments brought about by the 2008 Companies Act have a profound impact on both the business of banks and the regulatory framework governing banks.

As a result of the on-going global financial crisis and requirements set by the Financial Stability Board at their various meetings during 2009 and 2011, the BCBS issued further prescriptions relating to banking supervision in a document entitled, "Basel III: a global regulatory framework for more resilient banks and banking systems" (hereinafter referred to as "Basel III") during December 2010, which was revised in July 2011. The prescriptions relate mainly to the strengthening of the global capital framework and liquidity standards for banks. These prescriptions have necessitated the inclusion of a number of definitions in the Banks Act.

The Bill will—

- align the provisions of the Banks Act to the 2008 Companies Act;
- comply further with the requirements of the Basel Committee on Banking Supervision; and
- align the Banks Act to changing supervisory policy, market developments and practical considerations.

A copy of the Bill will be obtainable from the National Treasury (www.treasury.gov.za) and South African Reserve Bank (www.resbank.co.za) websites after introduction of the Bill, and also by contacting:

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