



South African Reserve Bank

Office of the Deputy Governor
Kuben Naidoo

PA Communiqué 1 of 2020

Dear Public Officer

Impact of Covid-19 on the Prudential Authority's reporting timelines

The spread of Covid-19 poses significant challenges for the global and local economy. This includes the practical challenges associated with the movement restrictions brought about by the lockdown imposed with effect from 27 March 2020. Whilst many organisations have adapted their work methods and improved their use of technology to assist with continued operations, including virtual interactions, many operational aspects have been severely impacted. This includes the ability of management to review and sign off certain reports as required by internal control and governance processes, as well as the ability of auditors, whose procedures include physical verification of certain audit evidence and the consideration of reliability of significant estimates and judgements made by management, to conduct a quality audit without material limitations or hindrances. The Prudential Authority (PA) is cognisant of these challenges and wishes to advise as follows:

With the exception of the reports listed in Annexure A below, all timeframes within which to comply with prudential and related supervisory reporting requirements remain in place. In the circumstances, all regulatory returns submitted to the PA, the Economic Statistics Department (i.e. BA 9* series returns) and the Financial Surveillance Department (i.e. macro-prudential foreign exposure limit returns for authorised dealers) must continue to be submitted within the timeframes as set out in the relevant financial sector law. Supervised entities are advised to proactively liaise with the PA, through their normal supervisory interaction channels, in the event that they experience challenges in complying with any of the prescribed reporting requirements.

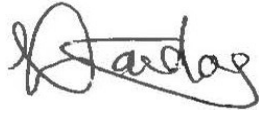
Any further challenges communicated to the PA will be assessed on a case-by-case basis, with due consideration of legislative and supervisory requirements, bearing in mind the need for the PA to strike an appropriate balance between obtaining the necessary information from the institutions during this time of stress and the operational challenges faced by institutions to achieve timeous compliance with prudential requirements, including reporting requirements.

Based on the aforesaid, and in terms of section 279 of the Financial Sector Regulation Act, 2017 (Act 9 of 2017), the PA is of the view that valid reasons exist to extend the period for compliance with the specific reporting requirements set out in the relevant financial sector laws. The PA hereby extends the reporting periods in respect of the reports outlined in Annexure A.

The PA will continue to monitor the developments with regard to Covid-19 and the impact on the operations of regulated institutions and may provide further guidance if necessary.

For more information, please contact your institution's frontline analyst.

Kind regards

A handwritten signature in black ink, appearing to read 'Kuben Naidoo', written in a cursive style.

Kuben Naidoo
Deputy Governor and CEO: Prudential Authority

Date: 8 April 2020

Annexure A

Banks, controlling companies and branches of foreign institutions (banks):

- a) Regulation 45 of the Regulations relating to Banks (the Regulations) requires that a bank or in the case of a group of banks, the relevant controlling company, shall within 120 days of the end of the financial year of such bank or controlling company, submit to the PA its consolidated annual financial statements. For banks with year-ends from 31 December 2019 to 31 March 2020, this period is extended by 60 days and the annual financial statements are therefore due within 180 days after year-end for such banks.
- b) Similarly, the due date for the audit reports required in terms of regulation 46 of the Regulations, for banks with year-ends listed above, is extended by 60 days to 180 days after year-end.
- c) This extension also applies to public disclosures required in terms of Regulation 43 of the Regulations and Directive D1/2019 i.e. the Pillar 3 disclosures.

Mutual Banks:

- a) In terms of Regulation 5 of the Regulations relating to Mutual Banks, a mutual bank shall within 120 days of the end of the financial year submit its annual financial statements to the PA. For mutual banks with year-ends from 31 December 2019 to 31 March 2020, this period is extended by 60 days and annual financial statements are therefore due within 180 days after year-end for those mutual banks.
- b) In addition, the due date for the audit reports required in terms of Regulation 6 of the Regulations relating to Mutual Banks with year-ends from 31 December 2019 to 31 March 2020 is extended to 180 days.

Insurers:

- a) In terms of section 47(2)(a) of the Insurance Act, 2017 (Act No.18 of 2017), the annual financial statements of the insurer must be submitted to the PA and made available to the public within the prescribed period after year-end. Although the PA has not yet prescribed the period referred to in section 47(2)(a) of the Insurance Act, 2017, the annual financial statements must be submitted to the PA no more than six months after year-end, in line with the requirements of section 30 of the Companies Act, 2008.
- b) Section 47(1) of the Insurance Act, 2017, provides that an insurer must annually cause to be audited such of the prescribed information provided to the PA for supervisory purposes and such of the prescribed information required to be publically disclosed. As indicated in paragraph 3.3 of Communication 4 of 2018, pending the issuance of the Prudential Standards on Audit Requirements which will prescribe the supervisory information to be audited, the PA expects insurers to

cause to be audited, within four months after their financial year-ends, such of the information submitted to the PA for supervisory purposes which is similar to the information that was required to be audited as part of the comprehensive parallel run in 2016. For insurers with year-ends from 31 December 2019 to 31 March 2020 this period is extended by two months to six months after year-end.