



SA INC 2010 and BEYOND

ASISA

ASISA STRATEGY



••➤ Medium Term Policy Framework 5 year priorities

- **Creating Jobs**
- **Enhancing the quality of education**
- **Improving health outcomes**
- **Emphasizing rural development**
- **Fighting crime and corruption**



The recommendations for Financial Sector Reform
fall into eight board categories

	Intervention proposed by Financial Stability Board to G-20 leaders	What this means in practice	Impact on global economy	Impact on South Africa	Minister of Finance/National Treasury
1	Improving global and domestic co-ordination of policies	<ul style="list-style-type: none"> ➤ Financial Stability Board establishment ➤ Regulation roundtable established 	<ul style="list-style-type: none"> ➤ Closer co-operation on International rules between countries 	<ul style="list-style-type: none"> ➤ Increased compliance burden to International standards 	<ul style="list-style-type: none"> ➤ Membership of FSB entails additional resources
2	Strengthening the global capital framework for banks	<ul style="list-style-type: none"> ➤ Higher capital adequacy ratios ➤ Improvements to the quality of capital i.e. banks should hold equity rather than debt 	<ul style="list-style-type: none"> Higher capital adequacy ratios will lead to less lending in the ST, but in the LT banks will be more robust 	<ul style="list-style-type: none"> ➤ Limited. South Africa already high requirements in terms amount and quality of capital 	<ul style="list-style-type: none"> Banking Registrar will need to align capital rules to new International rules. On track through Basel Committee on Banking Supervision
3	Making global liquidity more robust	<ul style="list-style-type: none"> ➤ Global banks may need to be backed up by a “global central bank” or a more co-ordinated response by national banks 	<ul style="list-style-type: none"> ➤ Improved global liquidity arrangements 	<ul style="list-style-type: none"> ➤ Potentially ceding control over aspects of regulation to global bodies 	<ul style="list-style-type: none"> ➤ Understanding the implications of global liquidity operations for our banking system
4	Reducing the moral hazard posed by systemically important institutions	<ul style="list-style-type: none"> ➤ Breaking up banks that are too big too fall 	<ul style="list-style-type: none"> ➤ More competitive banks ➤ Could disrupt financial system in ST 	<ul style="list-style-type: none"> ➤ Relook at Four Pillar approach to banks 	<ul style="list-style-type: none"> ➤ Consider moral hazard and competition issues arising from four pillar approach

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5	Strengthening accounting standards	<ul style="list-style-type: none"> ➤ Reviewing complex international accounting standards, such as IASO 	<ul style="list-style-type: none"> ➤ Improved 	<ul style="list-style-type: none"> ➤ Limited Awaiting guidance from International bodies 	<ul style="list-style-type: none"> ➤ Limited
6	Expanding oversight of the financial system	<ul style="list-style-type: none"> ➤ Introducing regulations ➤ Hedge Funds and Over the Counter derivatives Credit Rating Agencies 	<ul style="list-style-type: none"> ➤ Changes in EU and US standards will have large implications 	<ul style="list-style-type: none"> ➤ Need to align our regulations to global regulations 	<ul style="list-style-type: none"> ➤ Anticipate legislation
7	Re-launching securitisation on a sound basis	<ul style="list-style-type: none"> ➤ Allowing global securitisation markets to start functioning again 	<ul style="list-style-type: none"> ➤ Will help restore credit flows 	<ul style="list-style-type: none"> ➤ Securitisation market is small and this will have limited impact 	<ul style="list-style-type: none"> ➤ Banking Registrar will implement regulations to align securitisation practices
8	Promoting adherence to International standards	<ul style="list-style-type: none"> ➤ More frequent peer reviews, particularly by IMF (through their FSAP Initiative) and new FSB Peer review process 	<ul style="list-style-type: none"> ➤ United States must implement use International accounting (FRS) and regulatory standards (Basel II) 	<ul style="list-style-type: none"> ➤ SA complies to most standards ➤ Additional FSAP (ROSCs) will be required 	<ul style="list-style-type: none"> ➤ Ensure regulators are aware of their commitments



...> The following four areas are priorities for 2009/10

- Principles for compensation (need to be law by March 2010)
 - BSBS will amend Basel II, but there may be implications for King III
- Regulation of credit rating agencies (by December 2010)
 - Ideally single country response rather than different response per agency
 - Degree/nature of regulation i.e. registration, basis for registration, FSB or SARB oversight & legislative
 - Role of CRA ratings in regulation... overly reliant, promotes “tick-box” behaviour?
- Hedge fund regulation
 - Appropriate regulatory housing – CIS, AI, FAIS? Directed by regulatory risks posed by different types of funds (incl. Inter alia spectrum HF’s & private equity funds) & defining objectives/spirit respective Acts.
 - Align with indirect regulation of HF/OTC derivative exposure of prudential entities e.g. prime brokers
- Over the counter derivatives legislation
 - Identify products relevant in SA context & experience of high exposure segments (of markets & participants) over crisis (case study problems documented, if any)
 - Degree on exchange trading/clearing required (balance objectives efficiency with transparency & reduced systemic risk)
 - Degree post trade transparency required
- Legislation for revision?
 - SSA, Banks Act, FSGLAB on Legislative Programme for 2010



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THANK YOU