



SOUTH AFRICA

CENTRAL BANK TRANSPARENCY CODE REVIEW

December 2024

This paper on South Africa was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time of the mission and it was completed on November 14, 2024.

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November 14, 2024

DETAILED REVIEW REPORT

Prepared By
**Monetary and Capital
Markets Department**

This report was prepared based on the work of a hybrid IMF mission to South Africa in March-May 2024. The IMF team for the Central Bank Transparency Code (CBT) Review mission was led by Dmytro Solohub (MCM) and comprised Mowele Mohlala, Deputy Mission Chief (FIN); and Elias Kazarian, Bernard J. Laurens, Jay Purcell, Lawrence L. Schembri and Chia Yi Tan (IMF External Experts); and overseen by the Monetary and Capital Markets Department, IMF.¹

The production assistance was provided by Julie Vaselopulos.

The team extends its warm appreciation to the Board, senior management, and staff of the South Africa Reserve Bank, who provided excellent cooperation, and to outside stakeholders and interested public for their valuable views and insights.

¹ The mission was backstopped from HQ by Tomoyuki Kubota and Chady El Khoury (both LEG).

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Glossary

AACB	Association of African Central Banks
ABL	African Bank Limited
AD	Authorized Dealer
ADLA	Authorized Dealer in Foreign Exchange with Limited Authority
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
ASD	ADLA Supervision Division (of FinSurv)
BAC	Board Audit Committee
BCM	Business Continuity Management
BIS	Bank of International Settlements
BREC	Board Risk and Ethics Committee
CAF	Combined Assurance Forum
CBDC	Central Bank Digital Currency
CBT	Central Bank Transparency Code
CCyB	Countercyclical Capital Buffer
CED	Compliance and Enforcement Division (of FinSurv)
CMD	Compliance Management Division (of the RMCD)
CODI	Corporation for Deposit Insurance
CPD	Corporation for Public Deposits
CSST	Common Scenario Stress Test
CTR	Cash Threshold Report
DLT	Digital Ledger Technology
EES	Employee Engagement Survey
ELA	Emergency Liquidity Assistance
ERT	Economic Round Table
FAQ	Frequently Asked Questions
FATF	Financial Action Task Force
FCI	Financial Conditions Index
FCSD	Financial Conglomerate Supervision Department (of the PA)
FIC	Financial Intelligence Centre
FinSurv	Financial Surveillance Department
FMLG	Financial Markets Liaison Group
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
FSC	Financial Stability Committee
FSCA	Financial Sector Conduct Authority
FSCF	Financial Sector Contingency Forum
FSD	Financial Stability Department
FSF	Financial Stability Forum
FSI	Financial Stability Indicators
FSOC	Financial Stability Oversight Committee
FSR	Financial Stability Review
FSR Act	Financial Stability Regulation Act
FTE	Full-Time Equivalent

FX	Foreign Exchange
GEC	Governors' Executive Committee
GFE CRA	Gold and Foreign Exchange Contingency Reserve Account
IAD	Internal Audit Department
ICSST	Insurance Common Scenario Stress Test
IFRS	International Financial Reporting Standards
IFWG	Intergovernmental Fintech Working Group
IIA	Institute of Internal Auditors
IMF	International Monetary Fund
LOLR	Lender of Last Resort
LSD	Legal Services Department
ML/TF	Money Laundering and Terrorist Financing
MOU	Memorandum of Understanding
MPC	Monetary Policy Committee
MPF	Monetary Policy Forum
MPIF	Monetary Policy Implementation Framework
MPR	Monetary Policy Review
MPS	Monetary Policy Statement
MVTS	Money or Value Transfer Service
NPS	National Payment System
NT	National Treasury
PA	Prudential Authority
PAIA	Promotion of Access to Information Act
PASA	Payment Association of South Africa
PCN	Positive Cycle-neutral
QPM	Quarterly Projection Model
Resmanco	Reserves Management Committee
RMC	Risk Management Committee
RMCD	Risk Management and Compliance Department
SAA	Strategic Asset Allocation
SABN	South African Bank Note Company
SADC	Southern African Development Community
SARB	South African Reserve Bank
STR	Suspicious and Unusual Transaction Report
TOR	Terms of Reference

EXECUTIVE SUMMARY

The South African Reserve Bank (SARB) sets a high benchmark for transparency and is considered by the external stakeholders one of the most reputable and effective public institutions in South Africa, and globally. The SARB's transparency practices are broadly aligned with expanded and comprehensive practices as defined by the IMF Central Bank Transparency Code (see Table 1). The SARB's commitment to open and transparent communications, as embedded in its 2025 Strategic Plan, is highly valued by its external stakeholders.

The SARB demonstrates commendable transparency practices in a number of areas. The transparency practices associated with human capital management, Emergency Liquidity Assistance (ELA), monetary and macroprudential policies, and implementation of exchange controls are exemplary and could serve as a role model for other central banks. External stakeholders also praised the SARB for proactive and comprehensive policy communications during the COVID-19 pandemic. The SARB's successful launch of its new monetary policy implementation framework (MPIF) was largely attributed to timely and well-articulated communications and engagement. Finally, the SARB actively promotes understanding of its policies and actions across a wide set of stakeholders, including the general public, by using various communication tools and channels.

The SARB's strategic commitment to open and transparent communications should be anchored in a more robust institutional communication framework. While the SARB actively engages with a wide range of stakeholders via various communication channels, the institutional foundations of these interactions could be improved. The accessibility and especially, the consolidation, of information remains an issue. The SARB will benefit from further enhancing a robust, holistic, and proactive approach to the communications, including strengthening the role of communication unit, effectively managing key messages and communication tools, as well as dealing with the specific communication challenges.

Communications about the SARB's role in the reform of the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) settlement framework and the implications for its financial autonomy should be further clarified. Following the accumulation of substantial unrealized valuation gains in the GFECRA account, the SARB and the National Treasury (NT) reached an agreement earlier this year to distribute half of the GFECRA balance between the national budget and the SARB's contingency reserve. A complex aspect of this transfer is that gains in the GFECRA are both realized and unrealized, meaning that a methodology is needed to calculate the portion that can be deemed realized. The proposed transaction was not well-understood by external stakeholders and thus raised some confusion about the SARB's financial autonomy—and about the respective roles of the SARB and the NT. Going forward, the SARB would benefit from establishing a clear communication strategy around the GFECRA, disclosing its features; the reform timelines, given the

potential impact on the money market; establishing a dedicated page on the SARB's website; and reaching out to relevant stakeholders through seminars and workshops.²

The SARB would also benefit from enhancing the transparency of well-established governance arrangements and policies in some areas. For instance, while the relationship with the government and other financial sector regulators is established both under the legal framework and in practice, the SARB is advised to disseminate more information about this relationship in a structured and accessible manner. The SARB should also consider publishing an overview of its Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) supervisory policies, including its efforts to implement the risk-based approach, and disclosing key tenets of its internal AML/CFT control function.

The SARB's monetary policy framework is comprehensive, transparent and understandable, but would benefit from greater transparency about setting the inflation target, policy deliberations, and alternative risk scenarios. The SARB has significantly increased the transparency and accountability of its monetary policy framework by adopting appropriate communications vehicles to reach different audiences and by publishing model-based forecasts. However, recent discussions about revising the inflation target have led to uncertainty among some external stakeholders regarding the respective roles of the SARB and the NT in this process. Hence, more clarity is advised with respect to the review of the SARB's monetary policy framework and the setting of the inflation target by the NT in consultation with the SARB. Further steps could be taken to improve monetary policy transparency by providing more information on dissenting votes in the Monetary Policy Committee (MPC) deliberations, by including alternative risk scenarios in the Monetary Policy Review (MPR), and by clarifying the ownership of various communication vehicles.

² The SARB subsequently published in June 2024 the [Gold and Foreign Exchange Contingency Reserve Account Defrayal Amendment Act](#).

Table 1. South Africa: Central Bank Transparency Overview for South African Reserve Bank

Pillar	Principle	Sub-principle	Practices				
			Core	Expanded	Comprehensive		
I. Governance	1.1.	Legal Structure					
	1.2.	Mandate					
	1.3.	Autonomy	1.3.1.	Institutional/Operational			
			1.3.2.	Functional			
			1.3.3.	Personal			
			1.3.4.	Financial			
	1.4.	Decision-Making					
	1.5.	Risk Management	1.5.1.	Risk Exposure			
			1.5.2.	Risk Framework			
	1.6.	Accountability Framework	1.6.1.	Arrangements			
			1.6.2.	Tools			
			1.6.3.	Anti-Corruption/COC			
			1.6.4.	Human Capital Management			
1.7.	Communication	1.7.1.	Arrangements				
		1.7.2.	Strategy/Tools				
1.8.	Confidentiality						
II. Policies	2.1.	Monetary Policy	2.1.1.	Objectives/Framework			
			2.1.2.	Policy Decisions			
			2.1.3.	Supporting Analysis			
	2.2.	FX Administration	2.2.1.	Objectives/Framework			
			2.2.2.	Policy Decisions			
			2.2.3.	Supporting Analysis			
	2.3.	FX Management	2.3.1.	Objectives/Framework			
			2.3.2.	Policy Decisions			
			2.3.3.	Supporting Analysis			
	2.4.	FX Reserve Management	2.4.1.	Objectives/Framework			
			2.4.2.	Policy Decisions			
			2.4.3.	Supporting Analysis			
	2.5.	Macroprudential	2.5.1.	Objectives/Framework			
			2.5.2.	Policy Decisions			
			2.5.3.	Supporting Analysis			
	2.6.	Microprudential Supervision					
	2.7.	Emergency Liquidity Assistance	2.7.1.	Market-wide Liquidity Support			
			2.7.2.	Bilateral Liquidity Support			
	2.8.	Resolution					

Table 1. South Africa: Central Bank Transparency Overview for South African Reserve Bank
(continued)

Pillar	Principle	Sub-principle	Practices			
			Core	Expanded	Comprehensive	
	2.9.	FMI				
	2.10.	Financial Integrity	2.10.1	AML/CFT Supervision		
			2.10.2	Internal AML/CFT Controls		
	2.11.	Consumer Protection				
III. Operations	3.1.	Monetary Policy	3.1.1.	Instruments		
			3.1.2.	Coverage		
			3.1.3.	Access		
	3.2.	FX Administration	3.2.1.	Instruments		
			3.2.2.	Coverage		
	3.3.	FX Management	3.3.1.	Instruments		
			3.3.2.	Coverage		
	3.4.	FX Reserve Management	3.4.1.	Instruments		
			3.4.2.	Coverage		
3.4.3.			Assessment			
3.5.	Stress Testing	3.5.1.	FS Assessments			
		3.5.2.	ST Methods			
		3.5.3.	ST Coverage			
		3.5.4.	Use of ST Results			
3.6.	Macroprudential	3.6.1.	Instruments			
		3.6.2.	Enforcement			
3.7.	Microprudential Supervision					
3.8.	Emergency Liquidity Assistance	3.8.1	Market-wide Liquidity Support			
		3.8.2	Bilateral Liquidity Support			
3.9.	Resolution					
3.10.	FMI					
3.11.	Financial Integrity	3.11.1	AML/CFT Supervision			
		3.11.2	Internal AML/CFT Controls			
3.12.	Consumer Protection					
IV. Outcome	4.1.	Monetary Policy	4.1.1.	Governance Actions		
			4.1.2.	Policies		
			4.1.3.	Operations		
	4.2.	FX Administration	4.2.1.	Governance Actions		
			4.2.2.	Policies		
			4.2.3.	Implementation		
4.3.	FX Management	4.3.1.	Governance Actions			

Table 1. South Africa: Central Bank Transparency Overview for South African Reserve Bank
(concluded)

Pillar	Principle	Sub-principle	Practices		
			Core	Expanded	Comprehensive
		4.3.2. Policies			
		4.3.3. Operations			
	4.4. FX Reserve Management	4.4.1. Governance Actions			
		4.4.2. Reporting on Imp.			
		4.4.3. Financial Results			
	4.5. Macroprudential	4.5.1. Governance Actions			
		4.5.2. Policies			
	4.6.	Microprudential Supervision			
	4.7. Emergency Liquidity Assistance	4.7.1.	Market-wide Liquidity Support		
		4.7.2.	Bilateral Liquidity Support		
	4.8.	Resolution			
	4.9.	FMI			
	4.10. Financial Integrity	4.10.1.	AML/CFT Supervision		
		4.10.2.	Internal AML/CFT Controls		
	4.11.	Consumer Protection			
V. Official Relations	5.1. Government	5.1.1.	Institutional		
		5.1.2.	Financial		
		5.1.3.	Instruments		
		5.1.4.	Outcome		
	5.2. Domestic Agencies	5.2.1.	Institutional		
		5.2.2.	Instruments		
		5.2.3.	Macroprudential		
		5.2.4.	Financial Stability		
	5.3.	Foreign Agencies			
	5.4.	Other Relations			
	Denotes "Not Applicable"				
	Denotes "Not Implemented"				

KEY RECOMMENDATIONS³

1. **Strengthen the transparency of certain aspects of the SARB's legal structure and autonomy**, by providing a general explanation of the SARB's legal protections and its institutional and functional autonomy, indicating the safeguards available to ensure the security of tenure for SARB decision-making bodies and protection of its officers and employees against legal suits, and enhancing the disclosure of its financial autonomy with respect to the operations of SARB subsidiaries and the reform of the GFECRA settlement framework.
2. **Building on the already comprehensive transparency of the SARB's internal accountability arrangements**: disclose additional information on the risk management framework from a group perspective; establish dedicated reporting on the mandate and activities of the internal audit function; and publish the Ethics Policy (or a summary thereof).
3. **Streamline the SARB's communication framework and make it more transparent to the public**, by enhancing further a proactive institutional approach to communications; publishing a summary of the SARB's key communication documents; providing a comprehensive overview of communication tools, channels, and processes; and improving the website's accessibility.
4. **Clarify the process of reviewing the SARB's monetary policy framework and setting the inflation target by the National Treasury in consultation with the SARB**. Documentation should be disclosed that specifies the respective responsibilities of each institution in this process and in setting the inflation target.
5. **Take further steps to improve monetary policy transparency** by providing more information on dissenting votes in MPC deliberations, including alternative risk scenarios in the MPR, and clarifying the ownership of various communication vehicles.
6. **Enhance the transparency of the SARB's foreign exchange (FX) reserve management** by disclosing key, underlying considerations or non-market sensitive components of the annual Investment Guideline. In addition, transparency in the implementation of the GFECRA framework would greatly benefit from the disclosure of detailed (not market sensitive) information on the calculation of the level of adequate foreign exchange reserves and related updates, as the need arises.
7. **Disclose financial stability decisions in a timely manner** via statements and press releases, and publish information on the activities of interagency committees, including tasks and outcomes for each meeting, while keeping sensitive information confidential.
8. **Proactively disclose information on the SARB's AML/CFT supervisory policies and resources**—and on the remedial actions taken by supervised institutions.

³ Please refer to the Detailed Review Table in Annex I for a complete overview of principle wise transparency recommendations.

- 9. Make readily available to the public general information on the SARB’s internal AML/CFT control function** by establishing a dedicated webpage that summarizes its activities and outcomes and provides a link to information on the relevant audit procedures.
- 10. Ensure the transparency of the SARB’s interactions with the government** in a structured and regular manner, including with respect to services provided, respective responsibilities, and documents concerning cooperation and coordination.

SCOPE AND OBJECTIVE

11. In response to a request from the SARB, the mission conducted a Central Bank Transparency Code review. The scope of the review covers all the CBT principles, save for those actions that are not performed by the SARB (i.e., consumer protection) or that fall outside of the scope of CBT reviews, given the existence of established international standards (i.e., microprudential supervision and resolution, and the Financial Markets Infrastructure). The latter principles are denoted as “Not Applicable” in the review. While the mandate for formulating South Africa’s FX administration policies is vested with the government, it delegates certain powers and functions to the SARB. Therefore, the transparency of exchange control policies is reviewed under Pillar V, while the transparency of the SARB’s operations and outcomes in this area is covered under Pillars III and IV. In the areas where the SARB has not conducted operations for some time (i.e., Bilateral Liquidity Support and FX management), the sub-principles on operations and outcomes (Pillars III and IV, respectively) are denoted as “Not Applicable”. It is also important to note that the scope of CBT review extends only to the central bank and not to other public sector institutions. Hence, the review recognizes that the transparency enhancements under Pillar V might not only depend on the central bank, but on partnering institutions as well.

12. This review is intended to allow the SARB to evaluate its transparency practices, with a focus on identifying both its strengths and its areas for improvement. The review compares the SARB’s transparency choices to the range of best practices detailed in the CBT, which cover transparency in: (i) governance; (ii) policies; (iii) operations; (iv) outcomes; and (v) official relations. The review aims to help the SARB in further strengthening its dialogue with stakeholders and in finding the proper balance between independence and accountability. While it is important to note that the CBT review is not an assessment of central bank policies, it is likely to benefit the SARB’s efforts to advance policy effectiveness. The CBT’s range of practices is not intended to be a tool for ranking the transparency of central banks, as noted in the [IMF Policy Paper Central Bank Transparency Code and CBT Review - Guidance Note](#).

APPROACH AND METHODOLOGY

13. The mission’s approach consisted of a desk review as well as in-depth discussions with the SARB and its key stakeholders. The mission team conducted a preliminary desk review based on both publicly available information and the Self-Review questionnaire responses provided by the

SARB prior to the mission.⁴ The desk review formed the basis for discussions with the SARB’s management and staff—and for meetings with the key stakeholders (from the public and private sector, including academia, think tanks, and journalists).⁵ The meetings enabled the mission to collect views on, and to better understand, experiences with the SARB’s transparency practices. The mission conducted almost forty meetings (in both hybrid and virtual format) over two weeks. The meetings with key stakeholders were planned in coordination with the central bank, though the SARB’s staff did not attend those meetings. The team greatly appreciated the very high quality of cooperation, including the provision of responses to the self-review questionnaire, documentation, and technical support, as well as the SARB’s facilitation of the mission meeting schedule. It extends its warm thanks to the staff of the SARB.

14. The review was conducted principle-by-principle, taking into consideration the relevant dimensions of transparency. The review maps the SARB’s transparency practices across a range of practices defined by the CBT and was conducted in the context of the SARB’s legal mandate and policy context, as well as the prevailing general legal framework. The review considered several important dimensions of transparency, including: (i) timeliness; (ii) periodicity; and (iii) quality of disclosure. The latter covers both accessibility and ease of understanding, especially by the general public. The review also took into account the views expressed by SARB stakeholders.

BACKGROUND

15. South Africa’s economy is facing mounting economic and social challenges. South Africa’s strong economic recovery from the COVID-19 pandemic has petered out. Growth decelerated to 0.7 percent in 2023 (from 1.9 percent in 2022) on account of a severe energy crisis and logistical bottlenecks. Headline inflation has returned but has remained within the SARB target range (3–6 percent) since mid-2023. The limited fiscal space, long-standing rigidities in product and labor markets, governance and corruption vulnerabilities, rising policy uncertainty, and an unfavorable external environment are weighing on future growth and social outcomes. Hence, the near-term policy priorities include ensuring fiscal sustainability, safeguarding macro-financial stability in the volatile global environment, resolving the ongoing energy crisis, and initiating far-reaching reforms to lift potential growth, create jobs, and reduce poverty and inequality.

16. The financial sector has remained resilient, withstanding well the shock of COVID-19 and the recent global financial market volatility. Strong capital and liquidity buffers and prudent supervision make the banking system, which accounts for a sizeable share of the financial system, resilient to shocks, including those emanating from weak growth, public finance vulnerabilities, and external turbulence. The 2021 Financial Sector Assessment [Program](#) (FSAP) highlighted a number of challenges stemming from the intensification of the financial sector-sovereign nexus, existing gaps in financial sector regulation and supervision, and the grey listing of South Africa by the Financial

⁴ The mission took place from May 13–27, 2024. Initiatives implemented after the mission conclusion date have not been considered as stated in IMF’s CBT Review Guidance Note.

⁵ See Annex II for a list of the SARB units and external stakeholders that were met as part of the mission.

Action Task Force (FATF). The authorities remain committed to maintaining the resilience of the domestic financial system and have already implemented several FSAP recommendations aimed at enhancing the supervisory and resolution framework. The strengthening of the AML/CFT framework is also a top priority, as the government aims to have South Africa removed from the FATF's grey list as soon as possible.

17. The SARB's governance arrangements are broadly strong. The Constitution bestows a clear mandate on the SARB to pursue and maintain price stability in the interest of balanced and sustainable economic growth—and enshrines the SARB's institutional autonomy. The Financial Sector Regulation Act (FSR Act) of 2017 gave the SARB an explicit statutory mandate to protect and enhance financial stability. Pursuant to the SARB Act, it is overseen by a majority non-executive Board comprising the Governor (chair), three Deputy Governors, and eleven non-executive directors. Policy-making and executive management of the SARB are the responsibilities of the Governor and Deputy Governors, who in practice make decisions collectively. The recent extension of the Governor's and one of Deputy Governor's terms for another five years, as well as the appointment of a new Deputy Governor, eliminated the risk of a power vacuum at the SARB and was perceived positively by the markets. The SARB has about 800 private shareholders, who consider the annual audited financial statements and elect seven non-executive directors, but they have no influence over policy matters.⁶ The SARB has developed an approach to ensuring good corporate governance and supports the overarching goals of the King Report on Corporate Governance in South Africa (2016), as disclosed on its [website](#). The 2022 safeguards assessment of the SARB found strong safeguards in most areas, including in governance and oversight, audit, and financial reporting. Most recommendations have since been implemented. The SARB has four wholly-owned subsidiaries—the South African Mint Company, the South African Bank Note Company, the Corporation for Public Deposits (CPD), and the Corporation for Deposit Insurance (CODI).

18. The SARB implements an inflation targeting framework. Inflation targeting was introduced in 2000 and is associated with a floating exchange rate arrangement.⁷ The inflation target of three to six percent was set by the government, in consultation with the SARB, and the SARB enjoys operational autonomy in implementing monetary policy to achieve that target. The authorities are currently discussing the replacement of the target band with a (lower) point target and a narrow tolerance band.⁸ The monetary policy stance is communicated via the SARB short-term policy rate, and its implementation relies on an interest rate corridor. Recently, the SARB introduced a new monetary policy implementation framework based on a tiered floor system; this new framework was clearly communicated to the markets (see Box 4). Interest rate decisions are made by the Monetary Policy Committee, which meets six times a year and consists currently of six members.⁹ Over time

⁶ The President of the Republic of South Africa appoints four other non-executive directors.

⁷ According to the IMF's Annual Report on Exchange Arrangements and Exchange Restrictions 2022.

⁸ The SARB Governor has recently [made a case](#) for setting point target at 3 percent to dampen exchange rate volatility and sovereign risk.

⁹ The MPC currently includes the SARB Governor, three Deputy Governors, and two senior SARB officials.

the monetary policy framework, committee practices, and other technical updates of models have been adjusted and communicated accordingly.

19. The SARB has a critical role in the institutional framework for macroprudential policy; the Governor is the key decision-maker, backed by internal and external advisory committees.

The FSR Act establishes a strong mandate for the SARB to protect and enhance financial stability—and to restore financial stability in the event of an adverse systemic shock. The other financial regulators contribute to the financial stability mandate (or at least have a role in helping to maintain financial stability), resulting in South Africa having more than one macroprudential authority, even as the SARB plays a leading role.¹⁰ The FSR Act also establishes two external advisory committees (the Financial Stability Oversight Committee (FSOC) and the Financial Sector Contingency Forum (FSCF)), which have clear mandates and advise the Governor on macroprudential policy, complementing the internal Financial Stability Committee (FSC). Financial Stability Review (FSR), published twice a year, is a key instrument used by the SARB to monitor the global and domestic environments and identify potential risks and vulnerabilities that may impact the financial system as a whole. Based on this analysis, the SARB recommends policy actions using a macroprudential and microprudential policy toolkit to mitigate the build-up of vulnerabilities. It also conducts stress tests of the banking sector to assess the resilience of banks against defined adverse scenarios.

20. The SARB's policies and actions are governed by its five-year strategy. The 2025 Strategic Plan is designed to fulfill its price and financial stability mandates and is articulated via five Strategic Focus Areas. The policymaking and implementation of strategic objectives is supported by five Enablement Focus Areas, which include widely engaging external stakeholders; promoting economic research; optimizing information and technology solutions; enhancing operational efficiency; and attracting, developing, and retaining core skills and competences. The SARB is currently working on the new five-year strategic plan and considers this CBT review as one of the critical inputs into the process.

21. The SARB has established a strong policy record and is considered one of the most reputable public institutions in South Africa. The SARB is widely praised for its role in maintaining macroeconomic stability despite the tumultuous political developments, and challenges presented by the COVID-19 pandemic. In particular, massive and swift intervention by the SARB into the bond market in March 2020 helped to calm the markets and restore their functioning. In the post-pandemic period, the SARB has promptly raised the interest rate to arrest inflation acceleration and introduced a new monetary policy implementation framework following the shift in the structural liquidity position of the banking system. The SARB is making great efforts to explain its policies and their impact to the general public by engaging a wide range of stakeholders via different forums and platforms (see Box 1). It also actively promotes work on newly emerging topics such as fintech (see Box 2).

¹⁰ The SARB also has a mandate for microprudential supervision and resolution, which is dispatched via the Prudential Authority (PA), a separate entity incorporated into the SARB and chaired by a SARB Deputy Governor (PA Chief Executive Officer).

Box 1. South Africa: Engaging the Public and Investing into the Society

The SARB clearly recognizes the importance of reaching different audiences and promoting awareness of its mandate, policies, and actions. Apart from regular, established communication to its professional audience (banks, academics, government, and the media), the SARB strives to connect with a broader circle of stakeholders, namely the general public, to explain the SARB's policies and actions and its impact on the well-being of South Africans. It also makes great efforts to promote social initiatives to broaden the understanding of monetary policy and to improve and develop the quality of human capital in the fields of monetary policy and financial journalism. Consequently, the SARB has established various communication vehicles and initiatives which serve the needs of different audiences.

Monetary Policy Forum

Monetary Policy Forums (MPFs) are convened by the SARB twice a year in the major centers of South Africa across all provinces and aimed at developing a better understanding of the SARB's monetary policy. The Governor and MPC members present the latest issue of the Monetary Policy Review (MPR) and respond to a wide range of questions. The events are well attended by representatives of the labor movement and of business, media, government, and academic institutions.

Financial Stability Forum

The SARB has also established the Financial Stability Forum as a structured way to reach out to external stakeholders and discuss issues related to financial stability and macroprudential policy. The biannual Financial Stability Review is presented at the FSF by the Governor and senior management.

Economic Roundtable

Quarterly Economic Roundtables, chaired by the Governor and attended by academics, market participants, and industry experts, are aimed at debating trends, policies, and issues that impact the global and domestic economies.

Public Outreach Program

The SARB management and staff engage the general public across all nine provinces of the country at regular forums and other events, which target high school students, teachers, tertiary institutions, the labor movement, interest groups, rural and urban communities, and non-governmental organizations.

MPC School Challenge

Annual MPC Schools Challenges are designed to spark interest in economics and central banking by exposing students to monetary policy and its role in the economic well-being of South Africans. Now in its 12th year, the competition has expanded to include more than 400 schools from all provinces and thousands of students from both public and private institutions. Each participating school assembles a team of four students who assume the role of the SARB's MPC. The team is expected to submit an essay in the format of the SARB's bimonthly Monetary Policy Statement (MPS).

University Chairs Program

The SARB has established partnerships with four tertiary institutions to develop research programs and

Box 1. South Africa: Engaging the Public and Investing into the Society (concluded)

support Master's and PhD students, with a focus on monetary policy, financial stability, and economic journalism.

The SARB is actively developing social media channels as a tool to expand its reach and disseminate information to a broader audience. Over the last few years, the SARB has boosted its presence on Twitter, LinkedIn, and Facebook by incorporating more videos, infographics, and explainers to increase awareness-raising and to educate and inform the public. It has also experimented with some unconventional communication tools such as recording video broadcasts by the Governor in official languages other than English.

The SARB also holds investor meetings and other ad hoc engagements as part of its outreach. The private sector participants commended the SARB for open and transparent dialogue, noting that SARB's management is very accessible for the meetings and various other engagements. At the same time, they noted that important policy messages (for instance, the arguments behind dissenting votes during MPC meetings), revealed during such meetings might not be universally accessible for all stakeholders (i.e. for those who were not present during the particular meeting).

Sources: South African Reserve Bank. 2023. [SARB 2022/23 Annual Report](#) [SARB Connect](#) webpage.

Box 2. South Africa: Fintech Activity

Background

South Africa has a generally advanced financial services and banking industry. Digital payments are widely available and financial inclusion is high when benchmarked against other developing economies. The SARB places a strategic focus on harnessing the benefits of financial technology (fintech) to enhance the provision of safe, seamless, convenient, affordable, and rapid digital payments.

SARB's Fintech Unit

The SARB established its Fintech Unit in 2017 with a view to leveraging fintech innovations while also maintaining appropriate oversight of, and adherence to, relevant policies, regulations, and supervisory regimes. The Unit's key focus areas are the policy and regulatory implications of fintech; data collection and analysis to contribute to advancements; and the creation of, and participation in, an enabling environment for new initiatives.

Intergovernmental Fintech Working Group (IFWG) Innovation Hub

Through the Fintech Unit, the SARB is one of the members of the IFWG, which is a hub for South African financial sector regulators to collaborate closely in advancing innovation and providing a space for safe experimentation. The IFWG was established in 2016 and comprises the following entities in addition to the SARB: the Competition Commission, the Financial Intelligence Centre (FIC), the Financial Sector Conduct Authority (FSCA), the National Credit Regulator, the NT, the Prudential Authority, and the South African Revenue Service. Under the IFWG's oversight, a regulatory sandbox was established to provide a controlled

Box 2. South Africa: Fintech Activity (continued)

environment for key players and innovators in the financial sector to test novel ideas, products, and services under supervision. The testing of products occurs within a framework of existing regulation or legislation. The sandbox is open to public participation through a transparent process. At the conclusion of testing after a six-month period, new insights are shared with industry for innovations that may have broader market, regulatory, or policy implications.

Fintech Initiatives

The SARB undertakes several initiatives to contribute to advancing fintech, while also proactively assessing emerging risks and opportunities. These include:

- *Project Khokha (PK)*. PK was launched as an experiment with digital ledger technology (DLT) for interbank wholesale settlement, i.e., the transfer of funds between the banks of the originator and beneficiary in relation to a payment transaction. DLT, commonly known as blockchain technology, refers to the technological infrastructure and protocols that allow simultaneous access, validation, and record updating in an immutable manner via a network that is spread across multiple entities or locations. The objective of the PK initiative was to contribute to global initiatives to assess the application and use case for DLT. The SARB explored this through the real-time gross settlement system, a systemically important payment system in the country. PK was lauded as a success in showcasing a DLT-based wholesale payment system proof-of-concept.
- *Project Khokha 2 (PK2)*. This is a continuation of the first phase of PK, and is a proof of concept that explored the policy and regulatory implications of tokenization in the South African financial market. PK2 was launched by the IFWG, and was able to successfully issue, clear, and settle debentures on DLT using tokenized money as part of the technical proof of concept. Experimentation during PK2 involved creating two distinct forms of tokenized money. In the first form, the SARB used a tokenized form of central bank money (wholesale central bank digital currency (CBDC)) issued onto a specific DLT owned and operated by the SARB in the proof of concept phase to purchase SARB debentures in the primary market. The second form was issued by commercial banks as a stablecoin and used for purchasing SARB debentures in the secondary market. Thus, with PK2, the SARB was able to explore how settlement in central bank money and commercial bank money can be underpinned by DLT.
- *Project Dunbar*. This is a collaboration between the Bank for International Settlements (BIS) Innovation Hub Singapore Centre, the Reserve Bank of Australia, Bank Negara Malaysia, the Monetary Authority of Singapore, and the SARB. The project aims to explore a multi-central bank digital currency (m-CBDC) project for cross-border payments, and its key objective is to reduce the costs and inefficiencies of such payments. Cross-border payments are a complex area with multiple challenges. The project explored three critical challenges to the development of a shared m-CBDC platform (access, jurisdictional boundaries, and governance), and developed design approaches to address those issues. The details and conclusions of the project were published in a [report](#).
- *CBDC*. The SARB is currently exploring a retail CBDC to complement cash usage in the country. Some of the potential benefits of a retail CBDC could include payments modernization and the reduced costs of maintaining physical cash. However, downside risks are significant and are thus

Box 2. South Africa: Fintech Activity (concluded)

being considered as part of the feasibility study. The key design principles required that the digital currency must: be available and usable by everyone in the South African economy; be a generally accepted medium of exchange; and its value shall be pegged at a one-to-one parity with the rand. The feasibility study remains in progress as of June 2024.

Sources: [Digital Payments Roadmap](#): Towards inclusive, accessible, effective and sustainable digital payments in South Africa (April 2024).

South African Reserve Bank. 2023 Annual Report.

[SARB CBDC FAQ's](#) (September 2021).

[Bank for International Settlements \(BIS\) Innovation Hub](#).

[South Africa Intergovernmental Fintech Working Group \(IFWG\) Innovation Hub](#).

22. This review took place in the context of a major reform of the framework for GFECRA to possibly distribute a part of unrealized gains to the government's coverage of the SARB's gains and losses from valuations of gold and FX transactions. The envisaged first-time distribution of gains from the Gold and Foreign Exchange Contingency Reserve Account has garnered significant interest from stakeholders and triggered the need for a comprehensive review of the framework. While the SARB and the NT have engaged closely on reforming the distribution mechanism, including through established sub-committees, there is room to enhance transparency in their (broader) relationship.¹¹ Deliberations and technical analysis on the new framework remain in progress. In preparation for the finalization of the new framework and its execution, the SARB should establish a communication strategy in light of the eventual impact on the domestic financial market (see paragraph 25 and Box 3).

MAIN FINDINGS

A. Pillar I. Transparency in Governance

Legal Structure, Mandate, and Decision-Making

23. Information on the overall legal structure of the SARB is publicly available. However, information on certain, key components of its legal status and protections is not easily accessible. The legislation section of the SARB website contains core legislation relevant to the SARB, but there is no dedicated section for its other instruments, such as regulations and directives. The website also provides no explanation that would be easily understandable to the general public on the scope of the legal protections available to the SARB or the judicial review of SARB actions.

24. The SARB's objectives are publicly disclosed but the transparency of its mandate could be further enhanced. Though the objectives of price and financial stability are disclosed in the SARB

¹¹ For further details see Paragraph 47 and discussion under Pillar V in the Annex.

Act, the SARB's website, and the Annual Report, there is no clear explanation of the differing levels of autonomy with respect to its different objectives. The SARB's website describes the SARB's functions but lacks clarity on the legal foundation that undergirds those functions. Further, while the SARB's powers are listed in the SARB Act, the SARB's website does not discuss those powers, even in general terms, let alone how they are linked to the SARB's functions and prohibited activities.

25. The SARB's institutional autonomy is enshrined in the Constitution, but transparency practices surrounding some aspects of the SARB's autonomy could be strengthened. The SARB does not provide an explanation of the supremacy of the Constitution or how its provisions relate to the role of the Minister under the SARB Act or the relationship between the SARB and the Minister. With regard to personal autonomy, there is also no general explanation of the safeguards available to ensure security of tenure, including the protections afforded to decision-making bodies and employees of the SARB. Although the SARB Act provides for core financial autonomy provisions, the rationale for the SARB's financial autonomy, as well as information on its investments, financial commitments, and guarantees—in particular its investments in its subsidiaries and the ways in which the SARB's establishment and ownership of these entities contribute to its mandate—are not explained in lay terms to the public. Further, recent communication relating to GFECRA has caused uncertainty amongst the SARB's stakeholders relating to its mechanism (see Box 3).

Box 3. South Africa: Gold and Foreign Exchange Contingency Reserve Account

Background

The SARB holds gold as part of its foreign reserves, the recording and measurement of which is established in Section 25 of the SARB Act. The relevant provisions stipulate that all gains or losses on that gold are for the account of the South African (SA) government. The SARB also transacts in foreign currency, and balances are translated into rand using the exchange rates in effect on the dates of the transactions. Foreign exchange and forward exchange contract profits or losses of the SARB are also for the account of the government (Sections 26 and 27). All the revaluation gains or losses from these accounts are transferred to the GFECRA. In this regard, the GFECRA helps maintain the SARB's financial autonomy as it provides a buffer for financial risks from the SARB's exposure to fluctuations in the prices of FX and of gold.

In 2006, the SARB Governor and Minister of Finance signed an agreement on the *"Terms and Conditions for the Settlement of the Outstanding Balance on the Gold and Foreign Exchange Contingency Reserve Account"*. Some key features include that valuation changes in the gold price or exchange rate of the Rand are treated as assets or liabilities in the financial statements of the SARB. The SARB provides a monthly report to the NT with detailed information on the GFECRA. Balances are only settled as and when agreed to by the Minister of Finance and the Governor. The GFECRA balance is disclosed in the SARB's annual audited financial statements, including movements during the year under review.

New Framework

The depreciation of the rand against the US dollar is one of the key drivers of the GFECRA balance ballooning from R1.8 billion in March 2006 to R507 billion in January 2024 (7 percent of GDP). This balance, comprising unrealized valuation gains, represents a liability of the SARB to the NT. In February 2024, the government announced, as part of the FY24/25 Budget presented to Parliament, its plans to tap part of the

Box 3. South Africa: Gold and Foreign Exchange Contingency Reserve Account (continued)

gains to reduce government borrowing. The SARB and NT have agreed to distribute about half of the GFECRA (i.e., R250 billion will be distributed and the rest will remain in the GFECRA account to continue to serve as a buffer to mitigate the risk of the account turning negative). The distribution of the R250 billion is to be allocated between the SARB's Contingency Reserve (R100 billion), to boost its equity and to cope with the sterilization costs of this operation, and the NT. The government's allocation is to be executed in tranches over the coming three years (2024: R100 billion; 2025: R25 billion; and 2026: R25 billion).

While the NT has settled the losses in the GFECRA in previous years under the 2006 agreement, the proposed transfer of gains will be a first-time operation. A new, rules-based framework, in the form of an updated Memorandum of Agreement, is thus being developed by the SARB and the NT to govern the distribution of gains going forward. Establishing a proper methodology to calculate the optimal size of the SARB's Contingency Reserve will be a key feature of the new framework, as future transfers can only be made once the target is achieved. Another complex aspect of this transfer is that gains in the GFECRA are unrealized, meaning that a methodology needs to be developed to calculate which part can be deemed realized before they can be distributed. The SARB has communicated that neither foreign exchange nor gold will be sold to realize the gains. Instead, the SARB will monetize the unrealized gains by replacing on its balance sheet the portion of the unremunerated GFECRA liability to NT with new liabilities to commercial banks (excess reserves remunerated at the repo rate).

Coordination with the NT and Communication with Stakeholders

The transfers to and from the GFECRA can only be effected by enacting the Appropriations Bill. This was the case, for example, in 2003, when the GFECRA Defrayal Act (2003) was adopted for the NT to pay approximately R28 billion to the SARB. Accordingly, an Appropriations Bill is awaiting signature by the President of the Republic of South Africa (as of May 2024). The SARB and the NT are engaged very closely on the proposed transfer and the latest reforms. In this context, external stakeholders informed the IMF mission that the communications could be improved on the respective roles of the SARB and the NT in the GFECRA. Furthermore, additional clarification on the GFECRA account and the allocation framework would have been welcomed following the announcement of the transfer during the FY24/25 Budget process, as the public raised numerous questions, necessitating the issuance by the SARB and NT of a joint "GFECRA Q & A" that is published on their respective websites. As part of this communiqué, the authorities stated their commitment to transparent communications around the new framework.

Given the complexity of the operation, its impact on monetary policy operations, and the long-term nature of the reform, a measured approach is being implemented that also considers the need for confidentiality on aspects that are market sensitive. To this end, additional tailored forums to engage the public and stakeholders would be beneficial even in the context of ongoing uncertainty regarding the timing of events.

Proposed Communication Strategy

To further enhance the transparency around the new framework, its implementation, and the impact on its balance sheet and operations, the SARB could consider:

Box 3. South Africa: Gold and Foreign Exchange Contingency Reserve Account (concluded)

- Establishing a communication strategy for the transition plan, including the timelines, given the anticipated impact on the money market; establishing a dedicated page on its website; and reaching out to relevant stakeholders through seminars and workshops.
- Publishing the new framework (or its components) once finalized and appropriately sanitized for possible market-moving and sensitive information. Relatedly, the SARB could also consider explicitly mentioning the methodologies for assessing the Contingency Reserve and the adequacy of FX reserves. SARB subsequently published the in June 2024 the Gold and Foreign Exchange Contingency Reserve Account Defrayal Amendment Act.

Reporting on the monthly movement in the GFECRA balance during the transition period. While the SARB publishes a Monthly Statement of Assets and Liabilities, the GFECRA balance is rolled up into “Other Liabilities”, which masks the actual balance.

Sources: [2024 Budget Review](#) (Presented to Parliament on February 21, 2024).

[Updated Gold and Foreign Exchange Contingency Reserve Account Q and A](#) (February 21, 2024).

[Remarks by Mr Rashad Cassim](#), Deputy Governor of the South African Reserve Bank, at the Annual Financial Markets Cocktail Function, Sandton, Johannesburg, March 6, 2024.

[SARB MPC Press Conference](#), March 27, 2024 (Governor of the SARB’s response during Q&A session at minute 29).

[Gold and Foreign Exchange Contingency Reserve Account Defrayal Act, 2003.](#)

Risk Management and Accountability Framework

26. The SARB’s risk management function is well developed and aligned with leading practices; but publishing additional information on the related framework would enhance transparency. The Annual Report and the SARB’s website disclose information on the comprehensive risk management framework that governs the full spectrum of risks to which the SARB Group is exposed. A risk governance structure that includes an executive-level Management Committee and Board Risk and Ethics Committee (BREC) is in place. A detailed description of the role of the Risk Management and Compliance Department (RMCD) is also provided, including on its centralized coordination of the Business Continuity Management (BCM) Policy and framework and its involvement in the climate change and cyber and information security programs. The SARB Group has recently adopted ISO 31000 as its risk management standard and was subject to benchmarking by the Institute of Risk Management to enhance the function’s practices. The SARB also incorporates the recommended risk management principles of King IV™ in its framework, such that a Combined Assurance Model is deployed with integrated risk management as the second level assurance provider. The Chief Risk Officer chairs the Combined Assurance Forum (CAF). Transparency could be enhanced by publishing the risk management framework and a brief risk statement to facilitate a direct mapping of risks against the SARB’s mandate and/or objectives, as well as key developments related to major risks.

27. Transparency vis-à-vis the SARB’s oversight arrangements is commendable. The SARB has in place a Board Audit Committee (BAC) whose Terms of Reference (TOR) is reviewed every three

years. The composition of the BAC, along with the Board members' biographies, are disclosed on the Reserve Bank's website. Although the TOR is not published, the Audit Committee's mandate is explicitly stated: it assists the Board in overseeing financial reporting, the system of internal controls, audit processes, and compliance with laws and regulations in the context of financial reporting. The BAC also publishes a comprehensive Audit Committee Report on its activities, including the frequency and attendance of committee meetings by Board member. The Annual Report and annual financial statements are considered by the Audit Committee prior to approval by the Board.

28. The SARB's accountability arrangements and related transparency mechanisms are aligned with leading practices. The SARB Act contains provisions on its reporting to Parliament and its internal accountability arrangements. The SARB publishes a complete set of independently audited financial statements as part of the Annual Report, and as standalone annual financial statements on its website. The SARB Act is not prescriptive with respect to the SARB's accounting framework. That said, it does establish the accounting treatment for gold and FX transactions, and the SARB applies International Financial Reporting Standards (IFRS) as its framework for all other transactions. The external auditor's report, jointly issued by the SARB's auditors, states that the audit was conducted in accordance with International Standards on Auditing. The SARB also espouses the transparency principles outlined in the *King IV™ Report on Corporate Governance for South Africa, 2016* (King IV™) and the International Integrated Reporting Council's International Framework.

29. Information on internal audit could be enhanced through dedicated reporting on the function's mandate and activities. While the SARB Act does not contain specific provisions for the establishment of the internal audit function, the SARB has *de facto* established the Internal Audit Department (IAD), which is an integral part of its governance structure and combined assurance approach. The report of the Audit Committee discusses the BAC's oversight of the internal audit function, which includes a review of the Internal Audit Charter and an assessment of (and conclusion on) the IAD's independence. Further, the IAD is subject to periodic external quality reviews, the most recent of which assessed that the function 'Generally Conforms' with the standards promulgated by the Institute of Internal Auditors (IIA). The SARB could consider providing additional, high-level details on the internal audit program and the major areas audited. Information on the internal audit function is available indirectly through other reports and processes. To enhance transparency, the SARB could dedicate a section of its website or of the Annual Report to the internal audit function and also publish the Internal Audit Charter.

30. The SARB has a public hotline for the anonymous reporting of unethical practices, and it abides by anti-corruption laws that encompass its decision-makers, staff, and agents. The SARB is explicit that everyone working at the institution is expected to maintain the highest level of ethics and conduct. To that end, the central bank has put in place: the Ethics Policy, the Board members' TOR, and the Whistleblowing Policy. The Whistleblowing Policy is operationalized through a publicly available hotline that is administered by an independent external party and is available 24/7 in a few of South Africa's official languages. The SARB also discloses its multi-layered governance framework for compliance with, and oversight of, these policies, which includes the BREC and the BAC. The SARB has also completed an independent ethics maturity assessment. To further

enhance transparency, the SARB could publish aggregated information on the investigations conducted and actions taken under the various policies. A publicly available version of the Ethics Policy could also be published on the SARB's website.

31. The SARB's transparency with respect to its human capital management and related governance mechanisms is exemplary. The SARB publishes in the Annual Report a comprehensive section dedicated to human capital management. These include rich statistics, including for Board members, on headcount, racial makeup, gender, age, years of service, and other diversity and inclusion indicators. Information on staff development is likewise provided, including the related budget, along with information on recruitment, retention, and retirements. Awards received by the SARB for being an employer of choice are also provided in the Annual Report, alongside updates on matters related to diversity and inclusion. The SARB's commitment to transparent communication in its human capital management is also implemented through its annual Employee Engagement Survey (EES), of which the key outcomes are disclosed in the Annual Report.

Communications and Confidentiality

32. The SARB is advised to reveal to the public the general details of its robust communication framework, as well as to improve information accessibility The SARB actively engages with a wide range of external stakeholders via various communication channels to deliver on its strategic commitment to open and transparent communications. The details of the speaker engagement strategy (which is not public) are revealed in the Annual Report, including a description of the target audiences and key communication vehicles. At the same time, the public details of the SARB's institutional arrangements for the communication function are limited. Also, the accessibility of information remains an issue, as the SARB's policy and institutional messages are scattered across a large number of communication tools and channels (the website, flagship reports, press statements, forums with market participants and the general public, speeches, and working papers and other publications).¹² Hence, the SARB will benefit from further enhancing a robust, holistic, and proactive approach to the communications, including strengthening the role of communication unit, effectively managing key messages and communication tools, as well as dealing with the specific communication challenges (for example the discussions around GFECRA or changing the inflation target).

33. The SARB's confidentiality practices are supported by a solid legal framework and are transparent, although further enhancement is warranted. The SARB Act addresses the protection of confidential information as part of its broader objective of enhancing the SARB's accountability and transparency. In particular, the Act states that no person shall disclose any information contained in any written communication, which is in any manner marked as confidential or secret, whether it is addressed to the SARB or by the Bank to any person. It recognizes certain limitations on the right of access to information, including, but not exclusively, limitations aimed at the reasonable protection of privacy and of personal information in a manner which balances that right with the transparency

¹² In particular, website's search and sign-up functions warrant substantial improvement.

objective. The SARB has internal policies and procedures on confidentiality, and it classifies information as top secret, secret, confidential, restricted, etc. The SARB may consider publishing this internal framework. It may also consider disclosing information on whether it actively sought out input from stakeholders on its confidentiality policy. It could also publish information on possible legal disputes surrounding its policy on confidentiality and secrecy.

B. Pillars II, III, and IV. Transparency in Policies, Operations, and Outcome

Monetary Policy

34. The SARB's monetary policy framework is well disclosed, but there could be more transparency about the setting of the inflation target by the National Treasury, in consultation with the SARB. The SARB effectively discloses its monetary policy framework, comprising the objective (low and steady inflation), the repurchase (repo) rate policy instrument, and its strategy to achieve its objective. The current three to six percent inflation target was established in 2000. In 2017, the inflation target was clarified by the SARB by setting the point target at 4.5 percent. However, the process for setting the target is opaque and not well understood by external stakeholders. This lack of transparency has created uncertainty around the respective roles of the NT and the SARB in reviewing and setting the inflation target and the interpretation of the target range. Recent discussions about the possibility of lowering the target have raised questions among stakeholders as to how this could be achieved, given the lack of clarity surrounding the target-setting process.

35. The SARB has significantly increased the transparency and accountability of its monetary policy framework over time by adopting new communications vehicles and publishing model-based forecasts. The SARB has six monetary policy decisions per year, each accompanied by a detailed Monetary Policy Statement explaining the decision and reporting the votes—and by a press conference and next-day market analysts briefing led by the Governor with all other MPC members present to answer questions. The SARB also publishes a semiannual Monetary Policy Review that provides a more extensive analysis of the global and domestic economic developments and outlooks and research-based analytical boxes. The Governor goes to Parliament twice a year to discuss monetary policy and operations. The MPSs and MPRs contain a complete economic projection, including underlying assumptions and forecasts of inflation, output, the repo policy rate, and the exchange rate. The SARB has improved the accessibility of its monetary policy by shortening and simplifying the language of the statements, using social media to deliver key messages, and conducting Monetary Policy Forums across the country aimed at the broader public. The SARB regularly conducts an *ex-post* evaluation of its inflation and output forecasts, but it does not systemically conduct transparent post-mortems of its monetary policy framework and its implementation.

36. The SARB could provide more information on dissenting votes in MPC deliberations, include alternative risk scenarios in the MPR, and clarify the ownership of various communication vehicles. MPC deliberations focus on the risks around the central projection, which is an important input to their decision-making process. While the MPC strives to achieve a consensus

on its monetary policy decisions, split votes regularly occur as members can, for example, attach different probabilities to the various risks under consideration. No explanation for the dissenting votes is provided in the Monetary Policy Statement. External stakeholders often cited this as an important gap in the SARB's monetary policy transparency; providing such information to the public would help illustrate the uncertainty around the MPC's decisions, especially at turning points in the policy rate cycle. Such information could be provided non-attributed, as a part of the MPS or in a separate document. SARB staff regularly produce risk scenarios for the MPC. As Ben Bernanke¹³ has recently argued, such alternative scenarios effectively communicate the uncertainty around the central projection and its conditionality on the maintained assumptions. Such scenarios could also be used to illustrate the SARB's reaction function. The ownership of, and accountability for, the various monetary publications and included forecasts could be improved. The MPSs are released by the Governor's office, not by the MPC, the decision-making body. The MPRs do not have a preface that confirms MPC ownership and accountability for the document and the included projections. Some external stakeholders said it was not clear to whom the forecasts should be attributed—the MPC or the staff.

37. The SARB implemented a new tiered-floor system for monetary policy operations in a transparent and well-explained manner, and its outcomes are fully disclosed. Because of the persistent structural liquidity surpluses in the banking system, the SARB decided to adopt a tiered-floor system for monetary policy operations. Extensive consultations with the banks and other interested parties were conducted to explain the new system and the expectations for the banks, and fully disclose the outcomes. Consequently, the new system has proven to be very effective in facilitating the transmission of monetary policy within the financial system. Box 4 provides more information on the rationale for the new system, as well as the transition, operations, and outcomes.

Box 4. South Africa: New Monetary Policy Implementation Framework

In May 2022, the SARB successfully launched a new monetary policy implementation framework. This achievement was the direct result of thorough analysis and extensive public consultations by the SARB, all of which were conducted in an open, inclusive, and transparent manner. External stakeholders praised the SARB for consulting with them and incorporating their feedback into their planning for the new framework. They noted that it was critical to the successful transition to the new system.

Background

Prior to the launch, the SARB had used a shortage—or deficit-reserve—system for implementing monetary policy. However, in recent years this system had proven difficult to operate because of structural increases in excess reserves in the banking system owing, in part, to desired accumulations in official foreign exchange reserves, which could not be easily sterilized given existing facilities. Consequently, the transmission of monetary policy via the repurchase (repo) policy interest rate into short- and long-term interest rates and asset prices was impaired. Overnight interest rates were materially deviating from the repo rate, in particular,

¹³ Please see the [report](#) by B. Bernanke "Forecasting for monetary policy making and communication at the Bank of England: a review."

Box 4. South Africa: New Monetary Policy Implementation Framework (continued)

and the FX-implied interest rate was very volatile. In addition, the system limited the SARB's ability to respond to severe financial market stress by providing sufficient liquidity to restore market functioning.

Analysis

To address these concerns about the existing operating framework, and to obtain a more efficient and flexible operating framework and promote financial resilience, the SARB analyzed how other central banks had adapted to similar circumstances, considered various options, and developed a proposal for a new "tiered floor" surplus-reserve framework for South Africa.¹ Under this system, participating banks can deposit excess reserves at the SARB and receive the repo policy rate but only up to their assigned quota or tier. The output of this analysis was a consultation paper issued in November 2021, seeking feedback on the proposed framework.

Consultations

Senior SARB staff reached out and met with all participants of the existing system and other interested stakeholders to explain the proposed framework and collect their feedback. An important component of this consultation was to discuss the quota level for each bank. The quotas were derived from the SARB's overall liquidity target for excess reserves in the banking system, augmented with a buffer to absorb liquidity shocks, and then the total was allocated as quota to each participating bank based on the size of their liabilities. The proposed framework was revised, and two other papers were released in May 2022: an explanation of the new framework and the SARB's plan for the transition to it.²

Transition

Implementation of the new MPIF began on June 8, 2022, and was completed over a 12-week period through August 24, 2022. The amount of excess reserves in the system was gradually raised from a shortage of around R30 billion at the start of the transition to a surplus of R50 billion at the end. This was accomplished by allocating banks' initial quotas and then gradually increasing them to their final settings over the transition period. Banks also had access to the SARB's repo auction facilities to help address any shortage of reserves and facilitate the transition.

Outcomes

Almost 30 banks are now participants in the new tiered-floor surplus-reserve system, and many have expressed satisfaction with its operation. It has been successful in improving the transmission of monetary policy as most overnight rates have remained close to the repo rate. The banks' use of the existing facilities to manage their liquidity, most notably the weekly repo auctions and standing deposit and lending facilities (at 100 bps below and above the repo rate, respectively) has been much less than under the prior shortage-reserve system. Instead, the new MPIF has promoted the use of the interbank market to manage liquidity, with the bulk of the activity migrating from the original unsecured platform to a new secured one. Hence, the new MPIF has strengthened the efficiency and resilience of the financial system and given the SARB the flexibility to provide liquidity to the system in times of severe stress.

Box 4. South Africa: New Monetary Policy Implementation Framework (concluded)

Sources: South African Reserve Bank. 2021. [A new framework for implementing monetary policy in South Africa. Consultation paper.](#) Financial Markets Department. November.

South African Reserve Bank. 2022. [Transitioning to a new monetary policy implementation framework.](#) Financial Markets Department. May.

South African Reserve Bank. 2022. [A new framework for implementing monetary policy in South Africa.](#) Financial Markets Department. May.

¹ For more information on the tiered-floor system see: IMF (2018), “Advancing the Frontiers of Monetary Policy”, edited by Tobias Adrian, Douglas Laxton, and Maurice Obstfeld.

² Throughout the consultation process and in these papers and other communications, the SARB was careful to distinguish between the monetary policy framework and the monetary policy implementation framework, noting that the adoption of the new MPIF would not affect the inflation target.

Cross-Border Financial Flows and Foreign Exchange Administration

38. The SARB appropriately communicates its implementation of the NT’s policy on exchange controls to the authorized dealers—and works to facilitate the understanding of the public. A fully dedicated section of the SARB website deals with all the components of the SARB’s policy implementation tools (i.e., the legal context, the SARB’s regulations, frequently asked questions (FAQs), online systems set up to facilitate interactions between the SARB and Authorized Dealers (ADs) and Authorized Dealers with Limited Authority (ADLAs)). The disclosure of non-market sensitive information on the results of policy implementation (for instance in the SARB’s Annual Report) would enhance the transparency of the SARB’s actions related to cross-border financial flows and FX administration. The transparency of the overall policy framework would also benefit from the disclosure of the actions taken by the SARB to discharge its advisory function to the NT on the design of the policy framework. In particular, market participants would benefit from the disclosure of the thematic outcomes of policy implementation (i.e., areas of cross-border financial flows and FX administration that have led to interpretations by the SARB in response to ADs’ and ADLAs’ queries, key outcomes of the SARB’s supervisory actions, and related sanctions imposed by the SARB).

Foreign Exchange Management

39. South Africa’s flexible market-based exchange rate is well understood by external stakeholders. The SARB abstains from active FX interventions to influence the value of the exchange rate, allowing it to be determined by market forces, but the SARB may intervene under certain prescribed circumstances. The flexible FX regime provides the necessary monetary independence to achieve the inflation target and helps facilitate the domestic economy’s adjustment to external shocks, including material terms of trade movements. The SARB may, on occasion, intervene for three reasons: to accumulate foreign exchange reserves, to smooth the impact of large foreign exchange transactions, and to restore market liquidity and functioning (and promote financial stability) when conditions are disorderly. While these motivations are published and well understood by market participants, further elaboration and disclosure would be helpful to give external stakeholders a clearer sense of the framework for such interventions.

Foreign Exchange Reserve Management

40. The SARB's transparency with regard to the management of FX reserves is high. The gaps identified by the mission relate mainly to the spheres of interaction with the NT, in particular the drafting of the SARB's internal investment guideline for reserves management. The core elements of the FX management framework are disclosed on the SARB's website, particularly the Investment Policy document. A special effort is also devoted to facilitating the public's understanding of the framework through a dedicated SARB Factsheet. The SARB's annual audited financial statements provide information on the composition of the FX reserves, and key drivers of returns during the preceding period, as well as the impact of the FX reserves on the Bank's financial position. The transparency of the FX reserve management framework would benefit from the disclosure of non-market sensitive components of the internal investment guideline or of key macrofinancial features of South Africa that have a bearing on the design of the guideline (i.e., adequacy and liquidity parameters), as well as the inputs provided by the NT in the context of the periodic updates. Furthermore, regarding FX reserve adequacy, transparency in the implementation of the GFECRA framework would greatly benefit from the disclosure of detailed (not market sensitive) information on the calculation of the level of adequate FX reserves and updates as the need arises. Finally, more frequent publication of the currency composition of the official FX reserves (than the current one-year periodicity) would also enhance transparency.

Financial Stability and Macroprudential Policies

41. Based on its clear mandate, the SARB discloses its financial stability policy framework, including its objectives, strategy, and instruments. It discloses the conceptual framework underpinning its financial stability policy function. The SARB's macroprudential policy framework, which is available on its website, focuses on macroprudential instruments designed to limit various aspects of financial sector risk. An internal and non-statutory Financial Stability Committee was set up to formulate financial stability policy and facilitate cooperation among its various line functions. The two statutory interagency bodies (the FSOC and the FSCF) have been established to support the SARB in performing its financial stability function and facilitating cooperation and collaboration between the SARB, other financial sector regulators, and the industry. However, public information on the activities of the FSC, the FSOC, and the FSCF is limited. The SARB is encouraged to disclose information on the FSC, and to provide more detailed information on the tasks and outcomes of FSOC and FSCF meetings as well as its consultations with other relevant authorities for financial stability, while keeping sensitive information confidential. Furthermore, the SARB may consider publishing decisions on macroprudential measures in a more expedited way rather than waiting for the publication of the FSR.

42. The SARB periodically discloses its comprehensive assessment of risks to financial stability, although enhanced transparency on *ex post* evaluation would be desirable. The SARB discloses the implementation and outcomes of its financial stability and macroprudential framework in several publications, including its semiannual flagship Financial Stability Review. The FSR release is followed by the regular meeting of the FSF, the platform established to reach out to external stakeholders and discuss issues related to financial stability and macroprudential policy. The SARB

may consider publishing information on the FSF meetings through a press release designed for the benefit of the general public not taking part in the meetings. The SARB regularly publishes a comprehensive assessment of the main risks to financial stability, including new and emerging vulnerabilities. Furthermore, it discloses the methods and underlying data used for such assessments, including the design, scope, and outcomes of comprehensive stress tests carried out twice a year. Recognizing that few analytical papers have been published, the SARB's transparency practice could be strengthened by publishing *ex post* evaluations of whether the implemented measures have achieved the intended effects.

Emergency Liquidity Assistance

43. The SARB's disclosures of its ELA framework have been greatly enhanced in the recent period, leading to a comprehensive level of transparency practices. The SARB's communications of market-wide emergency liquidity support in the context of the COVID-19 pandemic have been timely and proactive, particularly to address questions raised by the media. Furthermore, in response to the IMF recommendation to strengthen the legal underpinnings of the SARB's Lender of Last Resort (LOLR) function, which was presented in the context of the 2012 Financial Sector Assessment Program, the SARB has been working on several relevant issues, leading in particular to the publication of a draft Discussion Paper for consultation to solicit public comment on the necessity, feasibility, scope, and design features of a repo facility to assist non-bank financial institutions with liquidity in periods of market dysfunction. Regarding bilateral liquidity support, the SARB's transparency concerning the framework greatly benefited from the publication in 2022 of a Position Paper on the provision of ELA for banks. That document addresses, among other issues, the criteria, legal requirements, and collateral rules. It indicates that the disclosure of ELA is at the discretion of the SARB so as to allow for the SARB to use its judgement in determining whether early disclosure will support or harm the viability of a specific bank—or South Africa's financial stability in general. If and when it is developed, market participants would benefit from the disclosure of a framework for handling systemic markets dysfunction.

Financial Integrity

44. The SARB is generally transparent with respect to its AML/CFT supervisory powers, activities, guidance, and enforcement actions. Responsibility for AML/CFT supervision is vested in the PA, for banks, life insurers, and clearing system participants, and in the Financial Surveillance Department (FinSurv) for Authorised Dealers in foreign exchange with limited authority.¹⁴ Both authorities provide basic information on their inspection and enforcement powers and disclose the number—but not the type (comprehensive, thematic, or specific), scope, or reach (extent of coverage of the foreign branches or subsidiaries of supervised institutions)—of inspections conducted/inspection reports completed each year. Moreover, they regularly publish extensive guidelines for supervised institutions as well as detailed information on violations found and administrative sanctions imposed. In certain aspects of the disclosure, the PA is more proactive than

¹⁴ The description section for Principle 2.10.1 in the detailed review table in Annex I provides a detailed explanation of the functions and responsibilities of the PA and FinSurv with respect to AML/CFT supervision.

FinSurv; the PA already maintains an AML/CFT-dedicated webpage on which it has posted completed risk assessments for the banking and life insurance sectors.

45. However, these AML/CFT supervisors maintain additional, non-sensitive information that they do not disclose or only disclose at the request of international bodies. The PA and FinSurv maintain detailed, non-sensitive information on their supervisory resources and activities, their implementation of the risk-based approach, and the remedial actions taken by supervised institutions, but that information has only been disclosed to—and via the analyses published by—international bodies such as the IMF and the FATF. Both supervisors have comprehensive AML/CFT supervisory policies that they could summarize in a “sanitized” form, and post on-line for public consumption, but they have not yet done so.

46. The SARB does not proactively disclose any information regarding its internal AML/CFT control function, or the periodic audits conducted of that function. The SARB has an active AML/CFT Team within the Compliance Management Division (CMD) of the RMCD. The activities of the AML/CFT Team—along with the outcomes of those activities—are tracked internally, included in an Annual Compliance Report, and audited by the Internal Audit Department, whose findings and recommendations are presented to the Board on an ongoing basis. But no information in this regard is posted on the SARB’s website or is otherwise made readily available to the public.

C. Pillar V. Transparency in Official Relations¹⁵

47. While the relationship with the government is well established in the legal framework and in practice, the SARB could disseminate information about it in a systematized and accessible manner. The legal framework, including the Constitution and the SARB Act, contains a clear mechanism for the SARB’s interaction with the government. The SARB Act mentions without any description the various roles and responsibilities of the SARB when interacting with the government, such as advising on the economy and in specific matters, including managing the FX reserves, acting as a fiscal agent, coordinating financial stability issues, and institutionalizing reporting requirements. Disclosure of its financial transactions with the government is presented in the SARB’s annual financial statements. The SARB and the NT have well established relations in practice, guided by a (non-published) Memorandum of Understanding (MOU), which determines the terms and conditions of engagement between the SARB and the NT (including the functioning of joint standing committees on various matters). During the COVID-19 pandemic, live press conferences and statements were established to explain to the public anti-crisis measures that were taken by the SARB in collaboration with the government. The SARB is advised to reveal its interaction with the government in a structured and regular manner, including with respect to services provided, respective responsibilities, and documents concerning cooperation and coordination. Furthermore, the SARB is encouraged to disclose on a more regular basis and in an accessible manner the

¹⁵ As noted in Paragraph 11, the CBT review scope is limited to the evaluation of central bank transparency practices, not other official institutions. Hence, no recommendations to the NT are included in this report. However, the SARB is encouraged to engage into the constructive dialogue with the NT (and other partnering institutions) aiming at enhancing transparency of interorganizational arrangements and interactions.

modalities and instruments, including financial ones, used to interact with the government through press releases and statements. This could be done by setting up a dedicated webpage.

48. The relationship between the SARB and domestic financial agencies is clearly defined and transparent with additional disclosures warranted on committees' deliberations. Various legislation, including the FSR Act, describe the modalities of the interaction between the SARB and domestic financial agencies. The SARB has established several committees and working groups to structure these interactions. The MOUs between the SARB and other financial sector regulators are public (as per the FSR Act) but are not easily accessible via the SARB's website. The transparency of interagency cooperation on financial stability could be enhanced further by providing more details (subject to market sensitivity and confidentiality constraints) on the deliberations of the FSOC and the FSCF (see paragraph 41). The SARB also discloses its involvement with private and public institutions. In particular, it discloses its investments in, and ownership of, financial private sector subsidiaries.

49. While the SARB's domestic and international cooperation arrangements are clearly disclosed, further enhancement of that transparency would be advisable. The SARB is very active in participating in—and indeed, chairing—international committees and forums, and it plays a crucial role in the Eastern and Southern Africa region due to the importance of South Africa's economy for the neighboring countries. The SARB's website contains detailed information on its interaction and cooperation with foreign institutions. However, further disclosure and publication of international, regional, and bilateral agreements with foreign central banks would improve the SARB's transparency practices.

AUTHORITIES' RESPONSE TO DETAILED REVIEW REPORT

The South African Reserve Bank expresses its thanks to the International Monetary Fund for conducting a comprehensive review of its transparency practices, under the Central Bank Transparency Code Review. This process commenced with pre-mission engagements in March 2024, followed by the main in-person mission that took place between 15 to 22 May 2024. Consultations were conducted with internal SARB departments and external stakeholders (including market participants, journalists, parliament, and academics).

We thank all stakeholders for their time and sharing their open and honest perspectives throughout this important undertaking. We also wish to commend the IMF Mission Team for their professionalism, expertise and intense collaboration with all stakeholders.

The IMF assesses the SARB's transparency benchmark to be of a high standard and broadly aligned with expanded and comprehensive practices as defined by the IMF CBT, while also noting external stakeholders' regard for the SARB as one of the most reputable and effective public institutions in South Africa and globally. We welcome this acknowledgement and take great pride in our efforts to ensure good transparency practices.

The SARB continues to strive to find ways for further improvements. Hence, we decided to embark on the CBT Review to identify areas for further improvement and to ensure that we continue to build on and set a high benchmark for transparency to further enhance our reputation among domestic and international stakeholders as a reputable and effective public institution.

The SARB welcomes the publication of this final report by the IMF Mission Team and the related recommendations, as outlined in the table below, which also includes the SARB's response to these recommendations. While there may be areas where there is a divergence of views, and these are explained below, we find the report constructive and generally positive in terms of the assessment of SARB transparency practices and areas for further improvement. We remain committed to enhance our transparency practices, and particularly take note of recommendations on the disclosure and publication of information on a number of areas, and to make such information more easily accessible to our stakeholders.

South African Reserve Bank Response to Key Recommendations from the CBT Review	
IMF Recommendations	SARB Response
<p>1. Strengthen the transparency of certain aspects of the SARB’s legal structure and autonomy, by providing a general explanation of the SARB’s legal protections and its institutional and functional autonomy, indicating the safeguards available to ensure the security of tenure for SARB decision-making bodies and employees, and enhancing the disclosure of its financial autonomy with respect to the operations of SARB subsidiaries and the reform of the GFECRA settlement framework.</p>	<p>The SARB has noted the suggestion regarding transparency in respect of legal protections, autonomy and the safeguards to ensure security of tenure. The SARB is happy to consider this for inclusion in relevant transparency mechanisms.</p> <p>The SARB welcomes the suggestion for improving the transparency of its financial autonomy and GFECRA. We also recognise the need for more communication on GFECRA, which was a topical issue at the time of the CBT Review and which garnered public interest at the time. The SARB has subsequently published a list of GFECRA documents, including the GFECRA Defrayal Amendment Act 2024; the signed agreement between the SARB and National Treasury; and a GFECRA Q&A.</p>
<p>2. Building on the already comprehensive transparency of the SARB’s internal accountability arrangements: disclose additional information on the risk management framework from a group perspective; establish dedicated reporting on the mandate and activities of the internal audit function; and publish the Ethics Policy (or a summary thereof).</p>	<p>The SARB has made a great effort to ensure the transparency of its internal arrangements.</p> <p>In its <i>Annual Report</i>, the SARB provides detailed updates on its strategic delivery, including risk factors impeding the attainment of the strategic objectives and how these are being addressed.</p> <p>The SARB’s risk management and control framework is in line with its constitutional and statutory responsibilities as well as good governance practices.</p> <p>Recommendations to further enhance the transparency of the SARB’s internal accountability arrangements are seen as necessary and the SARB will actively consider additional mechanisms to further enhance transparency. The SARB will consider publishing relevant extracts or a summary of the Ethics Policy on its website.</p>
<p>3. Streamline the SARB’s communication framework and make it more transparent to the public, by developing a proactive institutional approach</p>	<p>The SARB’s toolkit includes a proactive institutional approach to communication, which includes active engagement with a wide range of external stakeholders via</p>

<p>to communications; publishing a summary of the SARB's key communication documents; providing a comprehensive overview of communication tools, channels, and processes; and improving the website's accessibility.</p>	<p>various communication channels to deliver on its strategic commitment to open and transparent communications.</p> <p>The SARB's communications framework is grounded in the Bank's strategy through "Improving transparency and accountability through stakeholder engagement and communication".</p> <p>As the report itself points out (Box 1), the SARB's communications approach is multipronged and multilayered and includes clearly defined messages in speeches; the monetary policy and financial stability forums (and the publications released at these forums); Economic Roundtables, the Public Outreach Programme; the MPC Schools Challenge; and University Chairs Programme. All the work is planned and carried out by the Communications Division in collaboration with strategic policy units.</p> <p>While the report states that communications are "scattered" across channels and platforms, this is by design, as the SARB prefers a layered approach to communication and considers this to be appropriate in the setting. Specifically, the SARB uses consistent messaging across different publications and platforms, tailored for different audiences and events.</p> <p>This approach is emulated across the SARB's flagship publications (<i>MPR</i>, <i>FSR</i>, etc.) and other strategic work in currency management, payments and prudential regulation. The public release of key documents is typically accompanied by engagements that are open to interested members of the public as well as well-crafted social media messaging outlining the key takeaways from these publications. These events are livestreamed and recorded, and recordings are made available on the SARB's website or digital channels.</p> <p>In the last five years, the SARB has redesigned its website to ensure greater access and enhanced functionality. Throughout this period, the SARB has made modifications to its website, recognising the need for continual improvement. The SARB therefore welcomes the point relating to further enhancing the website's accessibility.</p>
<p>4. Clarify the process of reviewing the SARB's monetary policy framework</p>	<p>The SARB and National Treasury have well established relations, guided by a Memorandum of Understanding (MOU), which determines the terms and conditions of</p>

<p>and setting the inflation target by the National Treasury in consultation with the SARB. Documentation should be disclosed that specifies the respective responsibilities of each institution in this process and the inflation target.</p>	<p>engagement between the two institutions (including the functioning of joint standing committees on various matters). Decisions pertaining to the disclosure of specific documentation, including the MOU, would need to be taken jointly by the two institutions.</p>
<p>5. Take further steps to improve monetary policy transparency by providing more information on dissenting votes in MPC deliberations, including alternative risk scenarios in the MPR, and clarifying the ownership of various communication vehicles.</p>	<p>The SARB acknowledges the IMF’s recommendation to improve monetary policy transparency. The SARB has significantly increased the transparency of its execution of monetary policy, and the accountability of the outcomes, by adopting new communications vehicles to reach different audiences and by publishing model-based forecasts.</p> <p>The SARB’s MPC statement aims to capture different views across the MPC, using a balance of risks approach. While central banks could be more explicit in their discussions regarding dissenting views, this is not considered best practice, but rather a <i>choice</i> that should be made with much discretion and understanding of a country’s political economy and policy setting. The SARB considers the current practice of disclosing the preferences of MPC members appropriate. We do, however, agree that the SARB could strengthen its risk assessment and provide more detail across various platforms, including the MPC statement and the <i>MPR</i>.</p> <p>With respect to alternative risk scenarios, scenario modelling forms an integral part of the MPC process and is used for (i) informing the central projection; and/or (ii) assisting the MPC in thinking about different risk profiles and their significance. In practice, the discussion of scenarios (or risk dependencies) is expressed in the MPC statement, <i>MPR</i> as well as through official investor discussions, where the MPC goes to great lengths to communicate these risk profiles.</p>
<p>6. Enhance the transparency of the SARB’s foreign exchange (FX) reserve management by</p>	<p>The SARB already publishes the investment policy of official gold and foreign exchange reserves, which underpins the investment guidelines. However, consideration could be</p>

<p>disclosing key, underlying considerations or non-market sensitive components of the annual Investment Guideline. In addition, transparency in the implementation of the GFECRA framework would greatly benefit from the disclosure of detailed information on the calculation of the level of adequate foreign exchange reserves and related updates, as the need arises.</p>	<p>given to publishing additional information, such as the methods for calculating the optimal and adequate level of reserves. This could be made more explicit on the SARB's website.</p> <p>Regarding GFECRA, there is a clear commitment to be more transparent about the new framework. As a start, the SARB has published the GFECRA agreement, which provides guiding principles for managing the GFECRA. Furthermore, the SARB has committed to an annual review of GFECRA buffers and will provide updates on this.</p>
<p>7. Disclose financial stability decisions in a timely manner via statements and press releases, and publish information on the activities of interagency committees, including tasks and outcomes for each meeting, while keeping sensitive information confidential.</p>	<p>The SARB publishes all financial stability decisions and the activities of interagency committees (where relevant) in its <i>FSR</i> twice a year. The SARB also communicates this in the bi-annual Financial Stability Forum. The publication of a press release after each meeting has been considered in the past and a decision was taken against it for the following reasons:</p> <ul style="list-style-type: none"> • Unlike MPC meetings, not every FSC meeting results in financial stability decisions. Publishing a press review after every meeting may become repetitive and tedious. • Financial stability risks generally evolve slowly and the publication of the <i>FSR</i> every six months is normally sufficient to communicate financial stability issues. Press statements would contain little new information. • Publishing a press statement may also be problematic if time-sensitive issues are discussed. <p>The SARB will communicate with the public if required by circumstances.</p> <p>Regarding interagency committees, the SARB currently communicates, as necessary and appropriate, its involvement in interagency committees in its <i>Annual Report</i>. In doing so, the SARB aims to maintain confidentiality and remain within the scope of the mandate governing these committees or structures.</p>
<p>8. Proactively disclose information on the SARB's</p>	<p>The SARB welcomes this recommendation. The strengthening of the AML/CFT framework is considered a</p>

<p>AML/CFT supervisory policies and resources—and on the remedial actions taken by supervised institutions.</p>	<p>necessary and crucial action. We agree that such efforts would be instrumental in providing a greater level of transparency to assist South Africa in the FATF process.</p>
<p>9. Make readily available to the public general information on the SARB’s internal AML/CFT control function by establishing a dedicated webpage that summarizes its activities and outcomes and provides a link to information on the relevant audit procedures.</p>	<p>The SARB maintains a repository of information and data related to its internal AML/CFT control function. There is merit and scope to provide some of this information publicly, where it is not confidential.</p>
<p>10. Ensure the transparency of the SARB’s interactions with the government in a structured and regular manner, including with respect to services provided, respective responsibilities, and documents concerning cooperation and coordination.</p>	<p>The Constitution and SARB Act provide a legal framework that contains a clear mechanism for the SARB’s interactions with National Treasury.</p> <p>The SARB and Government (National Treasury) also have an MoU that guides their interactions.</p> <p>The relationship between the President and Minister of Finance and the SARB is defined across various sections of its website. For example, the President appoints governors, deputy governors and members of the board, as explained in the section about governance. The website also explains the SARB’s policy independence, its regular engagements with the Minister of Finance and the parliamentary portfolio committees on finance – explaining the SARB’s ultimate accountability to Parliament.</p> <p>The SARB acknowledges the value in providing, where possible, more detailed information regarding its relationship with government, this would have to be done in consultation with National Treasury to ensure alignment and best practice.</p>

Annex I. South African Reserve Bank: Central Bank Transparency Code—Detailed Review

South African Reserve Bank	
Pillar I—Central Bank Governance	
Principle 1.1.	Legal Structure: The central bank discloses its legal framework to the public in a manner that is clear and easily accessible.
Description Review	<p>Legal Framework: The South African Reserve Bank discloses its legal framework to the public. The SARB’s website and its Annual Report (2022-2023) state that the Constitution of the Republic of South Africa 1996 (Constitution) and the South African Reserve Bank Act 90 of 1989 (SARB Act) provide the enabling framework for the SARB’s operations. The Constitution establishes: (i) the SARB as the central bank of the Republic, which is regulated in terms of an Act of Parliament; (ii) the SARB’s primary object; and (iii) its institutional autonomy. An updated version of the SARB Act is available on the SARB website.^[1] The SARB Act sets out the SARB’s mandate, which are also described on the SARB website and in its annual report, including its source. The website also has a specific webpage listing the core legislation providing for the key areas related to the SARB’s mandate, including the legal framework which the SARB adopts with respect to financial institutions and the national payment system, all of which are accessible via links on the SARB website.</p> <p>The SARB is subject to the Promotion of Access to Information Act 2 of 2000 (PAIA) which takes precedence over any confidentiality provisions in the SARB Act, and which compels the SARB as a public body to disclose its information upon a request by the public, subject to certain exceptions such as where the disclosure could frustrate deliberative process by inhibiting candid communication or discussion, or frustrate the success of a specific policy. However, this is not disclosed on the SARB website or the Annual Report.</p> <p>The SARB Act does not clarify which law prevails in the event that the provisions of the SARB Act conflict with those of other laws. However, the SARB clarified that those provisions in the Constitution relating to the SARB would prevail over other laws in the event of a conflict, while the usual statutory interpretation rules will apply whereby the SARB Act as a specific law will prevail over a general law in the event of a conflict.</p> <p>The SARB Act also does not define any transitional arrangements but does however provide that the Governor, Deputy Governor and Board of Director shall, for the unexpired portion of the period for which they had been appointed under the previous SARB Act, be deemed to hold office under the applicable provisions of the SARB Act, and any rules and regulations made under that previous Act relating to the right to hold and acquire shares and shareholder votes shall also be deemed to have been made under the corresponding provisions of the SARB Act.</p> <p>The SARB discloses when it plans to review its legal framework. This is done via its Annual Report whereby the most recent Report disclosed that consequential amendments to the National Payment System Act 78 of 1998 are being proposed, and that the National Treasury in collaboration with SARB engaged with stakeholders on the proposed amendments. The Annual Report also discloses that the SARB, National Treasury and Financial Sector Conduct Authority are drafting amendments to the Financial Markets Act 19 of 2012. Further, the country’s legislative process requires that before any law related to</p>

	<p>the SARB can be amended, it has to undergo a public consultation process via the Standing Committee on Finance of the National Assembly.</p> <p>Legal Nature: The SARB Act establishes its legal nature i.e. a juristic person, its ownership and its legal instruments. The SARB website explains that the SARB has had private shareholders since its establishment. The SARB Act defines shareholder as “any holder of shares in the SARB”, and limits the amount of shares that can be held by a shareholder individually or in aggregate with their associates, as well as limits liability of a shareholder to the amount unpaid on the shares held by them. Further, the SARB website, SARB Act and Annual Report disclose the decision-making powers of the general meeting of shareholders, which are limited to considering the SARB’s annual financial statements, electing seven of the non-executive directors of the Board of Directors, and appointing the external auditors and approving their remuneration. The SARB Act also requires the SARB to transmit to the National Treasury a list of its shareholders and number of shares held by each, which will be tabled in Parliament. Additionally, the Annual Report highlights the SARB Act in terms of shareholders’ limit of shares as well as entitlement to dividends, and discloses the number of shareholders and dividends paid out to shareholders. The Regulations Relating to the South African Reserve Bank (SARB Act Regulations) further sets out the procedures regarding registration and transfer of shares.</p> <p>The SARB discloses on its website its legal instruments such as regulations, directives, and notices but there is no single dedicated page for this.</p> <p>Legal Protection: The extent of judicial review over the SARB’s activities and its protection from pre-judgment attachments is not clarified in the SARB Act, but the SARB is protected from liability in carrying out specific functions under the Banks Act 94 of 1990 and Financial Sector Regulation Act 9 of 2017. The Banks Act excludes liability of the SARB or its decision-making bodies and employees for any loss or damage to any person as a result of anything done or omitted in the <i>bona fide</i> performance of functions under that Act while the FSR Act protects the SARB from liability for any decision or action taken in the exercise of functions and powers under a financial sector law. The FSR Act further states that the SARB is subject to judicial review process whereby any party dissatisfied against an order of the Financial Review Tribunal may institute proceedings for a judicial review of the order in terms of the Promotion of Administrative Justice Act or any applicable law. The SARB clarified that the SARB has no special protection and is subject to normal administrative process and laws of the country under the Promotion of Administrative Justice Act 3 of 2000, unless specific financial sector laws exempt actions taken by the SARB, as described above. The SARB also clarified that it has no special protection from prejudgment attachments. However, the SARB Act provides that the SARB shall not be placed in liquidation except by an Act of Parliament, and that no writ of execution or attachment or process shall be issued or proceeded with against the SARB if the Minister intends to introduce in Parliament a Bill placing the SARB in liquidation.</p>
Review	<p>Core</p> <p>Legal Framework: The SARB’s website and Annual Report contain clear information and links to the updated legal framework governing the SARB. However, the legal framework is not clear on which law prevails in the event that the provisions of the Act conflict with other laws.</p> <p>Legal Nature: The legal nature and the ownership of the SARB are defined in the SARB Act. The ownership structure and shareholding limit are disclosed on the SARB’s website and its Annual Report. However, the SARB does not disclose details on its legal instruments such as</p>

	<p>their purpose and scope. There is no dedicated section on the website for its regulations, directives and notices, which makes these legal instruments difficult to search for unless the public is already aware of particular regulations or directives which are already in place.</p> <p>Legal Protection: Although the SARB is subject to judicial review, the extent of judicial review over the SARB's activities and its protection from pre-judgment attachments is not clarified in the SARB Act. Except for a stipulation in the FSR Act clarifying the scope of judicial review against an order of the Financial Review Tribunal, the SARB website provides no explanation for the general public on the scope of the SARB's judicial review. There is also no explanation in the SARB website and Annual Report on the legal protection available to the SARB.</p>
Comments	<p>The SARB's transparency with respect to its legal structure could be further enhanced by explaining on the SARB website in an easily understandable manner: (i) whether the SARB Act prevails in the event of conflict with other laws; (ii) the SARB's disclosure obligations under the PAJA; (iii) the extent of judicial review over its activities; (iv) the scope of legal protection afforded to the SARB in carrying out its different functions; (v) and the legislative process in place, including stakeholder engagement, for any review of its legal framework.</p> <p>Transparency could also be further enhanced by having a dedicated page on the SARB website for related regulations issued pursuant to the core legislations listed on the website, as well as a list of all other legal instruments such as directives and notices issued by the SARB to date.</p>
Principle 1.2.	Mandate: The central bank discloses its mandate—including its objectives, functions, and legally defined powers—in a manner that is clear and easily accessible to the public.
Description	<p>Objectives: The Constitution (Article 224) sets out the SARB's primary object of protecting the value of the currency in the interest of balanced and sustainable economic growth in the Republic. This primary objective is repeated in the SARB Act, which also provides that in addition, the SARB is responsible for protecting and maintaining financial stability as envisaged in the FSR Act. Both the SARB's website and Annual Report (2022/23) explain the SARB's primary mandate and statutory mandate. The Monetary Policy Review of April 2024 states that overseeing and maintaining financial stability is a complementary mandate of the SARB, but the SARB clarified that the financial stability mandate is an additional mandate to the price stability mandate and should not be seen as a secondary mandate.</p> <p>The SARB's mission statement is disclosed on its website, which also explains how price stability is linked to financial stability. The website also clarifies that price stability implies maintaining inflation within a target range which is set by the Government. In addition, the website states that the independence and autonomy of the SARB are entrenched in the Constitution, and that the SARB has the independence to use any of the monetary policy instruments at its disposal to achieve its monetary policy goal. However, the selection of a monetary policy goal is the responsibility of the Government. The inflation target range of 3 to 6 per cent was agreed between the SARB and Ministry of Finance via an exchange of letters.</p> <p>Functions: The Constitution (Article 225) sets out that the powers and functions of the SARB are those customarily exercised and performed by central banks, which powers and functions must be determined by an Act of Parliament and must be</p>

exercised or performed subject to the conditions prescribed in terms of that Act. The SARB Act does not have a specific provision on the functions of the SARB, but has its “powers and duties”, which include to: (i) issue banknotes and coins; (ii) perform such functions to regulate and supervise payment, clearing and settlement systems, including functions assigned under any law for the regulation of such payment, clearing and settlement systems; (iii) perform such other functions of bankers and financial agents as central banks customarily may perform; and (iv) perform the functions assigned to the SARB by the Banks Act, the Mutual Banks Act No. 124 of 1993, the FSRA and other financial sector laws as defined in the FSR Act.

Additionally some functions of the SARB (also acting in its capacity as Prudential Authority) are set out in the FSR Act, which establishes the Prudential Authority as a juristic person, operating within the administration of the SARB. The SARB’s Annual Report highlights SARB’s statutory mandate of protecting and enhancing financial stability includes identifying and mitigating systemic risks that might disrupt the financial system, while strengthening the safety, soundness, and integrity of financial institutions through the Prudential Authority.

The SARB website sets out its “responsibilities” which are: (i) issuing and destroying banknotes and coin; (ii) regulating and supervising financial institutions; (iii) managing the official gold and foreign reserves of the country; (iv) managing the national payments system; (v) administering the country’s remaining exchange rate control systems; (vi) acting as the banker to the Government; and (vii) acting as lender of last resort to provide liquidity assistance in exceptional cases. Further, the Annual Report clarifies the “key functions” of the SARB which are: (i) formulate and implement monetary policy; (ii) protect and enhance financial stability, including acting as the lender of last resort in exceptional circumstances; (iii) promote and enhance the safety, soundness and integrity of financial institutions regulated by the SARB; (iv) enhance the country’s resilience to financial shocks; (v) ensure the cost-effective availability and integrity of the currency; (vi) compile economic statistics and conducting analysis and research; (vii) act as banker to the Government; (viii) ensure the effective functioning of the national payment system; (ix) administer the country’s prudential and capital flow measures; and (x) manage the official gold and foreign exchange reserves of the country.

Powers: The SARB Act contains a list of powers and duties of the SARB, which include forming or acquiring shares in a company for performance of specific functions, accepting money on deposit, granting loans and advances, issuing securities, and buying and selling foreign currencies. The National Payment System Act 78 of 1998, FSR Act, and Banks Act also set out the SARB’s public and private law powers in relation to its functions under those laws (as the Prudential Authority and Resolution Authority in terms of the FSR Act). The SARB website contains explanations of what it does in terms of monetary policy, financial stability, prudential regulation, financial markets, financial surveillance, payments and settlements and as resolution authority, including how it carries out its powers in relation to these. The Annual Report sets out the activities or actions undertaken by the SARB during the year in carrying out its functions.

Details of the functions and activities of the SARB’s wholly-owned subsidiaries are also specified in the Annual Report, and these include the South African Mint Company and South African Bank Note Company, Corporation for Public Deposits and Corporation for Deposit Insurance.

	The SARB Act also contains a list of the SARB's prohibited activities. However, these prohibitions are not discussed on the SARB website.
Review	<p><i>Expanded</i></p> <p>Objectives: It is clearly disclosed in the Constitution, SARB Act, the SARB website and its Annual Report that the SARB has a primary objective of price stability, and a statutory objective of financial stability. The SARB maintains that both objectives are equally ranked, but there is no clarity on the mechanism for determining which of the objectives prevails. Further, although the SARB discloses the degree of central bank autonomy with respect to its price stability objective, as well as details of its quantified objective for price stability on its website, this is not clear for its financial stability objective.</p> <p>Functions: The SARB's functions are conflated with its powers and duties in the SARB Act and are not clearly set out. Although the SARB discloses its functions on its website and in its Annual Report, some of the functions set out on the website are not consistent with those disclosed in the Annual Report, and there is no clarity on the legal foundation in respect of its different functions – these are not expressly disclosed in a comprehensive manner.</p> <p>Powers: The SARB's powers are not clearly linked to its functions, and there is no clarity on how these powers help it carry out its functions to achieve its objectives. The SARB website sets out what the SARB does, but its powers are not listed clearly and are spread out throughout each section. Further, while details of its subsidiaries are disclosed, including any financial commitments and guarantees of the SARB relating to such subsidiaries as well as other schemes and facilities established by the SARB, there is no explicit communication on the SARB's powers in establishing such subsidiaries and how the functions of such subsidiaries and the SARB's commitments in relation to such subsidiaries relate to/tie in with the SARB's mandate.</p>
Comments	<p>The transparency of the SARB's mandate could be enhanced by having a dedicated page on its website in a manner that is easily understandable for the public, detailing how its functions relate to its objectives as specified in the law, and its powers to carry out such functions, as well as listing out the prohibited activities of the SARB. Insofar as the degree of central bank autonomy varies with respect to its different objectives, such variance could be clearly defined and disclosed for the benefit of the public.</p> <p>Information on the SARB's subsidiaries and its financial commitments (see comments under Financial Autonomy below) could be further enhanced by providing clarity on its website on the shareholding structure of such subsidiaries and how these subsidiaries and the SARB's commitments to these subsidiaries are linked to its mandate.</p>
Principle 1.3.	Autonomy: The central bank discloses its autonomy—as defined in relevant legislation or regulations, allowing it to reveal the extent to which it is autonomous or not, in what forms, and under which conditions—in a manner that is clear and easily accessible for the public.
Principle 1.3.1.	Institutional/Operational Autonomy: There is clarity on whether the central bank is prohibited from seeking or taking instructions from any private or public body. The extent to which the central bank's autonomy varies for the various elements of its mandate is

	clearly disclosed. Where appropriate, a central bank's governing law clarifies whether it has goal or instrument autonomy concerning its various objectives.
Description	<p>The Constitution confirms that the SARB, in pursuit of its primary object, must perform its functions independently and without fear, favor or prejudice, provided there is regular consultation between the Bank and the Cabinet member responsible for national financial matters. Further, the SARB Act expressly prohibits Government officials and employees and members of Parliament from sitting as members of the SARB Board. The SARB's Annual Report states that the Constitution enshrined the SARB's independence. However, the SARB Act provides that if the SARB fails to comply with any provision of a regulation made by the Minister under the SARB Act, the Minister may by notice require the Board to make good or remedy such default, failing which the Minister can apply to the Supreme Court to compel the Board to do so. The SARB Act also allows the Minister to investigate the affairs of the SARB at any time, and although the Governor is designated as chairman of the Board under the SARB Act, the Minister can designate any other director to act as chairman for such duration as determined by the Minister.</p> <p>According to the SARB, it has instrument independence in executing its monetary policy function, which includes the operating framework, with the exception of foreign exchange which is a function of the National Treasury managed by the SARB as agent. The SARB website states that the independence and autonomy of the SARB are entrenched in the Constitution, and that the SARB has the independence to use any of the monetary policy instruments at its disposal to achieve its monetary policy goal. The selection of a monetary policy goal is the responsibility of the Government. The SARB website, Annual Report and Monetary Policy Review state that the National Treasury, in consultation with the SARB, sets the inflation target. The SARB then independently makes monetary policy so as to achieve this target. According to the SARB, this is pursuant to an exchange of letters between the National Treasury and SARB for the articulation of the public target and the operating framework for achieving it. The inflation target is expressly disclosed on the SARB website. With regard to its financial stability objective, it is not apparently clear if the SARB has goal or instrument autonomy although it is noted from the website that in managing systemic events, the SARB may determine a systemic event after consultation with the Minister of Finance.</p> <p>Finally, the SARB Act states that the Minister has the power to make regulations under the SARB Act relating to shareholders and appointment of directors and all matters necessary to achieve the purposes of the SARB act.</p>
Review	<p><i>Core</i></p> <p>The role or power of the Minister under the SARB Act appear to be in conflict with the autonomy accorded to the SARB under the Constitution. There is no clarity as to whether the independence accorded to the SARB under the Constitution would take precedence over these provisions in the SARB Act.</p> <p>There are various MOUs or exchange of letters between the SARB and the National Treasury, but these arrangements are not fully disclosed to the public. Further, although the SARB is transparent on its arrangement with the National Treasury in respect of its monetary policy mandate i.e., it has instrument autonomy, information and arrangements with the Minister and/or National Treasury, if any, regarding the SARB's other objectives</p>

	and functions are either not disclosed or not easily accessible (see also Principle 5.1 for the detailed discussion on transparency of SARB's relations with the government).
Comments	The SARB's institutional and functional autonomy could be enhanced by setting out on its website the rationale for such autonomy, as well as clarifying and providing information on the legal requirements under the various legislation regarding the role of the Minister to approve, suspend, annual or defer the SARB's decisions. It would also be useful to elaborate on the interaction between the SARB and the Minister and/or National Treasury in all relevant aspects of the SARB's mandate, in a manner that is clear and easily understandable for the public.
Principle 1.3.2.	Functional Autonomy: There is clarity on whether the central bank can perform its duties without prior approval from the government.
Description	See <i>mutatis mutandis</i> the discussion under Principle 1.3.1 above on the scope of the SARB's institutional/operational autonomy that clarifies the scope of the SARB's autonomy with respect to its mandate.
Review	<i>Core</i> See <i>mutatis mutandis</i> the discussion under Principle 1.3.1 above on the scope of the SARB's institutional/operational autonomy that clarifies the scope of the SARB's autonomy with respect to its mandate.
Comments	
Principle 1.3.3.	Personal Autonomy: Whether there is security of tenure for the members of the central bank's decision-making bodies is clear, as is the nature of such security. In this respect, security of tenure encompasses the eligibility and disqualification criteria for the appointment of the members of a central bank's decision-making bodies, the appointment procedure, the dismissal criteria and procedure, their remuneration, and the duration of their tenure.
Description	The SARB Act discloses the eligibility and disqualification criteria for appointments. It sets out the authorities involved in the appointment of the Governor and Deputy Governors (appointed by the President after consultation with the Minister and the Board) and directors (four appointed by the President after consultation with the Minister and seven elected by the shareholders from candidates confirmed by a Panel) and duration of such appointments (five years for the Governor and Deputy Governors, three years for directors who are Government representatives and who are elected by shareholders, and may be reappointed or re-elected). No term limits are set out in the SARB Act. The composition and establishment of the Panel is also detailed in the SARB Act, while the SARB Act Regulations sets out further procedures of the Panel. The composition of the Board of Directors is also disclosed on the SARB website and Annual Report and the website further sets out the duration of appointment. Although the grounds for dismissal are set out in the SARB Act, the procedures for dismissal, and authorities involved in the dismissal of members of the SARB's decision-making bodies, are not disclosed.

	<p>The SARB Act provides that the Board is responsible for the general remuneration policy of the SARB and may make rules on the same. Directors hold office upon such conditions as to remuneration (including allowances) as determined by the Board. The remuneration of directors is disclosed in the SARB's Financial Statements. Further, the Annual Report provides that the Remuneration Committee of the Board reviews the SARB-wide human resources framework and remuneration policies and practices and recommends for the Board's consideration the remuneration packages of the Governor and Deputy Governors and the annual increases for staff. The GEC approves the remuneration and annual fee increases for the Board's non-executive directors, which the Board notes and accepts.</p> <p>As already noted, the Bank Act clarifies that no liability shall attach to any director or any other officer or employee of the SARB for any loss or damage caused as a result of anything done or omitted in the <i>bona fide</i> performance of any function or duty under that Act. Further, the FSR Act protects the Governor and Deputy Governors, board members, officers or staff of the SARB against any loss or damage suffered by any person arising from a decision or action performed in good faith in exercising a function or power in terms of a financial sector law. According to the SARB, this protection would extend to actions taken by officers and staff of the SARB under the SARB Act.</p>
Review	<p><i>Expanded</i></p> <p>The SARB Act does not set out the authorities involved in the dismissal of members of its decision-making bodies. It is also not clear on the term limits for such members, although it is understood that the Board took a decision in 2011 to limit appointments of non-executive directors to three terms of three years in accordance with the King III Report on Corporate Governance for South Africa.</p> <p>Although the Banks Act and the FSR Act contain indemnity provisions, the SARB Act itself does not have an indemnity or immunity provision for decision-making bodies and employees of the SARB for actions taken under the SARB Act.</p>
Comments	<p>Transparency of the SARB could be further enhanced by including on the website an explanation in general terms for the benefit of the public regarding the safeguards contributing to the security of tenure governing members of the SARB's decision-making bodies, including the protection afforded to them caused by any of their acts or omissions.</p>
Principle 1.3.4.	<p>Financial Autonomy: The central bank's financial resources available to fulfill its mandate, and the nature of those resources, are clearly disclosed. In this respect, there is clarity regarding the central bank's capital, the rules governing any recapitalization of the central bank, its budget, reserves, provisions, profit distribution mechanism, monetary financing, and applicable accounting standards.</p>
Description	<p>The SARB Act states that the Board is responsible for approving the budget, and adopting rules for the sound accounting of the SARB (Section 4A). The SARB Act also provides for the financial resources required for the SARB to fulfill its mandate, including arrangements regarding its capital and reserves (Section 21), and profit calculation and distribution of surplus including dividends to shareholders (Section 24). The SARB is authorized under the SARB Act to create special provisions prior to distributing profits. Procedures on dividends are further detailed in the SARB Act Regulations.</p>

	<p>The SARB Act also provides for the establishment of several reserve accounts (Gold Price Adjustment Account, Foreign Exchange Adjustment Account, Forward Exchange Contracts Adjustment Account, and Gold and Foreign Exchange Contingency Reserve Account (Sections 25-28). In particular, provisions on the GFECRA mandate the National Treasury to underwrite the SARB's losses from gold and foreign exchange revaluations (see Box 3 on the GFECRA).</p> <p>The SARB Act is silent on recapitalization rules for the SARB and the applicable accounting standards, but the Annual Report discloses the accounting standards under the Financial Reporting Framework section and explains circumstances where the International Financial Reporting Standards have not been followed. Disclosures about the SARB's capital, statutory and contingency reserves, foreign exchange gains and losses are detailed in the audited financial statements. The notes to the financial statements provide that foreign exchange profits or losses of the SARB, insofar as they arise from changes in the value of the rand compared to other currencies, are for the account of the Government and consequently all profits and losses are transferred to the GFECRA, while investment returns on foreign exchange reserves and interest paid on foreign loans are for the account of the SARB and are accounted for in profit or loss. In addition, the Annual Report details the statutory and contingency reserves of the SARB in its financial statements, as well as clarifies that separate financial accounts in relation to the Prudential Authority are required under the FSRA.</p> <p>The SARB Act also includes a provision on monetary financing (Section 10(1)(f)(i)) although the criteria for such financing is not specified.</p> <p>As described below, the SARB operates within a "Group" due to its shareholding in and administration of various entities. As noted above, details of the SARB's wholly-owned subsidiaries are specified in the Annual Report, which also provides details (in the notes to the Financial Statements) on the commitments and guarantees extended by the SARB relating to these subsidiaries as well as other schemes and facilities established by the SARB.</p> <p>The SARB is a central bank that operates in a unique and complex financial setup which is described in its Annual Report and Annual Financial Statements. The SARB Group comprises the following subsidiaries and investments:</p> <ul style="list-style-type: none"> • The South African Mint Company (RF) Proprietary Limited (South African Mint) <ul style="list-style-type: none"> ○ Produces coin and coin-related products for South Africa and the export market. ○ Prestige Bullion is a subsidiary of the South African Mint, of which the Mint holds a stake of 80 percent. Prestige Bullion distributes and sells bullion Kruggerand coins to local and international markets. ○ The South African Mint is responsible for the manufacturing while the marketing and distribution of the coins is done by Rand Refinery Proprietary Limited (which has a 20 percent stake in Prestige Bullion). • The South African Bank Note Company (RF) Proprietary Limited (SABN) <ul style="list-style-type: none"> ○ Prints all the banknotes in circulation in South Africa. SABN also prints banknotes for neighboring countries. It has a separate management structure,
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	<p>functioning as an independent subsidiary, and members of its board are appointed by the Board of the SARB.</p> <ul style="list-style-type: none"> • The Corporation for Public Deposits <ul style="list-style-type: none"> ○ Invests call deposits from the public sector in deposits, short-term money market instruments and special Treasury Bills. All funds invested with the CPD, and the related interest earned are repayable on demand. • The Corporation for Deposit Insurance <ul style="list-style-type: none"> ○ Established to develop a deposit insurance scheme for South Africa. CODI will provide protection to depositors to have access to their money should their bank fail. Its establishment aims to support the SARB's financial stability mandate and further enhance financial inclusion. ○ The SARB will provide a guarantee for the deposits that banks will place with CODI for the liquidity tier of the deposit insurance fund.
Review	<p><i>Core</i></p> <p>The SARB has the operational independence to develop its own annual budget as set out in the SARB Act, but this does not appear to be disclosed anywhere else. The rationale for the SARB's financial autonomy is also not communicated explicitly.</p> <p>The SARB's financial arrangements are regulated in the SARB Act and are disclosed in the notes to the Annual Financial Statements which are published on the SARB's website and include the opinion of the joint external auditors. The financial autonomy of the SARB and the Group is thus implied from specific provisions in the SARB Act and related references in the Financial Statements. The SARB's investments, financial commitments and guarantees are also disclosed in the Financial Statements. However, information on the SARB's autonomy vis-à-vis its administrative and operating budget is not publicly available.</p> <p>The 2024 Budget Review (by the National Treasury) on possible distributions from the GFECRA brought this Account and underlying arrangements into the public domain and elicited interest and debate regarding its purpose. Its highly complex construct is not easily understood by the broad public. In response, the SARB drafted a joint Q&A with the National Treasury to address questions, to the extent possible given the ongoing collaborations on its reform (see Box 3 on the GFECRA).</p>
Comments	<p>Transparency in financial autonomy could be enhanced by:</p> <ul style="list-style-type: none"> • Describing the composition of the SARB Group and its financial relationships. Transparency would be enhanced through a description, in a single section on the SARB's website, of the SARB Group and SARB's ownership stake, its investments/financial commitments/guarantees and role in the various entities under its purview, as well as how the establishment or the SARB's ownership of these entities contribute to its mandate under the Constitution and other SARB-related legislation. This would communicate clearly the SARB's own financial autonomy, but also the financial soundness of the Group. In this regard, SARB could consider including in the Annual Report additional information on its budget formulation process and an explicit statement on its annual approval by the Board.

	<ul style="list-style-type: none"> Considering amplified communications on the SARB's role in the GFECRA. The relationship between the SARB and the National Treasury on the management and decision-making vis-à-vis the GFECRA is governed by an MoU and well-established communication channels (see also Pillar V). However, the SARB's role as an autonomous institution in this regard is not immediately obvious to the public at large. Further, in the context of the heightened public interest on GFECRA, the SARB could dedicate a section on its website that explains its role and impact on the SARB and also consolidate its suite of current communications (for example, the Q&A sheet and public remarks by Senior Officials).
Principle 1.4.	Decision-Making Arrangement: The central bank discloses a clear overview of the organizational structure or allocation of responsibilities to its decision-making bodies: policy making, day-to-day management, and internal oversight of the central bank.
Description	<p>Decision-Making Bodies: The SARB Act establishes the Board of Directors, and sets out its composition and functions as well as the procedure and quorum at meetings of the Board. The Act provides for the appointment of a Governor and three Deputy Governors, but does not specify their functions, other than to state that all other powers and duties of the SARB under the Act which are not vested with the Board will vest in and be exercised by the Governor and Deputy Governors. This is repeated in the SARB website, which also states that the Governors' Executive Committee is responsible for day-to-day decision making at the SARB, while the Annual Report provides that in their capacity as executive directors and in line with the SARB Act, the Governor and Deputy Governors are responsible for day-to-day policy decisions and management of the SARB, except for those areas entrusted to the Board, MPC, Prudential Committee, Financial Stability Committee and CODI. The Annual Report further discloses that the Governor is expected to serve as the Chief Executive Officer of the SARB and the Chairperson of the Board in terms of the SARB Act, while the Board is ultimately responsible for governance and oversight, and the SARB Act and Board Charter define the Board's responsibilities. However, the Board Charter is not made public.</p> <p>The Act also authorizes the Board to delegate its powers to the Governor, Deputy Governors or any officer of the SARB, while the Governor or Deputy Governor may delegate such delegated powers or their original powers to an officer of the SARB. The SARB has an Instrument of Delegation of Powers for this purpose, but this is not publicly available.</p> <p>The SARB Act provides for the procedure and quorum for meetings of the Board, voting arrangements and how dissent is dealt with.</p> <p>The Annual Report sets out the minutes of the annual Ordinary General Meeting of the shareholders, and the SARB Act specifies voting arrangements, while the SARB Act Regulations specifies the procedures at ordinary and extraordinary general meetings.</p> <p>Organizational structure/Committees: The SARB website also discloses that the Governor acts as the Chairperson of the Monetary Policy Committee, Financial Stability Committee, Prudential Committee and Governors' Executive Committee, where all Deputy Governors also sit on these committees.</p> <p>The SARB's website and Annual Report disclose the composition and responsibilities of various committees of the SARB such as the MPC, Financial Stability Committee, Financial Stability Oversight Committee, Prudential Committee, Board Committees (i.e., Audit Committee, Board Risk and Ethics Committee, Non-Executive Directors Committee,</p>

	<p>Remuneration Committee), as well as the Governors' Executive Committee (GEC) and its sub-committees.</p> <p>The composition of the Board and biographies of all directors are disclosed on the SARB website and its Annual Report. The website also contains the biographies of members of the MPC. The MPC, Board committees, Non-Executive Directors' Committee and Governors' Executive Committee have their own charters or terms of reference, but these are not disclosed to the public. The Annual Report however states that the Board Charter and terms of reference of all Board committees are reviewed every three years. Further, the SARB Act Regulations specifies the procedures at Board meetings.</p> <p>Strategic Planning: The Annual Report sets out the SARB's Strategic Focus Areas, which are part of "Strategy 2025". The objectives, milestones and progress reports for each Strategic Focus Areas are also detailed in the Annual Report.</p>
Review	<p><i>Comprehensive</i></p> <p>The organizational structure of the SARB is clarified in the SARB Act, and various pages on its website and Annual Report which disclose its decision-making bodies and their functions. However, there is no sufficient clarity on the policy formulation role of the executive management, in terms of performing the SARB's functions under the SARB Act and other related legislation.</p> <p>The SARB has developed an approach ensuring good corporate governance and supports the overarching goals of the King Report on Corporate Governance in South Africa (2016) as disclosed on its website. This involves implementing certain principles of responsibility, accountability, fairness and appropriate transparency, insofar as these align with the legislation governing the SARB, and in practice updates the governance requirements of the SARB Act.</p>
Comments	<p>Transparency could be further enhanced by disclosing on its website a clear overview of the organizational structure of the SARB, together with the allocation of responsibilities of the SARB's decision-making bodies in terms of internal oversight, day-to-day management, and policymaking (including which decision-making body is responsible for general and individual regulatory decisions).</p>
Principle 1.5.	<p>Risk Management: The central bank discloses the principal risks that it needs to take to meet its objectives (such as financial, operational, and legal risks), and the framework to manage these risks. This includes information on the risk governance structure and risk strategy.</p>
Principle 1.5.1.	<p>Risk Exposure: The central bank discloses the principal risks that it needs to take to meet its objectives.</p>
Description	<p>The Annual Report (Section "Risk Management") provides an overview of the key risks from the Group's perspective. The SARB states that it is a risk-averse institution. Further, in the context of its unique role and functions, SARB's risk management is not focused on risk and return considerations but also considers its broader public interest responsibility.</p>

	<p>SARB's risks include strategic, reputational, operational, financial (credit, market, and liquidity risk), and policy process (risks related to the SARB's processes that support monetary and financial stability policy) risk. The Annual Report also provides details on key qualitative developments during the financial year which include disclosures on operational risk such as business continuity management and cyber security. A section of the annual report is dedicated to climate-related risks and the role of the SARB, including through the Prudential Authority.</p> <p>Additional disclosures on financial risks are provided in the FY 2022/2023 Financial Statements (Note 29 - <i>Risk management in respect of financial instruments</i>), which contain, <i>inter alia</i>, detailed information on the level of, and quantified development in, the SARB's exposures to the principal financial risks associated with its financial instruments and operations, including credit, market, and liquidity risks. In addition to particular strategies related to these risks, the disclosure notes include information on mitigations and references to methods used for quantification. SARB also discloses the use of financial derivative products for its portfolio management purposes, along with a governance structure for use of financial derivatives is outlined in the financial statements.</p> <p>The SARB's risk appetite statement is currently under review and SARB could consider including it on the dedicated risk management webpage of the external website, once finalized.</p>
Review	<p><i>Expanded</i></p> <p>The Annual Report contains an overview of the key activities related to risks in the SARB Group and organizational units, while the SARB's website provides detailed disclosures on the governance and committees. The SARB's financial statements contain comprehensive disclosures on financial risks from foreign reserves and domestic market operations.</p> <p>However, information on risks is scattered among several subsections of the Annual Report related to the SARB's subsidiaries. As such, the Annual Report does not provide in a comprehensive manner, <i>inter alia</i>, a clear high-level overview of the SARB's key risks, direct mapping of risks against the SARB's mandate or objectives, and key developments related to major risks.</p>
Comments	<p>The SARB discloses a lot of information on its risk exposures that include foreign reserves as well as domestic market operations. Transparency could be enhanced by building on the risk management section of the Annual Report to include subsidiaries as well, which is scattered in other areas of the report. This consolidated sub-section could then capture a mapping of these against the SARB Group's mandate or objectives, include a brief risk statement and key developments in these risks at the Group level. Presenting this information in a dedicated subsection would also allow for a clearer picture of the relative importance of sources of SARB's risks.</p>
Principle 1.5.2.	<p>Risk Framework: The central bank discloses the process for identifying financial and nonfinancial risks, the overall risk strategy, and the accompanying risk governance structure designed to monitor and evaluate risks effectively.</p>
Description	<p>The SARB website has a dedicated section on the multi-layered risk governance and the risk management process.</p>

	<p>The SARB's comprehensive risk management framework governs the SARB Group's full spectrum of risk, including strategic, financial (including credit, market and liquidity risk), reputational, operational and policy process risk. SARB specifically discloses:</p> <ul style="list-style-type: none"> • Risk governance structure, including the involved committees: Risk Management Committee (RMC) (executive-level) and Board Risk and Ethics Committee (Board level). • A description of the role of the Risk Management and Compliance Department (RMCD), including its responsibility for coordinating cross-cutting risk categories <ul style="list-style-type: none"> ○ Information on the risk universe and a description of the approach to financial risk management: a description of the SARB's risk tolerance is specified and implemented through its Investment Policy, Strategic Asset Allocation, active risk budget and Investment Guidelines. • Refinement of the Risk Appetite and Tolerance Statement is in progress. <p>The SARB's Annual Report (section "Risk Management") provides detailed information on the risk management framework, and states that SARB also incorporates the recommended risk management principles of King IV™ in its framework. Under these principles, SARB implements a Combined Assurance Model with integrated risk management as the second level assurance provider. Also included are key developments during 2022/2023. In particular, ISO 31000 was adopted as the risk management standard of the SARB Group and preparations are in progress for the Business Continuity Management certification against the ISO 22301 BCM international standard.</p>
Review	<p><i>Comprehensive</i></p> <p>The SARB's risk management practices are governed by established policies and disclosures on the risk governance framework and assignment of responsibilities among decision-making bodies is clear. That said, SARB could further enhance transparency by publishing additional components of its risk management policy.</p> <p>While risk incident management and monitoring are continuous and well established internally based on policies shared with IMF staff, the methodology for the continuous identification, evaluation, and mitigation of risks could be disclosed.</p> <p>The risk management function is the second level assurance provider in accordance with the Combined Assurance Model (King IV Code) that SARB implements. A Combined Assurance Forum has been established, chaired by the Chief Risk Officer, to assure the effectiveness and consistency of practices across the Group. To further enhance transparency, SARB could consider disclosing information on the existence of a charter that guides CAF's activities.</p>
Comments	<p>The SARB's risk framework and practices and surpass its published information. Transparency could be enhanced by providing more information on the SARB's overall risk management framework (or aspects that are not classified), the process of continuous identification and evaluation of risks; and the key activities of the Combined Assurance Forum, including its terms of reference.</p>

Principle 1.6.	Accountability Framework: The central bank discloses its accountability framework that provides transparency and reporting mechanisms to internal decision-making bodies, political institutions, and the general public.
Principle 1.6.1.	Arrangements: Accountability arrangements are clearly identified, including: (i) internal and external audit arrangements and compliance; (ii) reporting to an audit committee or Board having an oversight responsibility; and (iii) the external publication of audited financial statements and annual reports.
Description	<p>The SARB Act provides for shareholders to “elect two firms of public accountants, to act during that year as auditors of the Bank” at the general meeting. Additionally, the Regulations relating to the South African Reserve Bank require the Reserve Bank to appoint at least two firms of auditors “registered under the Auditing Profession Act, 2005 (Act no. 26 of 2005).”</p> <p>The Act requires SARB to transmit to the Department of Finance [National Treasury] two copies of its financial statements signed by the Governor or any Deputy Governor and the chief financial officer of the Bank, together with an audit report, within three months after the close of its financial year (March 31). These reports should then be Gazetted. The Reserve Bank is also required to publish a monthly statement of its liabilities and assets.</p> <p>The Act is silent about the establishment of an internal audit function. That said, in practice, the SARB has an independent Internal Audit Department (IAD) whose objectives and independence are clearly stated in the 2022/2023 Annual Report.</p> <p>The Act is also silent about the establishment of a Board Audit Committee, but this is explicitly stated in the Regulations relating to the South African Reserve Bank. In practice, the SARB has in place an Audit Committee (sub-committee of the Board). The Terms of Reference of the Audit Committee are reviewed every three years.</p>
Review	<p><i>Comprehensive</i></p> <p>The SARB's 2022/2023 Annual Report is comprehensive, and describes the Reserve Bank's activities for the year under review. Annual audited financial statements for the SARB and the Group, along with the external auditors' report, are published on the website within the three-month statutory deadline. The audit opinion states compliance with International Standard on Auditing.</p> <p>External Audit: Rotation requirements adhere to mandatory auditor rotation rules of the Independent Regulatory Board of Auditors and the annual report states that one of its external auditors is due for rotation. The external auditors' independence is also assessed by the Audit Committee, along with the continuous monitoring and approval of non-audit services to safeguard independence.</p> <p>Internal Audit: The internal audit function has a functional reporting line to the Audit Committee and is governed by a Board-approved internal audit charter that is also reviewed by the Audit Committee.</p>

	<p>Audit Committee: SARB's website clearly identifies the Audit Committee as one of the Board Committees. It operates in accordance with Terms of Reference that are discussed in the annual report, although that are not publicly available.</p>
Comments	<p>Transparency on the SARB's internal accountability arrangements could be enhanced through publishing the Audit Committee Charter (Terms of Reference). This would complement the comprehensive Audit Committee report that is published in the Annual Report.</p>
Principle 1.6.2.	<p>Tools:</p> <p>Independently Audited Financial Statements: The central bank discloses its auditing and accounting standards and compliance frameworks and gives the public sufficient information to assess and understand the central bank's financial performance, use of resources, and transactions with the government and other stakeholders.</p> <p>Internal Audit: The central bank provides the public with information regarding its internal audit function, discloses its framework and compliance with the framework, and the scope of its responsibilities.</p> <p>Audit Committee: It is clear whether an internal oversight body that reports to the Board exists, and which of the activities are published.</p>
Description	<p>Independently Audited Financial Statements and Annual Report:</p> <p>The FY2022/2023 Annual Report includes a complete set of independently audited annual financial statements, which include both standalone and consolidate group financial statements. The accounting framework is the SARB Act and International Financial Reporting Standards, including IFRS Interpretations Committee interpretations. The SARB Act governs the accounting treatment of gold and foreign exchange transactions, which conflicts with the requirements under IFRS. The financial statements are clear that the SARB Act takes precedence over IFRS.</p> <p>The annual audited financial statements, accompanied by the external auditor report, are also published separately on the SARB's website and within the three-month statutory deadline.</p> <p>The Annual Report provides comprehensive information on operations conducted by the SARB during the year, including within the Group.</p> <p>SARB's joint external audits are conducted in accordance with International Standards on Auditing. The external auditors' opinion also states their independence in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors.</p> <p>Internal Audit:</p> <p>SARB has adopted a combined assurance approach, in line with the King IV™ Report on Corporate Governance for South Africa, 2016. As such, the Internal Audit Department's role</p>

	<p>is clearly stated in the Annual Report as a provider of objective and independent assurance on the effectiveness of the SARB's risk management and control processes.</p> <p>The purpose, authority and responsibility of the internal audit function are contained in an Internal Audit Charter (not published). Internal audit is subject to periodic independent external quality assurance (EQA) reviews. The most EQA gave an overall assessment of 'Generally Conforms' with the Institute of Internal Auditors (IIA) Standards promulgated by the IIA, as disclosed in the Annual Report. Further, the maturity level of the IAD was assessed according to the IIA's Internal Audit Maturity Capability Model with a result of Level 4 that reflects the IAD as 'Progressive' and generally conforming to the IIA Standards. The Chief Internal Auditor reports functionally to the Audit Committee and administratively to the Governor.</p> <p>Audit Committee:</p> <p>The composition of the Audit Committee is disclosed on the Reserve Bank's website, along with the Board members' biographies. The Audit Committee assists the Board to oversee financial reporting, the system of internal controls, audit processes, and compliance with laws and regulations in the context of financial reporting. Its responsibilities are set out in the Board-approved terms of reference, which are reviewed every three years.</p> <p>The 2022/2023 Annual Report contains a comprehensive report on the Audit Committee's key activities to discharge its mandate.</p>
Review	<p><i>Comprehensive</i></p> <p>The SARB's annual financial statements are prepared in accordance with the SARB Act and IFRS. The Annual Report discloses information on significant transactions and highlights for the period, allowing a user to assess the SARB Group's performance and to understand its operations.</p> <p>Explicit information about the internal audit function, its mandate, authority, reporting lines, and role in the combined assurance model are disclosed.</p> <p>The website and annual report contain information about the Audit Committee, including its composition and mandate. Its activities are detailed in the Annual Report.</p>
Comments	<p>Information on internal audit is available indirectly through other reports and processes. To enhance transparency, the SARB could dedicate a section on its website or within the annual report to the internal audit function and also publish the Internal Audit Charter.</p>
Principle 1.6.3.	<p>Anti-corruption Measures and Internal Code of Conduct: It is clear whether domestic anti-corruption legislation and measures apply to the decision-makers, staff, and agents of the central bank. The central bank discloses its internal Code of Conduct with additional requirements specific to central bank management and staff.</p>
Description	<p>Legal Frameworks</p> <p>The SARB's decision-makers, staff, agents, including for the entire SARB Group, are subject to domestic anti-corruption laws and regulations.</p>

These include:

- Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004).
- Protected Disclosures Amendment Act, 2017 (Act No. 5 of 2017).
- The Financial Markets Act, 2012 (Act No. 19 of 2012).
- Protection of Personal Information Act, 2013 (Act No. 4 of 2013).
- General Data Protection Regulation.
- Promotion of Equality and Prevention of Unfair Discrimination Act, 2000 (Act No. 4 of 2000).

Other related companies within the SARB Group are also subject to industry specific codes, such as the Banknote Ethics Initiative's Council's Code of Ethical Business Practice.

The SARB's **Ethics Policy**, which is not published, underpins the SARB's dedication to promoting a culture of ethical conduct and compliance. The Ethics Policy includes within its remit compliance with all local laws and regulations. It defines bribery and corruption as a commercial crime and the risk of commercial crime is managed (prevented and controlled) in terms of the SARB Group Risk Management Policy. It covers the central bank's policies on, *inter alia*, conflict of interest, acceptance of gifts and entertainment, personal trading, commercial crime control, outside occupations, etc.

Practices

The Annual Report contains an explicit statement that *"Everyone working at the institution is expected to maintain the highest level of ethics and conduct in performing the work of the SARB."*

The SARB also has in place a multi-layered structure to facilitate ethical conduct and guard against unlawful or corrupt conduct. At the highest level, a Board Risk and Ethics Committee is established as a subcommittee of the Board to oversee matters related to risk and compliance management which encompasses ethics management. An Ethics Policy is in place and is mentioned in the Annual Report, and the [Risk Management and Compliance Department](#) is charged with operationalizing this Policy through the day-to-day risk management activities that also relate to ethics. This includes, for example, declarations on outside interests, personal account trading, and commercial crime risk assessments.

The SARB Ethics Policy applies bank-wide, uniformly and without exception to all employees of the Bank. It explicitly covers contractors, consultants, and individuals seconded to the Bank, and decision-makers of the Bank. The SARB also explained that compliance with this policy is included as a condition of the employment contract. Board members' Terms of Reference also require ethical conduct and adherence to relevant laws and regulations.

SARB's website also has a dedicated section for [Whistle-blowing](#) that can be used by its employees and the public at large to anonymously report dishonest or unethical practices, violations, and sensitive matters related to the SARB's business. The process is underpinned by the Board-approved SARB Group Whistle-blowing Procedures that elaborate on the reporting of any corruption. The hotline is administered by an

	<p>independent external party and is available 24/7. Further, the operators are trained to engage in English, Afrikaans, isiZulu and Sesotho.</p> <p>The SARB's procurement processes are transparently described on its website, with relevant regulations applicable to staff and suppliers in the process referenced.</p> <p>The Internal Audit function's role in this area also includes assisting in identifying potential incidents of commercial crime, irregularities, or other unethical conduct while the Audit Committee also evaluates SARB's procedures to investigating and reporting confidential and anonymous complaints regarding matters of integrity and ethics at the SARB.</p>
Review	<p><i>Expanded</i></p> <p>The Reserve Bank has a publicly available Whistle-blowing mechanism that is administered by an independent party to facilitate anonymous reporting of unethical or unlawful practices.</p> <p>The SARB discloses that its staff are required to adhere to the highest level of ethics. A comprehensive Ethics Policy (not published) has been adopted that is subject to periodic review. The Board Risk and Ethics Committee oversees the aspects related to compliance with the Policy. Further, employees of SARB are also bound by several laws that include anti-corruption legislation, as detailed above. SARB's adherence to these laws is not published or publicly disclosed.</p>
Comments	<p>The SARB could consider disclosing on its website all relevant domestic anti-corruption legislation applicable to its staff, management and directors. A publicly available version of the Ethics Policy could also be published on the website, or key provisions of the Policy be highlighted in the Annual Report.</p>
Principle 1.6.4.	Human Capital Management: The central bank discloses its policies and practices concerning the governance and management of human capital.
Description	<p>The Annual Report includes a comprehensive section dedicated to SARB's human capital Management: People matters (onlinereport.co.za). It provides information such as the gender and racial composition of SARB's 2 381 employees, including the Board. A breakdown of staff by age, years of service, employee equity and persons with disability, and staff turnover. Statistics on the evolution of the headcount over a five-year period by gender and race are disclosed. SARB is also transparent about the total amount paid in salaries, and spending related to training and development of its staff. The SARB's commitment to transparent communication is also implemented through its annual Employee Engagement Survey, with key outcomes disclosed in the Annual Report. Notably, SARB saw a record level of participation in the most recent EES and again retained its Platinum Seal of Achievement, which is the highest level an entity can achieve in the Deloitte Best Company Survey. Since 2020, SARB is also implementing a Diversity and Inclusion program that is in its final phases; it aims at ensuring the development and diversity of SARB staff to deliver effectively on its mandate.</p> <p>The SARB has in place a Remuneration Committee (Remco) – a Board subcommittee- that is charged with reviewing the Bank-wide human resources framework and remuneration policies and practices. The Remco also recommends, for the Board's consideration, the</p>

	<p>remuneration packages of the Governor and Deputy Governors and the annual increases for staff.</p> <p>SARB has a careers page (Work @SARB) on its website that contains details about current openings; and several recruitment programs for early career professionals, such as the Chartered Accountant Trainee Program and the Data Scientist Program.</p>
Review	<p><i>Comprehensive</i></p> <p>The SARB publishes in its Annual Report and website comprehensive information related to the management of its human resources, including statistics on staff composition, recruitment and retention efforts, staff development, and diversity and inclusion.</p>
Comments	None
Principle 1.7.	Communication: The central bank discloses means and methods of communication and the forms of disclosure of information to its stakeholders.
Principle 1.7.1.	Arrangement: The central bank discloses the organizational structure, responsibilities, and processes relevant for communication.
Description	<p>The legal requirements on SARB's disclosures and transparency are set by the SARB Act:</p> <ul style="list-style-type: none"> • Article 31 states that the Governor shall annually submit to the Minister of Finance a report relating to the implementation by the Bank of monetary policy. • According to Article 32, the SARB shall submit to the Department of Finance monthly statement of the liabilities and assets of the Bank, annual financial statements together with an audit report (within three months after the close of its financial year), the information on the full names and addresses of shareholders and the number of shares held by each (within sixty days after the close of its financial year). The Department of Finance shall ensure the publication of this information in the Gazette as soon as practicable and submit the copy of these reports to the Parliament. • The SARB doesn't disclose organizational structure on its website, while the 2022/23 SARB Annual Report notes that Communications Division reports to the Governor. No additional disclosures on structure, functions and responsibilities of Communications Division are provided. <p>The SARB has several internal documents guiding its communication framework including communication policy (currently under review), 3-year strategy of communications and stakeholder engagement strategy. These documents contain key information on communications, such as objectives and principles of SARB's communications, speaker management framework, key elements of policy communications etc. However, none of these documents are disclosed publicly.</p>

Review	<p><i>Core</i></p> <p>The SARB discloses information on the communications function including placement of the communications function in the organizational structure and senior executives responsible for the communication function. At the same time, the SARB doesn't disclose how its processes are integrated into its core activities. Also, the SARB does not disclose detailed information on communication arrangements, such as internal principles and guidelines and processes for external communication.</p>
Comments	<p>The SARB may consider disclosing the key elements of the architecture of its communication function: role, functions and staffing of the communication unit; the key documents guiding SARB communications; how communication processes contribute to the achievement of SARB's core mandates. It could also be beneficial to publish communication policy (or at least its high-level summary) and stakeholder engagement strategy. Greater transparency on communication framework and processes will reiterate SARB's commitment to open and transparent communications with the external stakeholders.</p>
Principle 1.7.2.	Strategy/Tools: The central bank discloses the objectives, target audiences, channels, and tools of communication policy.
Description	<p>Open communications is one of SARB's core values. Consequently, improving transparency and accountability through stakeholder engagement and communication is defined as one of Enablement Focus Areas in SARB's 2025 Strategic Plan.</p> <p>While the SARB doesn't publish communication policy and other documents which are guiding its communications framework, it clearly describes in its Annual Report the key elements of stakeholder engagement strategy (which is not publicly available).</p> <p>The stakeholder strategy sets out principles and communication channels to engage effectively about its 2025 Strategic Plan and policy decisions in order to foster credibility and build public trust.</p> <p>The stakeholder engagement strategy defines three groups of SARB stakeholders – SARB employees, the general public and established stakeholders. Annual Report contains brief information on SARB's main communication tools to reach the stakeholders – briefings to the Parliament; Monetary Policy Forums; Financial Stability Forums; Economic Roundtables; virtual and social media. It includes statistical data on SARB's communication tools such as number of the events and participants, social media usage (number of followers on key social media platforms, website's new users and website views).</p> <p>The website is SARB's key communication channel. It has separate Newsroom section, which contains press releases, the information on SARB's stakeholder engagements and webcasts.</p> <p>The SARB communicates with the public on its policies and actions via a large number of communication tools, listed on Publications section of the website. The flagship policy communication products of the SARB are semiannual Monetary Policy Review and Financial Stability Review. Since 1946 the SARB also publishes Quarterly Bulletin, which, apart from vast statistical data, includes detailed analysis of the latest economic trends in South Africa and abroad. The SARB also publishes various regular and ad-hoc analytical series, such as</p>

	<p>Working Papers, Occasional Bulletin of Economic Notes and Special Occasional Bulletin of Economic Notes.</p> <p>Speeches by the Governor and other GEC members are also a regular tool used by the SARB to communicate with the domestic and international stakeholders on SARB's mandate, policies and operations.</p> <p>The SARB is actively using social media to connect with the wider circle of the external stakeholders. The main social platforms used (by the number of users) are LinkedIn, Twitter, and Facebook.</p> <p>The SARB regularly engages with its stakeholders seeking the feedback on its public standing via Ipsos Corporate Reputation Survey, conducted every two years. The short summary of main results of the survey is revealed in the Annual Report, while the survey is neither published externally nor widely disseminated within the SARB.</p>
Review	<p><i>Expanded</i></p> <p>The SARB has all elements of the communication system in place and briefly describes it publicly – objective, target audiences, tools and channels. The SARB uses various communications channels to reach its target audiences. However, of the institutional proactive approach to the communications could be enhanced further with respect to effectively managing key messages and communication tools (first of all, its website), as well as dealing with the particular communication challenges (for example the discussions around GFECRA or changing inflation objective).</p> <p>Also, while the SARB conducts regular reputation surveys the public details on this are limited.</p>
Comments	<p>The communication framework could be enhanced further by providing more information on key communication tools (MPR, FSR, MPF, FSF, ERT, speeches, working papers and other publications) and how they fit together and contribute to SARB's strategic objectives.</p> <p>The accessibility of information needs to be substantially improved as the website is difficult to navigate, while the important information on SARB's policies and activities is scattered around various communication channels (speeches, working papers, etc.). In particular, search function of the website could be substantially improved, while it would be also helpful if the website would have a sign-up button on its where one could sign up for email notification for new release of regular publications.</p> <p>The SARB will also benefit from systematizing the information on its key communication arrangements and regularly discussing communication plans among senior management.</p> <p>There is also a need to introduce the practice of developing targeted communication campaigns to deal proactively with emerging communication challenges.</p> <p>Finally, the SARB may consider publishing more detailed information on the results of its regular reputation surveys and enhance evaluation of its communication policies by extending the scope of this survey.</p>

Principle 1.8.	Confidentiality: The central bank discloses its policy on confidentiality or secrecy of central bank information, including the reasons underlying the choices it has made on disclosure or non-disclosure of sensitive information.
Description	<p>The SARB Act provisions on confidentiality, Section 33, address the protection of confidential information as part of its broader purpose to enhance the accountability and transparency.</p> <p>The provisions state that no staff member of SARB shall disclose to any person, except to the Minister or the Director-General of Finance for the purpose of the performance of his or her duties or the exercise of his or her functions or when required to do so before a court of law or under any law:</p> <p>(a) Any information relating to the affairs of the SARB, shareholder, and a client of the SARB, acquired in the performance of his or her duties or the exercise of his or her functions; or</p> <p>(b) Any other information acquired by him or her during his or her participation in the activities of the Bank, except, in the case of information referred to in paragraph (a)(iii), with the written consent of the Minister and the Governor, after consultation with the client concerned.</p> <p>Furthermore, the Act indicates that “no person shall disclose to any other person any information contained in any written communication, which is in any manner marked as confidential or secret and which has been addressed by the Bank to any person or which has been addressed by any person to the Bank”. However, exceptions are made for the purposes of other laws or before court.</p> <p>Promotion of Access to Information PAIA/POPIA Manual set up the policy of access to information. It is in accordance with Sections 14 and 51 of the Promotion of Access to Information Act 2000, and the Protection of Personal Information Act, 2013. In this context, the Manual prescribes how personal information is processed in a lawful manner so as not to infringe individual privacy. It is intended to promote the protection of personal information processed by public and private bodies. It recognizes certain limitations to the right of access to information, including, but not exclusively, limitations aimed at the reasonable protection of privacy and protection of personal information in a manner which balances that right with any other rights contained in POPIA.</p> <p>The policy discloses why personal information is being collected and it is processed for that purpose only. Individual has the right to request correction, deletion or destruction of your personal information, in the prescribed form, which is attached to the PAIA/POPIA Manual. The SARB External Privacy Notice discloses the type of personal information that may be processed, the purposes for which it may be processed and the parties with whom it may be shared. The SARB endeavors to take appropriate, reasonable technical and organizational measures to prevent loss of, damage to, or unauthorized destruction of personal information and unlawful access to or processing of personal information.</p> <p>The Manual distinguishes between:</p>

	<ul style="list-style-type: none"> Subjects on which SARB holds records and categories of records held on each subject, including publications, financial statements, foreign exchange, payment systems etc. (Chapter 7). Categories of records which are automatically available (without the requester having to go through the PAIA process, including SARB shares, notes and coins, market research, economic stats etc. (Chapter 8). <p>The SARB has an internal policy on confidentiality, and it classifies information as top secret, secret, confidential, restricted etc. and has different rules pertaining to that information.</p> <p>The SARB communicates to the public using multiple digital channels including its website where all information of a public nature is published.</p> <p>The SARB does not publish (anonymous or aggregated) information on possible legal disputes surrounding its policy on confidentiality and secrecy.</p>
Review	<p><i>Expanded</i></p> <p>The SARB publicly discloses the relevant legislation and its policy on confidentiality and secrecy. The process for submitting information requests is transparent and accessible to the public. Any updates to the legislation and policy are also published.</p>
Comments	<p>The SARB may consider publishing the internal framework for the classification of information as confidential. It may also disclose information on whether it actively sought out input from stakeholders on its policy on confidentiality and secrecy. Furthermore, it may also publish (anonymous or aggregated) information on possible legal disputes surrounding its policy on confidentiality and secrecy.</p>
Pillar II—Central Bank Policies	
Principle 2.1.	Monetary Policy: The central bank publicly and clearly discloses the objectives, policy framework, and instruments of monetary policy.
Principle 2.1.1.	Objectives and Framework: The central bank discloses its monetary policy framework and strategy for achieving its objectives.
Description	<p>The SARB discloses information on its website about the objective of its monetary policy framework, its policy instrument, and its strategy for achieving it. The objective is clearly stated as <i>its constitutional mandate to protect the value of the rand by keeping inflation low and steady</i>.</p> <p>The SARB website states that the National Treasury, in consultation with the SARB, sets the inflation target, which acts as a benchmark against which price stability is measured. The SARB then independently implements monetary policy to achieve this target.</p> <p>The inflation target of consumer price inflation between 3 and 6 percent was first established in 2000, re-affirmed in 2010 and then updated by the SARB in 2017, placing more emphasis on achieving the 4.5 percent midpoint of this range. This target has been</p>

	<p>well communicated and understood, and has helped the SARB maintain inflation, on average, within the range since then.</p> <p>The SARB implements monetary policy by setting the repurchase (repo) rate – its principal monetary policy instrument. It clearly explains how movements in the repo rate are transmitted through the financial system to affect aggregate demand and the rate of inflation. This information is provided in FAQs that also explain in accessible manner other important concepts related to monetary policy, including inflation, inflation targeting, and monetary policy.</p> <p>An overview of the SARB’s monetary policy framework is also provided in the preface to the Monetary Policy Review, the semi-annual flagship monetary policy communication document. This information is repeated in other communication vehicles used by the SARB to explain its monetary policy framework and its implementation.</p>
Review	<p><i>Comprehensive</i></p> <p>The SARB discloses comprehensive information about the objectives and strategy of its monetary policy framework through several vehicles and in a manner accessible to a variety of audiences.</p>
Comments	<p>The SARB has proactively increased the quality and quantity of its monetary policy communications in recent years and improved its accessibility. While excellent progress has been made, some additional information about its monetary policy framework could be provided:</p> <ul style="list-style-type: none"> • The documentation that specifies the inflation target set by the National Treasury, in consultation with the SARB, is not disclosed on the SARB’s website. Publishing this documentation, or at least, providing a link, would enhance the political legitimacy of the inflation target and the transparency of the framework. • The key role of the market-determined flexible exchange rate in the inflation-targeting monetary policy framework is not explained on the website on the monetary policy page. The flexible exchange rate gives the SARB monetary independence to achieve its domestic inflation target and helps facilitate the economy’s adjustment to external shocks, in particular, movements in the terms of trade.
Principle 2.1.2.	<p>Policy Decisions: The central bank discloses its monetary policy decisions in a timely manner and indicates how the decisions foster the achievement of its monetary policy objective(s). The central bank discloses the process by which policy decisions are taken, including with respect to the meeting calendar of its monetary policy decision-making bodies and their voting procedures.</p>
Description	<p>The SARB discloses its monetary policy decision in its Monetary Policy Statement, which is released after the six Monetary Policy Committee meetings that occur each year. This disclosure occurs at 3:00pm the next day after the decision-making process is completed. The calendar for the monetary policy decisions is published at the beginning of each year.</p> <p>A brief overview of the decision-making process is available on the SARB’s website. The decision-making body is the Monetary Policy Committee, and its role and composition are described on the SARB’s website.</p>

	<p>The Monetary Policy Statements are longer than most central bank press releases because they provide more detail on global and domestic economic developments and outlooks, and the risks identified by MPC members. Attached to the statement is a complete forecast package including the projected policy rate path. Together the statement and the forecast clearly explain how the decision will help achieve the inflation target. The statement also reports the MPC vote on the decision. Although decisions are often unanimous, split votes regularly occur.</p> <p>The Monetary Policy Statement is read by the Governor at the beginning of the press conference that starts at 3pm. The other MPC members also attend and respond to questions from the media.</p> <p>The Governor, MPC members and senior staff also participate in a virtual briefing to market participants and analysts that occurs the day after the decision. Chatham House Rules apply. It typically lasts two hours and provides the opportunity for analysts to ask more technical questions. The briefing started during the pandemic, and it proved to be useful and was retained.</p>
Review	<p><i>Expanded</i></p> <p>The SARB provides timely and extensive information on its policy decisions and the related decision-making process. It is clear why and when the decision was taken, and by whom. The decisions are disclosed promptly and accompanied by press conferences and analyst briefings in which all MPC members participate.</p>
Comments	<p>MPC is a voting committee, but no attribution or explanation of dissenting votes is provided in the Monetary Policy Statement when the decision is not unanimous. More disclosure of the deliberations in the form of a non-attributed meeting summary or in the Monetary Policy Statement, for example, by noting that the dissenting members attached greater probability to certain risks. Such disclosure would be helpful for external stakeholders to better understand the uncertainty around the economic outlook and the decision, especially at turning points in the policy interest rate cycle. This type of disclosure is the standard practice for central banks that record MPC votes.</p> <p>Monetary Policy Statements are released by the Governor's office, not by the MPC, which appears inconsistent with the decision-making process.</p> <p>A more detailed explanation of the decision-making process, including the timing of all the meetings of the MPC and with SARB staff, should be available on the website.</p> <p>The SARB should also consider disclosing the calendar year of monetary policy decisions several months earlier in the prior calendar year.</p>
Principle 2.1.3.	Supporting Analysis: The central bank discloses relevant economic information and supporting analysis that informs its monetary policy decisions.
Description	<p>Extensive analysis is conducted and disclosed to inform monetary policy decisions, using projection models of the global and South African economies, including forecasts of the repo policy rate, the trade-weighted effective exchange rate, and a commodity price index based on South Africa's exports. The projections became more detailed with the adoption of the Quarterly Projection Model (QPM) in 2017. A set of underlying assumptions is also disclosed with each forecast.</p>

	<p>The QPM model is available on the SARB's website and in addition all data used or presented in monetary policy communications are available in zip files on the website.</p> <p>In addition to the six Monetary Policy Statements, the SARB publishes the Monetary Policy Review twice a year in April and October. It provides much more detail about the current economic conjecture and outlook than the MPS, including the components of inflation and output. It also contains several analytical boxes, drawn from staff research (working papers and economic notes). Analysts find these deeper dives into a specific issue interesting and helpful. The Governor goes to Parliament twice a year to discuss monetary policy and the operations of the central bank. .</p> <p>After the MPR is released, MPC members fan out to different regions of the country to present the MPR in Monetary Policy Forums to the public. This is an important initiative to increase accessibility and improve the public's understanding of monetary policy. In this vein, the SARB has made greater use of various social media platforms to communicate to a broader audience.</p> <p>For more than 75 years, the SARB has published a Quarterly Bulletin, which contains detailed analysis of recent domestic economic data, including analytical boxes, and extensive data tables.</p> <p>The Governor and Deputy Governors give 5-10 speeches per year, often on monetary policy issues.</p>
Review	<p><i>Comprehensive</i></p> <p>The SARB has a comprehensive analytical framework to support the decision-making process, comprising data monitoring (as provided in the Quarterly Bulletin), model-based projections, and extensive research on relevant policy topics, which are published in working papers or notes.</p> <p>Each decision is informed by a complete projection of relevant variables by the staff, with all conditioning assumptions disclosed, and by scenario analysis to examine the impact of important risks around the central projection. Each Monetary Policy Statement discloses the MPC's assessment of those risks. In addition, the flagship MPR publication analyses global and domestic economic developments and financial conditions, provides more detail on the economic projections and includes recent staff research in analytical boxes.</p> <p>The QPM model is available on the SARB's website and can be downloaded with the data for external analysts to use..</p>
Comments	<p>SARB staff regularly produce risk scenarios for the MPC. It would be useful to publish such alternative scenarios in the MPR to illustrate the uncertainty around the central projection and its conditionality on the maintained assumptions. Such scenarios could also be used to illustrate the SARB's reaction function.</p> <p>The SARB publishes a lot of backward-looking economic analysis across its various publications. Also, the same forecasts are published in the March (September) Monetary Policy Statements and April (October) MPRs. Some rationalization might be possible, especially if the SARB were to adopt a calendar of 8 (or 4) monetary policy decisions per year, with four projections and four MPRs. Such a configuration would make more effective use of the SARB's resources for the communication of monetary policy. MPRs are viewed by</p>

	external stakeholders as the most useful of the different publications. Four MPRs per year has become more common practice across major central banks.
Principle 2.2.	Cross-Border Financial Flows and Foreign Exchange Administration: The central bank is clear about its role in determining and implementing the policy on cross-border financial flows and foreign exchange administration. It discloses the objective(s), the legal and institutional frameworks it is acting under, its policy decisions, as well as the process by which policy decisions are taken.
Description	<p>As described in the Financial Surveillance Department section of the SARB website, South Africa has a system of exchange controls, which has been in place since 1939. The Currency and Exchange Act, 1933 (Act No.9 of 1933) is the foundation of exchange controls in South Africa. Section 9(1) of the Act provides that: "The Governor-General may make regulations in regard to any matter directly or indirectly relating to or affecting or having any bearing upon currency, banking or exchanges." The Regulations made in terms of section 9 of the Act were promulgated by Government Notice R.1111 of 1 December 1961 and amended up to Government Notice No. R.445 in Government Gazette No. 35430 of 8 June 2012. Certain policy objectives are included in the National Treasury's documents and in Exchange Control Circulars.</p> <p>Major changes to policy/exchange control reforms are announced by the Minister of Finance (after consultation with the FinSurv and other regulators and/or industry players that may be affected by the proposed reforms) on an ad hoc basis in the Budget Speech or Medium-Term Budget Policy Statement. The reforms and the reasons/objectives of the reforms are contained in the Budget Review.</p> <p>According to these Acts and regulations, the responsibility for exchange control policy vests with the Minister of Finance, who has only delegated certain powers and functions to designated officials of the SARB in terms of Regulation 22E. Therefore, all policy decisions related to Cross-Border Financial Flows and Foreign Exchange Administration are taken by the Minister of Finance, and the SARB only acts in an advisory capacity to Government.</p> <p>The legal and regulatory framework for Cross-Border Financial Flows and Foreign Exchange Administration are also communicated to the public in the 'Legal context' and 'Introduction' sections in the Currency and Exchanges Manual for Authorized Dealers (AD) and the Currency and Exchanges Manual for Authorized Dealers in foreign exchange with limited authority available on the SARB website. Changes in policies are also communicated via Exchange Control Circulars issued by the Financial Surveillance Department to the market and uploaded on the SARB's webpage.</p>
Review	<i>Not Applicable</i>
Comments	The SARB's advisory role to the Government on exchange controls policy is covered in the relevant transparency practices of the Official Relations sections of the CBT (Pillar V).
Principle 2.3.	Foreign Exchange Management: The central bank clearly and publicly discloses its foreign exchange policy objectives, including the hierarchy of objectives and the operational framework and instruments of foreign exchange interventions.

Principle 2.3.1	Objectives and Framework: The central bank discloses its policy objectives and legal, operational, and institutional frameworks, consistent with the chosen foreign exchange regime.
Description	<p>The SARB's monetary policy framework consists of two pillars: an explicit medium term inflation target and a de jure exchange rate arrangement of a floating exchange rate. South Africa's floating rand exchange rate is well disclosed and understood by external stakeholders.</p> <p>The SARB abstains from active foreign exchange market intervention to influence the value of the exchange rate, allowing it to be determined by market forces, but the SARB will intervene under certain prescribed circumstances. The SARB may, on occasion, intervene for three reasons: to accumulate foreign exchange reserves, to smooth the impact of large foreign exchange transactions and to restore market liquidity and functioning when conditions are disorderly to promote financial stability.</p> <p>Therefore, the SARB's approach to exchange rate management is discretionary, not systematic, and in practice, it rarely intervenes in the foreign exchange market, having not done so in several years. It is noteworthy that it did not intervene in the foreign exchange market in March 2020 with the outbreak of COVID-19 pandemic.</p>
Review	<p><i>Expanded</i></p> <p>The SARB clearly explains its approach to exchange rate management: namely, that the value of the exchange rate is market-determined and that if it were to intervene in the foreign exchange market, it would only do so under certain prescribed circumstances and not to influence the value of the exchange rate.</p>
Comments	<p>While South Africa's floating exchange rate, and the SARB's approach to exchange rate management are understood by external stakeholders, the documentation of this policy on the SARB's website could be improved.</p> <p>Although the circumstances for any foreign exchange market intervention are published on the SARB's website, further elaboration would be helpful to give external stakeholders a clearer sense of the framework for such interventions, including objectives, principles and instruments. In addition, the SARB should consider disclosing the timing, amount, and rationale for such interventions when they occur.</p>
Principle 2.3.2.	Policy Decisions: The central bank discloses its decision-making process, including the rationale for foreign exchange management instruments, and the means and methods of reaching a decision. The potential impact of its policy decisions is explained in a timely manner.
Description	<p>The South African exchange rate floats and is determined by market forces. Therefore, the SARB's hands-off approach to exchange rate management is consistent with the SARB's inflation-targeting monetary policy framework.</p> <p>The SARB rarely intervenes in the foreign exchange market and would only do so under certain prescribed circumstances, and not to influence the value of the exchange rate, but to obtain other objectives. Namely, the SARB may intervene to accumulate foreign</p>

	exchange reserves, smooth the impact of large foreign exchange transactions or restore proper functioning of the foreign exchange market should it become illiquid and disorderly. Because intervention rarely occurs, the decision-making process is discretionary and not disclosed.
Review	<p><i>Expanded</i></p> <p>The SARB abstains from foreign exchange market intervention to influence the value of the exchange rate. This objective is well disclosed and understood by external stakeholders.</p> <p>The SARB, however, may intervene under certain circumstances, not to influence the value of the exchange rate, but to achieve other objectives as mentioned above. The decision-making process for such interventions is not disclosed.</p>
Comments	The SARB should consider elaborating further on the decision-making process for any foreign exchange market interventions it could conduct in the future.
Principle 2.3.3.	Supporting Analysis: The central bank discloses its assumptions, transmission channels, and analysis backing the intervention policy decisions, as well as ex-post evaluation of economic impact.
Description	<p>The SARB's allows the rand exchange rate to float and to be determined by market forces. This approach is consistent with the SARB's inflation-targeting monetary policy framework.</p> <p>The SARB rarely intervenes in the foreign exchange market and would only do so under certain prescribed circumstances, and not to influence the value of the exchange rate, but to obtain other objectives, as mentioned.</p>
Review	<p><i>Expanded</i></p> <p>The SARB's analysis and modelling of the floating rand exchange rate suggests that its value is influenced in the medium-to-long term by relative price levels with its major trading partners and in the short-term by relative interest rates, movements in the terms of trade (commodity export prices and energy import prices) and shifts in market sentiment (e.g., flights to the US dollar in times of heightened uncertainty). These identified determinants of the exchange rate are consistent with those found for other commodity exporting economies that have an inflation targeting monetary policy framework with a market-determined flexible exchange rate.</p> <p>Less analysis has been disclosed by the SARB on the three sets of circumstances when it could decide to intervene and the impact of such intervention in the past.</p>
Comments	The SARB should consider undertaking research into the efficacy of past interventions to smooth the impact of large foreign exchange market transactions and the identification of exceptional circumstances when foreign exchange market conditions are illiquid and disorderly, and could warrant interventions by the SARB
Principle 2.4.	Foreign Exchange Reserve Management: The central bank discloses its policy objectives for foreign exchange reserve management, along with key considerations behind the

	policy, details on how oversight responsibility is allocated, and the potential impact of the policy.
Principle 2.4.1.	Objectives and Framework: The central bank discloses broad investment objectives, operative models, how it allocates oversight responsibility, and the institutional framework of its policy decisions.
Description	<p>As mentioned in the SARB website, the control over South Africa's foreign currency reserves, including accruals thereto and spending thereof is vested in the Treasury (see Currency and Exchanges Act, 1933 - Act No. 9 of 1933 - and the Exchange Control Regulations promulgated thereunder in terms of section 9(1) of the Act, on 1961-12-01), The SARB manages all the FX reserves of South Africa, including the share of the reserves that belongs to the Treasury.</p> <p>The objectives and framework of SARB's FX reserves management are outlined in detail in the Investment Policy, which is published on the SARB's website. The Investment Policy provides a strategic framework that guides the Financial Markets Department and the Reserves Management Committee in their respective roles in the reserves management process. The Investment Policy specifies, among other things, the aggregate tolerance parameters of the SARB and the eligible asset classes, which are implemented through Strategic Asset Allocation (SAA). The investment objectives in order of priority are:</p> <ul style="list-style-type: none"> • <i>Capital preservation.</i> Safety of the principal amount invested is the foremost investment objective. Investments shall be undertaken in a manner that seeks to preserve the capital value of the overall portfolio over the investment horizon, subject to the approved risk tolerances. • <i>Liquidity.</i> Investment management shall seek to ensure that adequate reserves are available to meet a defined range of objectives. In order to maintain sufficient liquidity, reserves shall be invested mostly in securities with an active secondary market. • <i>Returns.</i> Subject to capital preservation and liquidity constraints, the reserves shall be invested with the objective of achieving a reasonable return which is consistent with the investment objectives and risk constraints. <p>Each of these objectives has specific liquidity requirements and investment horizons. Consequently, the reserves are segregated operationally into sub-portfolios (i.e., tranches), for investment management purposes.</p> <p>The SARB factsheet "Management of Gold and Foreign Exchange Reserves" disclosed on the SARB website provides also a summary of the key components of foreign exchange reserve management by the SARB for the public at large. The factsheet discusses briefly the rationale for holding reserves, the optimal level of reserves, the key components of reserves management, and the governance framework in place.</p>
Review	<i>Comprehensive</i>

	The investment policy outlines the main investment objectives for managing reserves, the key risk appetite considerations, assumptions taken in defining the investment objectives and risk appetite, governance, oversight, reporting and key reserves management practices.
Comments	The interactions between the SARB and the Treasury on foreign exchange reserves management are covered in the relevant Transparency in Official Relations sections of the CBT (Pillar V).
Principle 2.4.2.	Policy Decisions: The central bank discloses key elements of policy formulation, related risk exposures, instruments, decision-making hierarchy, and the oversight allocation process.
Description	<p>In addition to the general information provided in the SARB website, the key policy decisions for FX reserves management are outlined in the Investment Policy. Furthermore, the Strategic Asset Allocation provides a quantification of the risk tolerance embedded in the Investment Policy; its general structure is provided in the SARB's website. It is presented as a set of benchmark portfolios weighted to primarily ensure capital preservation, but also to optimize the return profile of the reserves, avoiding downside risks.</p> <p>The SSA determines the optimal asset allocation while recognizing the risk tolerance and liquidity constraints of the SARB. It sets the tranche sizes, currency composition and appropriate asset classes, and calculates the expected risk and return over the relevant time horizon. These parameters are specified at tranche level. Hence, each tranche has its own asset mix aimed at achieving the investment objectives of the tranche:</p> <ul style="list-style-type: none"> • <i>Reserves tranches.</i> The reserves are divided into two tranches, namely the Liquidity Tranche and the Investment Tranche. The Liquidity Tranche size is determined based on adequate level of reserves. Amounts in excess of this are allocated to the Investment Tranche. • <i>The Liquidity Tranche</i> is invested in highly liquid securities to ensure the timely availability and capital preservation of reserves. It is subdivided into four sub-tranches, namely the Special Drawing Rights (SDR) Sub-tranche, the Gold Sub-tranche, the Working Capital Sub-tranche and the Buffer Sub-tranche. • <i>The SDR Sub-tranche</i> focuses on the unique needs of the SARB in respect of South Africa's membership of the International Monetary Fund. SDRs can be exchanged for currencies of the IMF member countries during crises and, as such, are viewed as insurance against unforeseen events. • <i>The Gold Sub-tranche</i> is a function of South Africa's willingness to hold gold as a special reserve instrument. Given gold's high liquidity, its diversification benefits and its role as a form of currency, it is used as insurance against adverse economic outcomes. • <i>The Working Capital Sub-tranche</i> provides liquidity for short-term liabilities and cash management needs. • <i>The Buffer Sub-tranche</i> caters for unforeseen liquidity needs and serves to replenish the Working Capital Sub-tranche when required.

	<ul style="list-style-type: none"> • <i>The Investment Tranche</i> aims to enhance the returns on the reserves portfolio and to cover longer-term contingencies consistent with South Africa's overall macroeconomic and financial stability policies. It is invested in higher-yielding securities to enhance the return of the portfolio while recognizing the capital preservation and liquidity objectives. <p>The decision-making hierarchy, and the oversight allocation process are disclosed to the public in section 8 of the Investment Policy: the SARB's Board, the Board Risk and Ethics Committee, the Governors' Executive Committee, the Risk Management Committee, and the Reserves Management Committee (Resmanco) provide independent risk control and compliance functions, supported by the relevant functional departments. The Bank's Board is responsible for the oversight of the entire process of risk management.</p> <p>Further, the Financial Risk Management Policy further outlines the overall financial risk appetite and approaches.</p>
Review	<p><i>Comprehensive</i></p> <p>Disclosures provided in the SARB website outline the key elements of policy formulation, related risks exposures, instruments, governance and decision-making hierarchy, and the oversight allocation process</p>
Comments	None
Principle 2.4.3.	Supporting Analysis: The central bank discloses the key assumptions and review process related to its policy decisions.
Description	The assumptions and processes for reaching the policy decisions for FX reserves management are outlined in broad terms in the Investment Policy, and disclosures related to the SAA also outline in a broad and conceptual fashion the key assumptions related to its design. Details of the SAA metrics are included in a SARB Investment Guideline that is regularly updated (i.e., on an annual basis) with inputs provided by the National Treasury. None of the components of the SARB Investment Guideline are disclosed to the public.
Review	<p><i>Core</i></p> <p>Disclosures on the key assumptions and assessment process related to SARB decisions only provide information on conceptual considerations, regardless of the actual environment relevant for that decision-making. While they may provide relevant and useful information on the decision-making process over the long term, they do not provide information on the key assumptions that are considered for actual policy decisions.</p>
Comments	Disclosure of the non-market-sensitive elements of the SARB Investment Guideline would enhance transparency.
Principle 2.5.	Macroprudential: The objectives, decision-making process, and instruments of macroprudential policy are clearly communicated to the public. Indicators and supporting

	analysis to assess the need for macroprudential measures are disclosed alongside policy decisions.
Principle 2.5.1.	Objectives and Framework: The central bank discloses its macroprudential policy framework, including its objectives, instruments, and strategy for achieving its objectives.
Description	<p>Section 11 of the Financial Sector Regulation Act 9 of 2017 (Act) mandates the SARB to: (i) protect and enhance financial stability; and (ii) if a systemic event has occurred or is imminent, to restore or maintain financial stability in South Africa. Furthermore, section 12 of the Act requires the SARB to monitor and keep under review: (i) the strengths and weaknesses of the financial system; and (ii) any risks to financial stability, and the nature and extent of those risks, including risks that systemic events will occur.</p> <p>The SARB set up a dedicated Website explaining its mandate, role and responsibility in financial stability and macroprudential, as well as the implementation of its mandate.</p> <p>While the FSR Act assigns a lead role to the SARB in financial stability, it also empowers several other financial sector regulators to support the SARB in pursuing its mandate, including the PA, NT, Financial Sector Conduct Authority, Financial Intelligence Centre and National Credit Regulator. The SARB discloses its coordination of the inter-agency collaboration and cooperation that is critical in implementing the financial stability mandate. In this context, the SARB is also mandated to take steps to mitigate risks to financial stability by advising other financial sector regulators, and any other state agency of the steps to mitigate those risks. In terms of section 18 of the Act, the Governor may direct a financial sector regulator to assist and provide information to the SARB to: (i) prevent systemic events from occurring; and (ii) if a systemic event has occurred or is imminent, to mitigate the adverse effects on financial stability and manage the systemic event and its effect.</p> <p>The SARB's macroprudential policy framework focuses on macroprudential instruments designed to limit various aspects of this risk. The macroprudential policy framework is published on the SARB's website. Macroprudential policy at the SARB aims to:</p> <ul style="list-style-type: none"> • Strengthen the resilience of the financial system to economic downturns and other adverse aggregate events; and • Limit the build-up of financial risks to reduce the probability or the magnitude of a financial downturn. <p>The SARB's assessment of systemic risk focuses on identifying structural and cyclical vulnerabilities within the economy that could amplify and propagate negative economic events. This is achieved by monitoring and assessing indicators of risk and the build-up of imbalances in the system.</p> <p>The SARB discloses the committees that are relevant for financial stability policy stance formulation and implementation. In this context, it recognizes and discloses that the broad scope of the financial stability mandate requires a high degree of interagency coordination and cooperation. The committees with relevance to financial stability are:</p> <ul style="list-style-type: none"> • Financial Stability Oversight Committee established on 1 April 2018 as a statutory committee in terms of the FSR Act. It is chaired by the governor and comprises representatives from the national treasury and other governmental financial sector

regulators. Its primary objectives are to (i) support the SARB when it performs its functions in relation to financial stability; and (ii) facilitate cooperation and collaboration between the SARB and other financial sector regulators. Serve as a forum for SARB representatives and financial sector regulators to be informed, and to exchange views and information on issues surrounding financial stability. It provides recommendations to the Governor on the designation of systemically important financial institutions. It also advises the Minister of Finance and the SARB on: (i) steps to be taken to promote, protect or maintain, or to manage or prevent risks to, financial stability; and (ii) matters relating to crisis management and prevention.

- Financial Sector Contingency [Forum](#) was established as an informal industry body in 2002 and elevated to a statutory committee in the FSR Act in 2017 to ensure broad participation and engagement of relevant stakeholders in defining and coordinating approaches to crisis management. Its primary objective is to assist the FSOC with the identification of risks that could result in potential systemic events, and the coordination of appropriate plans, mechanisms and structures to mitigate those risks. It is chaired by the Governor and members include industry representatives from across the financial sector. Through the establishment of a coordinated network of contingency planning contacts throughout the financial services industry, the FSCF functions as a conduit for dealing with tactical situations that have the potential to affect multiple organisations across the ecosystem at any given time. While the FSCF does not play an active role in managing systemic events, it supports the development and testing of contingency plans and works as an established network for coordinating interventions and communicating effectively during a systemic event.

The SARB set up a Financial Markets Liaison Group ([FMLG](#)), as a consultative forum as a joint initiative between the SARB key participants in the financial markets. While it is not directly involved in the financial stability discussions, the FMLG strives to facilitate an active dialogue between the SARB and market participants on topics of common interest and acts as a valuable platform to exchange views on market functioning. The meetings are chaired by the deputy governor and members include senior representatives from the major domestic banks, NT, PA, Banking Association South Africa, Association for Savings and Investment South Africa, the exchanges, the central securities depositories, and other relevant parties are invited occasionally to present on topics of particular interest. The FMLG meetings are held semi-annually, and on an ad-hoc basis when specific issues need to be discussed as a matter of urgency. The SARB discloses information on the FMLG, terms of reference, meeting calendar and meeting outcomes.

The SARB published a dedicated Topical [Briefing](#) in June 2021, explaining its systemic risk assessment and macroprudential policy frameworks for financial stability. It provides detailed assessment of the financial system taking into account the structure of the financial system in South Africa. It also describes the risk assessment framework which is based on international best practices adjusted to the domestic macrofinancial environment.

The SARB has disclosed its cooperation and collaboration with the Financial Intelligence Center, responsible to combat money laundering and the financing of terrorist and related activities. An [MOU](#) was signed between the SARB, FIC and the PA that regulates and strengthens and formalizes matters of common interest cooperation, collaboration and exchange of information between the involved parties.

	<p>The SARB has also established a Financial Stability Forum as a structured manner to reach out to external stakeholders and discuss issues related to financial stability and macroprudential policy. However, there is no detailed information on the composition of this forum and the specific topics that have been discussed.</p> <p>The Financial Stability Review provides comprehensive information on the SARB's macroprudential framework and its implementation.</p>
Review	<p><i>Comprehensive</i></p> <p>The SARB discloses its macroprudential policy framework, including its objectives, instruments, and strategy for achieving its objectives. It publishes important aspects of its macroprudential policy strategy, linking its macroprudential policy tools to its macroprudential policy objectives. It also has a comprehensive strategy for the practical implementation of its policy framework. in coordination and collaboration with other regulatory bodies. The policy framework and the strategy are regularly communicated and disclosed, including in the context of policy decisions.</p>
Comments	<p>The SARB is encouraged to provide more details on the Financial Stability Forum, including participants, meeting schedule, and the topics discussed. This would benefit stakeholders that are not part of the FSF.</p>
Principle 2.5.2.	Policy Decisions: The central bank publicly announces its macroprudential policy decisions in a timely manner, and discloses the decision-making process leading up to macroprudential action.
Description	<p>Financial stability policy decisions taken by the SARB are communicated to the public through reports, press releases and statements, discussion papers and position papers. The SARB published recently a dedicated paper explaining the decision making process. While the SARB is empowered to protect and enhance financial stability, it recognizes that it needs to cooperate with other authorities to achieve its mandate. The FSR Act directs that financial sector regulators must cooperate and collaborate with the SARB and each other to maintain, protect, and enhance domestic financial stability. Furthermore, financial sector regulators are obliged to inform and share information with the SARB on any matters that may pose a risk for financial stability.</p> <p>Having assessed the financial situation, the SARB will decide whether the deployment of macroprudential instruments is warranted. The decision-making process to implement a specific decision would depend on whether the instrument is vested with the SARB (including PA) or with other financial regulators. The FSC will advise the governor on the instrument to be introduced and the governor will direct the PA to implement the decision. If the deployment of a macroprudential instrument that does not vest with the SARB/PA is warranted, the FSOC Chairperson (i.e. the SARB Governor) directs the relevant financial sector regulator as per section 18 of the FSR Act to deploy or amend the use of a specific macroprudential instrument.</p> <p>Furthermore, the SARB disclosed several initiatives and policy actions to enhance financial stability in the FSR second edition of 2023, and various working papers and topical briefings.</p>

	<p>The SARB publicly discussed the key risks to financial stability in South Africa in the FSR, as example:</p> <ul style="list-style-type: none"> • A sharp repricing in government debt. • Capital outflows and declining market depth and liquidity. • An insufficient and unreliable electricity supply. • Fallout from geopolitical risks. • Remaining on the FATF grey list for longer. <p>Furthermore, the SARB discloses specific measures undertaken to support the well-functioning of the financial system and to encourage the flow of credit to the economy:</p> <ul style="list-style-type: none"> • The SARB's FSC resolved that a positive cycle-neutral (PCN) countercyclical capital buffer (CCyB) of one percent be implemented in South Africa. The phase-in period for implementing the one percent CCyB will commence on January 2025, and is to be fully implemented by 31 December 2025. • The FSC resolved that developments around the sovereign-bank nexus did not require formal policy intervention at this stage. The FSC also resolved that the Prudential Authority would develop ways to monitor and close valuation gaps in banks' holdings of South African government bonds. • The SARB collaborated with FSOC members to discuss some of the key risks to financial stability, particularly on ways to deal with South Africa's grey-listing by the FATF, and the European Union adding South Africa to its list of high-risk countries. <p>The SARB, through the FSCF, continues to plan for the highly unlikely but not impossible scenario of a national electricity grid shutdown or other potential systemic event. In line with the role and function of the FSCF, current efforts are centered on developing, coordinating and testing contingency plans to mitigate the impact on the financial system and the economy.</p>
Review	<p><i>Comprehensive</i></p> <p>The SARB publicly announces its macroprudential policy decisions, including the decision-making process as well as an introduction or adjustments to macroprudential instruments are publicly announced. The information on the composition and structure of the macroprudential policy decision-making body of the SARB is disclosed. Furthermore, it provides a detailed explanation of the rationale and benefits of macroprudential policy decisions in the context of its objectives.</p>
Comments	<p>The SARB is encouraged disclosing its decision in a timely manner in statements and not await until the publication of the FSR. It may also consider disclosing information on the meetings, tasks, and outcomes for each meeting of the FSOC and FSCF, in line with the published information on the FMLG, while keeping sensitive information confidential.</p>

Principle 2.5.3.	Supporting Analysis: The central bank discloses the key indicators and analyses used to assess the need for macroprudential measures. It explains the rationale and the expected transmission channels of policy instruments in achieving their objectives.
Description	<p>The SARB periodically publishes indicators, such as early warning indicators or stress test results in the FSR twice a year. The SARB's framework for monitoring financial stability consists of three steps that culminate in the process of activating macroprudential instruments, namely: (i) a systemic risk assessment; (ii) motivating a case for macroprudential intervention; and (iii) selecting and implementing the macroprudential instruments steps. The key indicators of systemic risk are discussed in the Topical Briefing on financial stability. They act as early warning signals include the heat map, the financial cycle, the Financial Conditions Index (FCI), Growth at Risk, the Systemic Risk Contribution of individual financial firms (known as SRISK), and the Credit-to-GDP gap. The Risk Assessment Matrix RAM is presented to the Financial Stability Committee each quarter and published in the FSR.</p> <p>The SARB carries out several analytical works exploring the impact of macroeconomic environment on the financial stability, resulting in the publication of statements and speeches by senior management, working papers, topical briefings, occasional bulletins, etc. Selected macroprudential topics that have been discussed are, inter alia, credit allocations, impact of Basel III impact on bank spillovers in South Africa, impact of Basel III implementation on bank lending, etc.</p>
Review	<p><i>Comprehensive</i></p> <p>The SARB periodically publishes the key indicators and analyses used to assess the need for macroprudential measures. It explains the rationale and the expected transmission channels of policy instruments in achieving the objectives. This information is published in various documentation, including FSR, and working topical papers.</p>
Comments	While they are publicly disclosed in the FSR and topical briefings, the SARB is encouraged publishing in a structured manner on its website the key indicators that are used to assess the state of financial sector. This could be presented in a table or a box at the SARB website under the section on financial stability.
Principle 2.6.	Microprudential Supervision: Selected principles from BCP, ICP, and IOSCO.
	Reference as per Section II.A. of the Guidance Note
Principle 2.7.	Emergency Liquidity Assistance: The central bank discloses the scope and objectives of emergency liquidity assistance, while maintaining the necessary confidentiality, to preserve financial stability and in support of monetary policy and its implementation.
Principle 2.7.1	Market-wide Liquidity Support: The central bank discloses the scope and objectives of market-wide liquidity support, while maintaining the necessary confidentiality, to preserve financial stability and in support of monetary policy and its implementation.
Description	As disclosed in the section of the SARB website dealing with SARB core legislation , the SARB was established by the Constitution of South Africa in terms of Section 223–225. In

	<p>terms of Section 225 the SARB's functions extend to include functions that are ordinarily performed by central banks. One of the functions that are traditionally performed by central bank is to act as Lender of Last Resort (LOLR). The South African Reserve Bank Act provides the SARB with the necessary powers to perform this function through enabling the SARB to provide market-wide liquidity support, as well as bilateral liquidity support.</p> <p>Market-wide liquidity support was provided in 2020 in the context of COVID-related liquidity management actions in the form of a SARB bond-buying program. Introduction of the measure was announced in a March 25, 2020 media statement. The Statement provides information on the rationale for the measure as well as detailed information on its implementing features. Following numerous media queries, the SARB published a FAQ aimed at explaining some of the issues raised using an easily accessible language.</p> <p>Furthermore, in response to the IMF recommendation to strengthen the legal underpinnings of the SARB's lender of last resort function that was presented in the context of the 2022 Financial Sector Assessment Program, the SARB has been working on several relevant issues, leading in particular to the publication of Draft discussion paper "Repo facility to assist non-bank financial institutions with liquidity during a market dysfunction", and a related Publication Notice Invitation. All these documents are available on the SARB website.</p>
Review	<p><i>Comprehensive</i></p> <p>The SARB has disclosed in a comprehensive and timely manner its actions related to market-wide liquidity support.</p>
Comments	<p>If and when it is developed, market participants would benefit from disclosures of the key elements of a framework for handling systemic markets dysfunction.</p>
Principle 2.7.2	<p>Bilateral Liquidity Support: The central bank discloses the scope and objectives of bilateral liquidity support, while maintaining the necessary confidentiality, to preserve financial stability and in support of monetary policy and its implementation.</p>
Description	<p>As disclosed in the section of the SARB website dealing with SARB core legislation, the SARB was established by the Constitution of South Africa in terms of Section 223–225. In terms of Section 225 the SARB's functions extend to include functions that are ordinarily performed by central banks. One of the functions that are traditionally performed by central bank is to act as Lender of Last Resort. The South African Reserve Bank Act provides the SARB with the necessary powers to perform this function through enabling the SARB to provide market-wide liquidity support, as well as bilateral liquidity support.</p> <p>SARB has published a Position Paper on emergency liquidity assistance for banks, as well as a Press Release at the time of the publication of the Position Paper. The position paper is available on the SARB website. The Position Paper provides an overview of the SARB's policy framework for the provision of ELA to banks in the interest of protecting financial stability. The framework focuses on idiosyncratic requests for ELA and provides for, among others, the criteria, legal requirements and collateral guidelines that should be in place to enable the efficient provision of ELA, when needed. The policy framework is intended to provide a consistent guideline against which the SARB will assess individual situations. Paragraph 9.1 of the Position Paper indicates that the disclosure of ELA is at the discretion of the SARB. The SARB is therefore able to exercise its judgement to determine whether</p>

	early disclosure will support or harm the feasibility of the specific bank or financial stability in general.
Review	<i>Comprehensive</i> SARB's Position Paper on emergency liquidity assistance for banks provides comprehensive information on the framework in place, including the confidentiality policy to be followed.
Comments	
Principle 2.8.	Resolution: Selected principles from KA
	Reference as per Section II.A. of the Guidance Note
Principle 2.9.	Financial Market Infrastructures: Selected principles from PFMI
	Reference as per Section II.A. of the Guidance Note
Principle 2.10.	Financial Integrity: The central bank discloses its policies and powers for Anti-Money Laundering/Countering the Financing of Terrorism supervision, and a description of its internal control framework relating to the activities or services that may give rise to Money Laundering/Terrorist Financing risk.
Principle 2.10.1	AML/CFT Supervision: The central bank discloses information relating to its policies and powers supporting its Anti-Money Laundering/Countering the Financing of Terrorism supervisory activities.
Description	<p>The PA is the designated AML/CFT supervisory body for banks, mutual banks, and cooperative banks ("banks"); life insurers; and clearing system participants pursuant to Section 2(b) of Schedule 2 of the FIC Act. For practical purposes, the PA's AML/CFT supervisory responsibilities are vested in the Financial Conglomerate Supervision Department (FCSD).</p> <p>FinSurv is the designated AML/CFT supervisory body for Authorised Dealers in Foreign Exchange with Limited Authority, which include money or value transfer services (MVTs), pursuant to Section 2(c) of Schedule 2 of the FIC Act. For practical purposes, FinSurv's AML/CFT supervisory responsibilities are vested in the Compliance and Enforcement Division (CED) and the ADLA Supervision Division (ASD).</p> <p>The SARB's AML/CFT supervisory powers are elaborated in Sections 45-45B of the FIC Act (for the PA and FinSurv) as well as Chapter 9 of the Financial Sector Regulation Act, 2017 (for the PA). The relevant enforcement powers are elaborated in Section 45C of the FIC Act (for the PA and FinSurv) as well as Chapter 10 of the Financial Sector Regulation Act (for the PA).</p> <p>The FIC Act, the Financial Sector Regulation Act, and the Exchange Control Regulations are all a matter of public record and are readily available on-line. The supervisory and</p>

	<p>enforcement powers contained in those texts are proactively disclosed by the SARB only to a limited extent. The PA’s inspection and enforcement powers are briefly mentioned on its AML/CFT-dedicated webpage and in the associated Frequently Asked Questions; FinSurv’s information-gathering, inspection, and enforcement powers are presented in Sections B.2(H), (I), and (J) of the ADLA Manual (v.1.67).</p> <p>Thematic guidelines (on supervised entities’ compliance with their AML/CFT-related obligations) are published by the PA in the form of “guidance notes” and comprehensive guidelines are published by FinSurv in the form of the ADLA Manual, and occasional circulars announcing updates to the manual. Although there is no legal requirement to draft or revise guidelines (vs. “directives”) in consultation with interested supervised entities and members of the public, such consultation is common. The formal consultation process – which is not described on the SARB’s website—involves the following steps: (i) new or revised guidelines are published in draft form along with an e-mail address to which comments may be sent over a specified period of time (typically around four to six weeks); (ii) comments are summarized in a comment matrix that may itself be published; and (iii) the guidelines are updated as the SARB deems appropriate in light of the comments received.</p> <p>Both the PA and FinSurv conduct regular industry consultations. The PA proactively discloses information on its consultations (under: “Local Cooperation”), whereas FinSurv does not.</p> <p>Other than a bulleted summary of the PA’s enforcement policy, no (other) AML/CFT supervisory policies are publicly disclosed, let alone subject to industry or public comment. Both the PA and FinSurv indicate that they maintain the confidentiality of their supervisory policies due to operational sensitivities.</p>
Review	<p><i>Expanded</i></p> <p>While the AML/CFT supervisory and enforcement powers of the PA and FinSurv are published in the laws and regulations noted above, they are proactively disclosed only to a limited extent. Neither the PA nor FinSurv discloses their supervisory policies due to operational sensitivities.</p> <p>By contrast, the guidelines issued by both supervisors are readily accessible on the SARB’s website. Indeed, draft guidelines are often (voluntarily) published for public comment – along with a summary of the comments received – even if the underlying process is not spelled out online.</p>
Comments	<p>The PA could supplement its existing AML/CFT-dedicated webpage with: (i) a general description of its supervisory policies; (ii) a list of its supervisory powers; and (iii) an explanation (or link to an explanation) of the SARB’s processes for collecting, managing, and integrating public comments with respect to proposed new or revised guidelines.</p> <p>FinSurv could establish an AML/CFT-dedicated webpage that would mirror the PA’s, as supplemented per the Fund’s recommendations above.</p>

Principle 2.10.2	Internal AML/CFT Controls: The central bank discloses description of its internal AML/CFT control framework relating to its activities or services that give rise to money laundering and financing of terrorism risk.
Description	<p>The SARB is not formally considered to be an “accountable institution” per Schedule 1 of the FIC Act, but is subject, where applicable, to the full range of AML/CFT requirements laid out in that Act.</p> <p>The SARB’s internal AML/CFT control function – specifically the AML/CFT Team of the CMD—is located within the RMCD. The CMD is led by a Compliance Officer, who is registered with the FIC.</p> <p>The CMD’s policies, procedures, and operational effectiveness with respect to AML/CFT are audited on a triennial basis by the IAD, which submits its completed reports to the Board Audit Committee (BAC) and the Board Risk and Ethics Committee. The IAD has well-defined universal procedures for following up on the timely remediation of identified weaknesses and for reporting back to the BAC on the status of such remediation.</p> <p>Although the information provided above is neither classified nor sensitive, it is not proactively disclosed by the SARB, which maintains no public-facing description of the internal AML/CFT control function, its location within the CMD/RMCD, its internal organization, or its policies and procedures, aside from a brief overview of the roles played by certain managers, departments, and committees as part of the overarching Risk Management Framework. The SARB does not proactively disclose the fact that the internal AML/CFT control function is subject to audit on the part of the IAD, much less the process and timeline for addressing any identified weaknesses in the AML/CFT control framework.</p>
Review	<p><i>Not Implemented</i></p> <p>The SARB has an established internal AML/CFT control function located within the RMCD. Its policies, procedures, and operational effectiveness are audited by the IAD, which has well-defined universal procedures for presenting its findings to the Board, following up on the timely remediation of identified weaknesses, and reporting back to the Board on the status of such remediation. However, none of the above information is proactively disclosed by the SARB.</p>
Comments	<p>The RMCD could establish an AML/CFT-dedicated webpage that describes the organization, mandate, and basic policies and procedures of the internal AML/CFT compliance function, noting that that function is subject to periodic audit by the IAD.</p> <p>Such a webpage could include a link to any information published by the IAD on its universal procedures for presenting audit findings to the Board, following up on the timely remediation of identified weaknesses, and reporting back to the Board on the status of such remediation.</p>
Principle 2.11.	Consumer Protection: The central bank discloses its policies relating to consumer protection, conducted solely or jointly with other agencies.
Description	The SARB has no mandate for financial services consumer protection.

Review	<i>Not applicable</i>
Comments	
Pillar III—Central Bank Operations	
Principle 3.1.	Monetary Policy: The central bank discloses its operational framework with a well-defined operational target, objectives, instruments, collateral, and access criteria.
Principle 3.1.1.	Instruments: The central bank discloses its monetary policy instruments.
Description	<p>The SARB fully discloses its operational framework for the implementation of monetary policy on its website. The operational target, namely the repo rate, the framework objectives, primarily to promote the transmission of monetary policy in the financial system, the facilities in place to support the achievement of this objective, and the other requirements for access and collateral can be found there.</p> <p>In the first half of 2022, the SARB successfully launched a new monetary policy implementation framework (MPIF). It replaced its former “scarce-reserve” operational framework with a more modern “surplus-reserve” tiered-floor system.</p> <p>The new framework's primary objective was to strengthen the transmission of monetary policy via the repo rate, which is the principal monetary policy instrument, given the presence of excess reserves in the banking system. It also aimed to support the efficient functioning of South African financial markets, in particular, activity in the interbank market, and to offer the flexibility provide liquidity during a period of market dysfunction without compromising monetary policy implementation.</p> <p>Like other surplus-reserve operating frameworks, the MPIF has a deposit facility that pays interest on excess reserves (i.e., reserves more than the required amount). When banks deposit excess reserves at the SARB, they receive the repo rate on these reserves, but only on the amount up to their quota assigned by the SARB, which is based on the size of their liabilities. Deposits of excess reserves beyond the quota receive the deposit interest rate, which is set at 100 bps below the repo rate. Therefore, banks have the incentive to trade excess reserves above their quota in the interbank market to obtain a higher return, closer to the repo rate. The “tiering” of the interest rate floor on excess reserves reflects the impact of the quota.</p> <p>This standing deposit facility is combined with a standing lending facility, where banks can borrow reserves at a rate of 100 bps above the repo rate.</p> <p>In addition, to these standing facilities, the SARB can use weekly repo auctions at the repo rate in fixed quantities and discretionary supplementary facilities at the repo to support system liquidity and facilitate the transmission of monetary policy.</p> <p>Note that excess reserves are defined as reserves held by banks above the minimum amount required by the SARB primarily for prudential purposes. Required bank reserves are set by the SARB at 2.5% of liabilities. While the required reserve requirement could be used</p>

	as an instrument of monetary policy or to manage liquidity in the banking system, as in the case of other jurisdictions, the SARB has chosen not to do so in recent decades. The SARB has not altered its minimum requirement since 1998.
Review	<i>Comprehensive</i> The SARB has gone to great lengths to consult with various local and international stakeholders and listen to their views. The SARB clearly discloses the details of the new MPIF operating system and external stakeholders understand it well and are content with its operation.
Comments	The SARB's notable efforts to be transparent about the new MPIF have contributed importantly to its successful implementation.
Principle 3.1.2.	Coverage: The central bank discloses: (i) the type of instrument (open market operations, standing facilities, other facilities, reserve requirements, and direct instruments of monetary control); (ii) the characteristics of each instrument; and (iii) the collateral framework.
Description	Further details about the operations of the MPIF, including regarding collateral , counterparties and access are disclosed on the SARB's website. Other technical information about monetary policy implementation, including guidance for day-to-day operations, including quotas, is contained in an operational notice which is also published on the website.
Review	<i>Comprehensive</i>
Comments	None
Principle 3.1.3.	Access: The central bank discloses the monetary policy counterparties' framework.
Description	Counterparties in the MPIF must be participants in South African Multiple-option Settlement system , which is the real-time gross settlement system operated by the SARB. For this purpose, they must be banks regulated and supervised by the Prudential Authority of the SARB and accepted by the Payments Association of South Africa (PASA) as members.
Review	<i>Comprehensive</i>
Comments	The SARB does not fully control the on-boarding process for MPIF counterparties as this responsibility is shared with PASA. While the necessary information is disclosed on the SARB website, it could be organized and cross-referenced better.
Principle 3.2.	Cross-Border Financial Flows and Foreign Exchange Administration: The central bank discloses how it implements this policy in terms of the instruments and the scope of its operations and actions.

Principle 3.2.1.	Instruments: The central bank's instruments for implementing the policy and the circumstances in which they can be used are clearly defined and disclosed.
Description	<p>As indicated in SARB website, the Financial Surveillance Department of the SARB implements and administers policies defined by the Treasury related to Cross-Border Financial Flows and Foreign Exchange Administration. The Treasury has specifically delegated to the Governor, a Deputy-Governor, the Financial Surveillance Department of the SARB, powers, functions and duties assigned to and imposed upon the Treasury under the Regulations. These powers include appointing certain registered banks to act as Authorized Dealers in foreign exchange and appointing Authorized Dealers in foreign exchange with limited authority. A FAQ posted on the SARB website summarizes the current framework. All the legislation and implementing regulatory framework issued by the SARB are provided in a dedicated section of the SARB website.</p> <p>Appointment gives these banks and ADLAs the right to buy and sell foreign exchange, subject to conditions and within limits prescribed by the FinSurv. ADs and ADLAs are not agents for the FinSurv, but act on behalf of their customers.</p> <p>The SARB (through the FinSurv) is empowered to conduct investigations or to appoint investigators under Regulation 19. This information is publicly disclosed in the "Legal context" and "Introduction" sections of the <i>Currency and Exchanges Manual for AD</i> and the <i>Currency and Exchanges Manual for ADLA</i>. A Q&A section provides detailed and easily accessible information on the regulatory framework in place, including the following clarification:</p> <ul style="list-style-type: none"> • All exchange control-related matters must be addressed through an AD or an ADLA. • If exchange control queries are not answered in the disclosures provided in the FinSurv/SARB website, it is suggested to contact an exchange control or foreign exchange official at any AD or ADLA. • SARD's Financial Surveillance Department only accepts requests or applications submitted by an AD or ADLA on behalf of its client. <p>An Authorized Dealer is a bank which has been registered in terms of the Banks Act, 1990 (Act No. 94 of 1990) as amended by the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) and authorized to deal in foreign exchange. A list of Authorized Dealers is available in section A.2(A) of the Currency and Exchanges Manual for Authorized Dealers (Authorized Dealer Manual).</p> <p>ADLAs, including bureaux de change, are authorized to deal in certain designated foreign exchange transactions, including travel-related transactions. A list of ADLAs is available in section A.2(A) of the Currency and Exchanges Manual for Authorized Dealers in foreign exchange with limited authority (ADLA Manual).</p> <p>Authorized Dealer Manual contains the permissions and conditions applicable to transactions in foreign exchange that may be undertaken by Authorized Dealers and/or on behalf of their clients in terms of Regulation 2(2), details of related administrative responsibilities as well as the FinSurv Reporting System requirements. This Authorized Dealer Manual must be read in conjunction with the Regulations and Authorized Dealers</p>

	<p>may transact without reference to the Financial Surveillance Department, provided such transactions are permitted in terms of this Authorized Dealer Manual.</p> <p>The ADLA Manual contains the permissions and conditions applicable to transactions in foreign exchange that may be undertaken by ADLAs and/or on behalf of their customers in terms of Regulation 2(2), details of related administrative responsibilities, the FinSurv Reporting System requirements as well as the requirements of the FIC Act applicable to ADLAs. This ADLA Manual must be read in conjunction with the Regulations and the FIC Act.</p> <p>The Financial Surveillance Department reserves the right to amend, grant or impose additional permissions or conditions, with new or amended permissions or conditions which will be communicated by the Financial Surveillance Department on its website. As mentioned above, any amendments in respect of exchange control policy is clearly defined and disclosed in an Exchange Control Circular that is issued by the SARB, through the Financial Surveillance Department. The Exchange Control Circular is issued to Authorized Dealers, Authorized Dealer in foreign exchange with limited authority and other role players, setting out any amendments to the conditions, permissions and limits applicable to specific foreign exchange transactions that may be undertaken by Authorized Dealers, ADLAs and/or on behalf of their clients, as well as any amendments to related administrative responsibilities.</p> <p>All related information and documents, including the Exchange Control Regulations, Orders and Rules, the Authorized Dealer Manual, ADLA Manual, Currency and Exchanges guidelines for business entities, Currency and Exchanges guidelines for individuals and Exchange Control Circulars are available on the SARB's website.</p>
Review	<p><i>Comprehensive</i></p> <p>SARB's instruments for implementing the policy and the circumstances in which they can be used are clearly defined and disclosed on the website, including the process for ongoing consultation with the authorized dealers regarding the interpretation of the SARB's regulations, and the tools for ongoing interactions between SARB and the authorized dealers for the actual implementation of the framework.</p>
Comments	<p>SARB's transparency with regard to its implementing powers of the regulatory framework for <i>Cross-Border Financial Flows and Foreign Exchange Administration</i> would be further enhanced by periodic disclosures of the outcomes of its quarterly meetings with AD an ADLA in matters that are not market sensitive.</p>
Principle 3.2.2.	<p>Coverage: The central bank discloses information about the persons (entities and individuals), transactions, and other aspects of the foreign exchange system that it can and does regulate; persons, transactions, and activities that it can license, approve, monitor, and sanction; and foreign exchange transactions that it can perform.</p>
Description	<p>The Currency and Exchanges Manual for Authorized Dealers (Authorized Dealer Manual) contains the permissions and conditions applicable to transactions in foreign exchange that may be undertaken by Authorized Dealers and/or on behalf of their clients in terms of Regulation 2(2), details of related administrative responsibilities as well as the FinSurv Reporting System requirements. This Authorized Dealer Manual must be read in conjunction with the Regulations and Authorized Dealers may transact without reference to</p>

	<p>the Financial Surveillance Department, provided such transactions are permitted in terms of this Authorized Dealer Manual.</p> <p>The Currency and Exchanges Manual for Authorized Dealers in foreign exchange with limited authority (ADLA Manual) contains the permissions and conditions applicable to transactions in foreign exchange that may be undertaken by ADLAs and/or on behalf of their customers in terms of Regulation 2(2), details of related administrative responsibilities, the FinSurv Reporting System requirements as well as the requirements of the FIC Act applicable to ADLAs. This ADLA Manual must be read in conjunction with the Regulations and the FIC Act. Section B.2(J) of the ADLA Manual outlines the actions that may be taken by the Financial Surveillance Department in respect of any deviation or non-compliance with any of the requirements contained in the Regulations, ADLA Manual and the FIC Act.</p> <p>For the benefit of the general public, a Q&A published on the Financial Surveillance section of the SARB's website provides guidelines for business entities and individuals. This document set out, in less technical terms, the permissions and conditions relating to cross-border foreign transactions.</p> <p>The AD and ADLA Manuals, Currency and Exchanges guidelines for business entities, Currency and Exchanges guidelines for individuals and Exchange Control Circulars are available on the SARB's website. High-level information is also disclosed in the 'Legal context' and 'Introduction' sections in the Currency and Exchanges Manuals for AD and ADLA.</p>
Review	<p><i>Comprehensive</i></p> <p>The manuals for authorized dealers include detailed information on the operational features of SARB's actions related to Cross-Border Financial Flows and Foreign Exchange Administration. In addition, the Q&A presents this information in a manner easily understandable for the broad range of stakeholders, in particular the clients of the authorized dealers.</p>
Comments	None
Principle 3.3.	Foreign Exchange Management: The central bank discloses how it implements its foreign exchange policies framework in terms of instruments, markets, size, and mode of access.
Principle 3.3.1.	Instruments: The central bank discloses the set of instruments used for foreign exchange management policy, key considerations under which these instruments are chosen, and eligibility criteria of counterparties and mode of access.
Description	<p>As noted in Section 2.3.1, the SARB does not actively manage the value of the rand exchange rate, but only intervenes in the foreign exchange market under certain prescribed circumstances. Such interventions have not occurred for several years.</p> <p>If such interventions were to occur the SARB would buy or repo the foreign asset instruments held on the SARB's balance sheets described in Notes 5.2 and 5.3 to the SARB's annual financial statements published in the 2022/2023 Annual Report.</p>

Review	<i>Not Applicable</i>
Comments	
Principle 3.3.2.	Coverage: The central bank discloses the markets and agents who are targeted by the foreign exchange management policy.
Description	<i>See 2.3.1</i>
Review	<i>Not Applicable</i>
Comments	
Principle 3.4.	Foreign Exchange Reserve Management: The central bank discloses the general principles governing its foreign exchange reserve management operations, including relationships with counterparties and service providers.
Principle 3.4.1.	Instruments: The central bank discloses the broad selection criteria for eligible asset classes, composition of instruments, investment horizon and constraints.
Description	<p>The central bank discloses the broad selection criteria for eligible asset classes, composition of instruments, investment horizon and constraints is provided in the Investment Policy document</p> <ul style="list-style-type: none"> • Annexure A provides a comprehensive list of eligible assets. • Annexure B and B provides a list of eligible currencies. • Annexure C provides detailed guidelines for assessing credit risk. <p>Notes 6 and 29 of the annual audited financial statements posted on the SARB website provide detailed information on the composition of the reserves (types of assets, maturity, structure, derivatives). They also provide information on the credit risk associated with FX reserve management (share of the assets by rating and a discussion along the lines of IFRS 9), as well as information associated with the liquidity and settlement risks, and a currency distribution which distinguished the US dollar, Euro, Pound Sterling, Chinese Yan and other currencies.</p>
Review	<p><i>Comprehensive</i></p> <p>The Investment Policy published on the SARB website discloses the broad selection criteria for eligible asset classes, composition of instruments, investment horizon and constraints.</p>
Comments	None

Principle 3.4.2.	Coverage: The central bank discloses the criteria to select eligible market counterparties and service providers and eligible markets to conduct its operations.
Description	<p>The criteria to select eligible market counterparties and eligible markets are disclosed in the Investment Policy:</p> <ul style="list-style-type: none"> • Annexure A provides a comprehensive list of eligible assets. • Annexure C provides detailed guidelines for assessing credit risk. <p>The criteria for selecting service providers are disclosed on the section of the SARB website dealing with the FX reserve management function of the SARB:</p> <ul style="list-style-type: none"> • The SARB external fund management program is meant to complements SARB's internal reserves management activities aimed mainly at enhancing and building internal capacity and diversify the risk/return characteristics of the reserves. • The program, which was introduced in 1999, is periodically reviewed and refined to best suit the requirements of the SARB – in particular, the strategic asset allocation of its reserves. • To ensure that the SARB's funds remain relatively safe during the external fund management tenure, a rigorous legal process is followed in drafting the Investment Management Agreements and Investment Guidelines.
Review	<p>Comprehensive</p> <p>The Investment Policy provides detailed information on the criteria to select eligible market counterparties and service providers and eligible markets to conduct FX reserves management operations.</p>
Comments	None
Principle 3.4.3.	Review: The central bank discloses criteria to assess adequacy and liquidity parameters and discloses such analysis regularly, at predetermined times.
Description	<p>The broad criteria to assess adequacy and liquidity parameters (i.e., parameters for trenching reserves) are disclosed in the Investment Policy as follows:</p> <ul style="list-style-type: none"> • <i>The adequate level of reserves</i> is the amount of reserves a country needs to hold in liquid assets in order to cover known and likely trade and debt obligations. Additionally, the optimal level of reserves includes the provision for unanticipated obligations, taking into account the cost of holding reserves. The difference between adequate and optimal reserves is viewed as a safety buffer. An optimal range for the level of reserves is calculated and reviewed annually using generally accepted models. • <i>The optimal amount of reserves</i> is determined by using various factors that include, among other things, the South African government's short-term external debt, probability of a sudden stop of capital inflows, imports, exports and gross

	<p>domestic product growth, and the cost and return of holding reserves. The SARB does not target any specific level of reserves to guide its accumulation strategy.</p> <ul style="list-style-type: none"> • <i>Liquidity parameters</i> are assessed along the following lines. The reserves are divided into two tranches, namely the Liquidity Tranche and the Investment Tranche. The Liquidity Tranche size is based on the adequate level of reserves. Amounts in excess of this are allocated to the Investment Tranche. The Liquidity Tranche is invested in highly liquid securities to ensure the timely availability and capital preservation of reserves. The Liquidity Tranche is subdivided into four sub-tranches (see Principle 2.4.2), The Investment Tranche aims to enhance the returns on the reserves portfolio and to cover longer-term contingencies consistent with South Africa's overall macroeconomic and financial stability policies. It is invested in higher yielding securities in order to enhance the return of the portfolio, while still recognizing capital preservation and liquidity. <p>The metrics associated with the adequacy and liquidity parameters of the reserves are outlined in a SARB Investment Guidelines that is reviewed on annual basis, and that benefits from inputs by the National Treasury. None of the elements of this document are disclosed to the public.</p>
Review	<p><i>Expanded</i></p> <p>While current disclosures provide broad information on the elements that may be taken into account to assess adequacy and liquidity parameters, there is no disclosures on the detailed analysis in place to quantify the adequate of optimal levels of the international reserves.</p>
Comments	<p>The Investment Policy specifies that the maintenance of sufficient liquidity is one of the key objectives in the management of the foreign exchange reserves, and stipulates that the reserves shall be tranching accordingly, with the specified Liquidity Tranche which will be managed with this objective particularly in mind.</p> <p>Disclosure of non-market sensitive components of the Investment Guidelines, or of key macrofinancial features of South Africa that have a bearing on the design of the investment Guideline (i.e., adequacy and liquidity parameters) would usefully enhance the transparency of SARB's FX reserve management actions.</p> <p>Furthermore, regarding FX reserve adequacy, transparency in the implementation of the GFECRA framework would greatly benefit from the disclosure of a clearer conceptual framework which would be updated every year.</p> <p>The interactions between the SARB and the Treasury on foreign exchange reserves management are covered in the relevant Transparency in Official Relations sections of the CBT (Pillar V).</p>
Principle 3.5.	<p>Financial Stability Reviews and Stress Testing: The central bank periodically discloses its review of domestic financial stability to the public and is transparent about the methods used for such reviews, including its framework for stress testing.</p>

Principle 3.5.1.	Financial Stability Reviews: The central bank periodically provides to the public its review of risk to financial stability, including new and emerging sources of vulnerability.
Description	<p>The FSR Act requires the SARB to assess the stability of the South African financial system, and to communicate its assessment in the FSR. The SARB assesses financial stability as part of its ongoing operations, and its FSC reviews the financial stability conjuncture and outlook at four meetings per year. The SARB's periodical stability assessment is mainly structured:</p> <ul style="list-style-type: none"> • Assessment of the stability of the financial system during the six-month review period. • Identification and assessment of the risks to financial stability in at least the next 12 months. • An overview of the steps taken by the SARB and the financial sector regulators to identify and manage identified risks and vulnerabilities in the financial system. • An overview of the recommendations made by the SARB and the FSOC during the period under review, and progress made in implementing those recommendations. <p>The FSR is tabled in Parliament and is targeted at the Members of Parliament for discussion within the Standing Committee on Finance. It is also communicated through presentation at the Financial Stability Forum to external stakeholders such as financial sector representatives, journalists, academia, etc.</p> <p>The SARB provides a forward-looking assessment of the key risks to financial stability in South Africa in the biannual FSR. The key risks are identified based on the current conjuncture and cyclical trends in financial stability indicators, but also take into account structural vulnerabilities and events that pose a future risk to financial stability. The FSR:</p> <ul style="list-style-type: none"> • Summarizes the channels through which the risks could manifest in the event of a shock to the South African financial system. • Identifies the mitigating factors and actions that would alleviate the expected impact of a shock. • Describes the likely residual impact on financial stability in South Africa, including the potential net impact the risks would have should they materialize as a shock, after the identified mitigating factors and actions have been accounted for.
Review	<p><i>Comprehensive</i></p> <p>The SARB periodically provides to the public its assessment of risks to financial stability, including new and emerging sources of vulnerability. It regularly publishes a comprehensive assessment of the main risks to financial stability, including new and emerging vulnerabilities in its FSR. Furthermore, it discloses the methods and underlying data used for such assessments.</p>

Comments	None
Principle 3.5.2.	Macroprudential Stress Testing Methods: The central bank discloses the methods and key assumptions of the stress testing framework.
Description	<p>The SARB discloses its macroprudential stress tests to assess the resilience of the financial system. These stress tests have focused mainly on the banking and insurance sectors. The macroprudential stress tests for banks are known as the Common Scenario Stress Test (CSST), while those for the insurance industry are referred to as Insurance Common Scenario Stress Tests (ICSST). These stress tests are typically conducted on a biennial basis and utilize a set of common hypothetical but sufficiently severe stress scenarios and accompanying conservative methodological assumptions to test the resilience of those banks identified as systemically important and the largest insurance firms. A high-level summary of these methods, assumptions and scenarios are communicated to the public by means of the SARB's FSR.</p> <p>The CSST is conducted on bottom-up and top-down bases and include sensitivity analyses intended to assess the effects of specific risk factors that might adversely affect the solvency position or liquidity profile of a financial institution. Participating banks receive the scenarios to conduct bottom-up stress tests based on their internal models, while the SARB simultaneously conducts a top-down stress test to validate and benchmark the results from each bank. Both approaches are designed to assess the effect of the scenarios on the solvency position (including, credit risk, market risk, interest rate risk, and operational and cybersecurity risks, in the banking book) and the liquidity profile of the South African banking sector. For each scenario, new capital and liquidity ratios are calculated and compared to their minimum prudential regulatory requirements. For market sensitivity purpose, individual bank results are not published, although sector-wide results are published in the FSR. The most recent exercise was conducted in 2023 and results indicated that banks are adequately capitalized and able to withstand the protracted economic disruptions contained in the adverse scenarios.</p> <p>Furthermore, the SARB conducted the inaugural bottom-up ICSST in 2023/24. The ICSST exercise, developed in consultation with the industry, required insurers to assess their resilience against a set of severe but plausible macroeconomic scenarios, in addition to a selection of sensitivity shocks. The exercise included a selection of the largest life and non-life insurers and was conducted on a solo-entity level.</p> <p>In addition, the SARB conducts climate-related stress tests and scenario analysis to increase awareness in the financial sector of the effects of climate change, improve the integration of climate-related risks into financial companies' decisions, identify important data gaps, and start building capacity to develop more advanced and accurate climate scenarios.</p> <p>The SARB publishes the key indications and assumptions in the FSR. Below is a summary of the assumptions and key indicators used in the 2023 CSST:</p> <p><i>The SARB Balance sheet growth</i></p> <ul style="list-style-type: none"> • Credit assets are required to increase at the same pace as the annual growth rate in nominal private sector credit extension. • No risk-weighted assets optimization is allowed.

	<p><i>Income Statement</i></p> <ul style="list-style-type: none"> • Real net interest income growth is not permitted in the scenarios. • Operating expenses, excluding variable remuneration, are assumed to grow by at least headline inflation. <p><i>Capital</i></p> <ul style="list-style-type: none"> • Only profits appropriated via a board resolution, as at the reference date, qualify as capital. • Capital issuances and redemptions were allowed in line with board approved capital plans as at the reference date. <p><i>Credit Risk</i></p> <ul style="list-style-type: none"> • Provisioning for expected credit losses is assumed in line with International Financial Reporting Standard 9's perfect foresight assumption. • No cures¹⁸ from credit-impaired exposures are allowed, and accordingly the release of accumulated impairments for credit-impaired exposures is not permitted, unless the exposure is written off. • In the adverse scenarios, credit risk-weighted assets cannot fall below that of the reference date. <p><i>Management Actions</i></p> <ul style="list-style-type: none"> • No management actions from or on behalf of the respective banks are factored into the results. <p>Furthermore, the SARB publishes the scenarios of the stress testing. Three scenarios are considered for the 2023 CSST, namely a 'baseline' scenario, a 'domestic Adverse' scenario, and a 'global adverse' scenario. Each scenario is described in detail in the FSR.</p>
Review	<p><i>Comprehensive</i></p> <p>The SARB discloses the methods and key assumptions of the stress testing framework. It also discloses the results of the stress testing analysis on an aggregated basis. Furthermore, it publishes the main information on the design of the macroeconomic stress scenario and the risks covered, along with underlying assumptions. Moreover, information is provided on: (i) the type of exercise (bottom-up, top-down, or a combination of both); (ii) the design of the macroeconomic stress scenario, including details on its estimation, plausibility, and time horizon; (iii) the risks covered and detail information on the models used; (iv) evolution of financial statements over the stress test horizon; (v) the full set of assumptions; and (vi) the regulatory framework considered.</p>
Comments	<p>To make it more accessible to the public, the SARB may consider providing more information on stress testing on the dedicated Website, covering various scenarios and key indicators.</p>

Principle 3.5.3.	Stress Testing Coverage: The central bank discloses the coverage of the stress testing exercise.
Description	<p>The SARB's CSST is a macroprudential stress test used to identify any risks and potential vulnerabilities within the South African banking system. This is achieved through the assessment of participating banks' resilience to severe yet plausible adverse macroeconomic scenarios. While an important part of the 2023 CSST involves assessing the health of individual financial institutions, the ultimate objective is to determine whether the identified vulnerabilities could compromise the stability of the financial sector. The CSST covers the six South African banks designated as systemically important in the South African context. For instance, during the latest stress test, the covered institutions represented 93 percent of total banking sector assets.</p> <p>For the insurance sector, these exercises include the four of the largest non-life insurers and the five largest life insurers. The criteria used for the non-life sector is the level of gross written premiums while the size of the assets is used to determine which life insurers are included.</p> <p>The coverage of each CSST and ICSST is communicated to the public by means of the SARB's semiannual FSR.</p>
Review	<p><i>Comprehensive</i></p> <p>The SARB discloses the type of institutions covered by its stress tests. However, whilst the institution specific names are disclosed, no institution specific information is shared, due to confidentiality. For the CSST, reference is usually made to those institutions designated as systemically important banks.</p>
Comments	None
Principle 3.5.4.	Central Bank Use of Stress Test Results: There is clarity about the ways the central bank uses the stress test results.
Description	<p>Macroprudential stress testing is one of the monitoring tools that the SARB uses to assess the financial system's resilience to unexpected disruptions. The SARB discloses the CSST results through the FSR and other statements. Based on the assessment of financial stability, The results for 2023 CSST showed that domestic systemically important banks will be able to remain well capitalized when faced with a set of severe but plausible scenarios.</p> <p>Results from the CSST and ICSST are used to inform the SARB Financial Stability Committee of any potential systemic vulnerabilities in the South African financial system. Institution-specific concerns, and/or issues that may be of a micro-prudential nature are, in turn, raised with the Prudential Authority (and support is provided where there is a need for further follow-up with specific institution.</p> <p>Furthermore, the results are shared, at an aggregate level with the public through the Financial Stability Review and presented at the Financial Stability Forum once an exercise has been concluded.</p>

Review	<p><i>Comprehensive</i></p> <p>There is clarity about the ways the SARB uses stress test results. In particular, it discloses the main purpose of the stress test. It published information on whether and how aggregate stress testing results may affect aspects of its dealing with financial institutions and whether specific measures need to be taken. Whilst an important part of each stress test involves assessing the health of individual financial institutions, the ultimate objective is to determine whether the identified vulnerabilities could compromise the stability of the financial sector.</p>
Comments	None
Principle 3.6.	Macroprudential Policy Implementation: The central bank discloses how it implements macroprudential policies, including the design of policy instruments and enforcement arrangements.
Principle 3.6.1.	Instruments: The central bank discloses the precise design and objectives of its macroprudential instruments, including the scope of entities and financial instruments subject to macroprudential constraints.
Description	<p>The SARB follows a structured framework designed to gather information and monitor developments; assess financial stability; and communicate its assessment through the FSR.</p> <p>The SARB publishes information on how it monitors domestic financial stability conditions through various tools. The selection and implementation of macroprudential tools are guided by three main criteria, effectiveness, efficiency and transparency.</p> <ul style="list-style-type: none"> • Financial Stability Indicators (FSI): The SARB developed financial stability indicators aim to detect the buildup of cyclical vulnerabilities in the financial system and their construction is centered on the collection and aggregation of indicators that should ideally provide reliable and early detection of the buildup of financial imbalances and instabilities. FSIs are also used to construct a heatmap. The SARB's heatmap consists of four broad categories or partitions of vulnerabilities identified in the literature, namely the (i) risk appetite and asset valuation partition; (ii) financial sector partition; (iii) the nonfinancial sector partition; and (iv) external vulnerabilities partition. • These indicators do not give a complete view of financial stability but serve as a reference point from which further analyses are conducted. The quantitative indicators and deeper analyses inform the SARB's forward-looking conclusions about the main risks to financial stability. • Stress-testing: The SARB's common scenario stress test is typically conducted every two years and covers banks that are designated as systemically important financial institutions. The tests estimate potential losses and capital shortfalls in the banking sector resulting from severe and plausible scenarios over a three-year horizon. A risk assessment matrix is used to identify the stress-testing scenarios. These tests are conducted on both bottom-up and top-down bases and include sensitivity analyses intended to assess the effects of specific risk factors that might adversely affect the solvency position or liquidity profile of a financial institution.

	<ul style="list-style-type: none"> • Network and interconnectedness measures: The SARB aims at identifying and analysing the highly interconnected financial market, with notable interconnectedness between the large banks, insurers and money-market funds. • The SARB's financial conditions index: FCIs provide a useful measure of current financial conditions since it is based on regularly updated financial data and can also provide valuable information about future risks to economic growth. • Qualitative analyses and research outputs: The SARB conducts research on a broad range of topics related to financial stability to inform macroprudential policy. These studies are published on the SARB website. • The SARB produces and publishes regularly topical briefings with focus on financial stability. <p>The SARB discloses the macroprudential instruments and policy tools that are intended to target sources of systemic risk. The selection and implementation of macroprudential instruments need to be guided by three main criteria, namely the effectiveness, efficiency and transparency of the instruments. Firstly, for the effective implementation of macroprudential instruments, the focus needs to be on instruments with well-understood transmission mechanisms. Secondly, the efficiency of the instruments is assessed by their ability to avoid any unintended consequences and adverse effects. Thirdly, decision-making and actions taken should be transparent. The application of the above-mentioned criteria would enhance the understanding, ease of communication and process of administering macroprudential policies.</p> <p>The SARB publishes on its website the macroprudential policy instruments. They are generally classified in three categories, namely capital-based instruments (e.g. countercyclical capital buffers, sectoral capital requirements and dynamic provisions); asset-side instruments (e.g. loan-to-value and debt-to-income), and ratio caps (e.g. liquidity coverage ratio and net stable funding ratio). The SARB provides various examples of macroprudential instruments that have been implemented in other jurisdictions and their potential indicators.</p>
Review	<p><i>Comprehensive</i></p> <p>The SARB discloses the precise design and objectives of its macroprudential instruments, including the scope of entities and financial instruments subject to macroprudential constraints. In addition, it discloses clear and accessible statements that disclose the key design features of its tools and how they may affect various market participants.</p> <p>The SARB consults the public before enacting major changes to the design of macroprudential measures, which are typically implemented by the PA.</p>
Comments	None
Principle 3.6.2.	Enforcement: The central bank discloses enforcement mechanisms and responsibilities for all entities and financial instruments subject to macroprudential constraints.

Description	<p>The SARB enforces its financial stability measures through its prudential regulatory and supervisory power as part of its mandate, based on the provisions set forth in the banking regulation. The enforcement of the macroprudential measures is disclosed by the PA.</p> <p>In addition to its financial stability mandate, the FSR Act creates the PA as a prudential regulator, a juristic person operating within the administration of the SARB. The purpose of prudential regulation and supervision is to ensure that financial institutions and market infrastructures operating within the financial system are inherently safe and sound. The PA is responsible for regulating banks, insurers, co-operative financial institutions, financial conglomerates and certain market infrastructures. As required by the FSR Act, the Prudential Committee of the PA adopted a regulatory strategy to provide general guidance to the PA in performing its regulatory and supervisory functions and achieving its objectives. In particular, it issues and enforces measures, including macroprudential measures, that strengthen the stability of the financial system.</p> <p>The PA consults the relevant stakeholders on any major regulatory changes or introduction of new regulations and rules.</p> <p>The FSR Act establishes an independent market conduct regulator – the FSCA – which is a national public entity.</p>
Review	<p><i>Comprehensive</i></p> <p>The SARB discloses enforcement mechanisms and responsibilities for all entities and financial instruments subject to macroprudential constraints. Furthermore, it discloses which agencies enforce macroprudential regulations and discloses both incentive mechanisms and penalties.</p>
Comments	None
Principle 3.7.	Microprudential Supervision: Selected principles from BCP, ICP, and IOSCO.
	Reference as per Section II.A. of the Guidance Note
Principle 3.8.	Emergency Liquidity Assistance: The central bank may disclose any ongoing provision of emergency liquidity assistance (including bilateral and market-wide support) and its conditions and parameters once the need for confidentiality has ceased.
Principle 3.8.1	Market-wide Liquidity Support: The central bank may disclose any ongoing provision of market-wide liquidity support and its conditions and parameters once the need for confidentiality has ceased.
Description	<p>The SARB generally discloses market-wide support, for example during the March – April 2020 episode where it intervened in the domestic bond market in the context of its bond-buying program during the COVID-19 pandemic (see Principle 2.7.1 above). References can be found in the following SARB publications:</p> <ul style="list-style-type: none"> • Financial Stability Report 1st ed 2020 – page 14.

	<ul style="list-style-type: none"> • FSR 2nd ed 2020 – pages 6, 25, 27. • FSR 1st ed 2021 – page 18. • Prudential Authority Annual Report 2020/21 – pages 3, 4, 8, 17. • PA Annual Report 2021/22 - page 24. • SARB Annual Report 2020-2021 – page 17. • SARB Annual Report 2021-2022 – page 55 discusses actions taken in response to the pandemic, including the bond-buying program.
Review	<p><i>Comprehensive</i></p> <p>Market-wide liquidity support in the context of the COVID-19 pandemic was widely disclosed and analyzed in several SARB publications.</p>
Comments	None
Principle 3.8.2	Bilateral Liquidity Support: The central bank may disclose any ongoing provision of bilateral liquidity support and its conditions and parameters once the need for confidentiality has ceased.
Description	Under the 2022 ELA policy the SARB may disclose the provision of bilateral liquidity support, but there have been no disclosures of ELA since the new framework is in place.
Review	<i>Not Applicable</i>
Comments	
Principle 3.9.	Resolution: Selected principles from KA
	Reference as per Section II.A. of the Guidance Note
Principle 3.10.	Financial Market Infrastructures: Selected principles from PFMI
	Reference as per Section IIA. of the Guidance Note
Principle 3.11.	Financial Integrity: The central bank discloses its Anti-Money Laundering/Countering the Financing of Terrorism supervisory processes as well as details about resources allocated to its internal Anti-Money Laundering/Countering the Financing of Terrorism controls.
Principle 3.11.1	AML/CFT Supervision: The central bank discloses its AML/CFT supervisory processes.
Description	The PA proactively discloses limited, general information on its AML/CFT supervisory approach and on-site inspection processes via a dedicated webpage and associated FAQ. Certain additional details concerning the PA’s “strides towards implementing the actions required to enhance the risk-based approach to supervision”, including with respect to the

	<p>assessment of ML/TF risk at both the sectoral and institutional levels, are provided in the 2022/23 SARB and PA Annual Reports, with a brief mention of the PA's focus on the application of the risk-based approach also having been included in the 2021/22 SARB Annual Report.</p> <p>The PA similarly discloses limited, general information on its AML/CFT supervisory activities, specifically a basic description of its quarterly and as-needed engagements with the private sector and the number of on-site inspections conducted/on-site inspection reports completed – a statistic that is also captured in the FIC Annual Report. The PA does not publish any additional details regarding its inspections, such as their type (comprehensive, thematic, or specific), scope, or reach (whether they covered the foreign branches or subsidiaries of supervised institutions), nor does it proactively disclose its AML/CFT supervisory resources (e.g., the number and organization of the staff of the AML/CFT team and the budget allocated to its work).</p> <p>The PA shares more detailed information on its supervisory processes and resources with supervised entities, during on-site inspections.</p> <p>Much more extensive and detailed information on the PA's supervisory approach and processes – including the ML/TF risk factors it considers, the length of its supervisory cycle, and the key components of its on-site inspections – along with valuable statistics related to its supervisory resources (AML/CFT-dedicated full-time equivalent [FTE] staff) and activities (number and average length of inspections conducted, size and/or risk profile of inspected entities) were disclosed to the IMF in the context of South Africa's most recent AML/CFT mutual evaluation. The information and statistics provided to the IMF were analyzed and peer-reviewed by subject matter experts before being published, with the consent of the authorities, in an October 2021 Detailed Assessment Report on AML/CFT.</p> <p>By contrast, FinSurv does not proactively disclose its AML/CFT supervisory approach or processes, whether from a methodological or a practical perspective. Nor does it proactively disclose its AML/CFT supervisory resources or activities, though the number of AML/CFT inspections conducted/inspection reports completed by FinSurv is captured in the FIC Annual Report.</p> <p>That said, information on FinSurv's supervisory approach and processes – including its assessment and incorporation of ML/TF risks – along with basic statistics related to its supervisory resources (AML/CFT-dedicated FTE staff) and activities (number and average length of inspections conducted) were disclosed to the IMF in the context of the AML/CFT mutual evaluation mentioned above.</p> <p>External stakeholders and members of the public are likely to derive significant value from the information previously disclosed to the IMF by the PA and FinSurv, even if that value is limited by the age and (in the case of FinSurv) scope of the information disclosed, the lack of comprehensive updates, and the fact that this same information is not easily accessible via the SARB's website.</p>
Review	<p><i>Core</i></p> <p>The PA and, to a lesser extent, FinSurv, disclosed valuable information on their AML/CFT supervisory approach, processes, resources, and activities – information that was later published – in the context of South Africa's most recent AML/CFT mutual evaluation, which was conducted by the IMF. But the mutual evaluation is an infrequent exercise; neither the</p>

	<p>PA nor FinSurv publishes the range of information that was provided to the IMF, to say nothing of the level of detail reached in the resultant report.</p> <p>Neither supervisor discloses the names of the institutions subject to off-site follow-up or on-site inspection, or the associated dates.</p>
Comments	<p>The PA and FinSurv could prepare detailed summaries of their respective AML/CFT supervisory approaches and processes – drawing on information already collected for the IMF, the FATF, and other, internal purposes – and post those summaries on dedicated webpages along with regularly updated statistics on their supervisory activities and resources.</p> <p>The PA could implement the recommendation(s) above by further supplementing the content on its existing AML/CFT-dedicated webpage, whereas FinSurv would first need to establish an AML/CFT-dedicated webpage.</p>
Principle 3.11.2	Internal AML/CFT Controls: The central bank discloses resources allocated to its internal AML/CFT controls.
Description	<p>The internal AML/CFT control function of the SARB – meaning the AML/CFT Team of the CMD – comprises three staff who report directly to the head of the CMD/the Compliance Officer. That team carries out a range of activities, including: (i) conducting an annual assessment of the SARB operations that may give rise to ML/TF risk (among which are the (re)purchase of Krugerrand from private parties and the replacement of stained or otherwise damaged banknotes); (ii) establishing and maintaining a risk management and compliance program; (iii) supporting the FMD in conducting customer due diligence; (iv) screening transactions against applicable sanctions lists; (v) reviewing potentially suspicious transactions; (vi) submitting suspicious and unusual transaction reports (STRs), cash threshold reports (CTRs), and other regulatory reports; and (vii) arranging for relevant SARB staff to receive internal or external AML/CFT training.</p> <p>Statistics concerning the above activities are tracked (manually) and included in an Annual Compliance Report that is presented, in order, to the Compliance Officer, the Risk Management Committee, and the BREC.</p> <p>The AML/CFT Team’s resources are not audited as such; rather, should the IAD conclude that capacity constraints are the root cause of a “major failure”, it will indicate the impact of that failure in its report to the Board and recommend that a resource review be conducted.</p> <p>Here again, although the information provided above is neither classified nor sensitive, it is not proactively disclosed by the SARB.</p>
Review	<p><i>Not Implemented</i></p> <p>The RMCD does not proactively disclose its internal AML/CFT control activities (or even the operations that could give rise to ML/TF risk), let alone comprehensive statistics in this regard. Likewise, it does not proactively disclose its AML/CFT control resources – and there is no publicly available information on the manner in which the IAD considers the adequacy of those resources or reports any related findings or recommendations to the Board.</p>

Comments	The RMCD could include on a future, AML/CFT-dedicated webpage: (i) an updated list of the SARB operations that could give rise to ML/TF risk; (ii) a general description of the activities carried out by the AML/CFT Team; and (iii) a brief account of that team's human and financial resources.
Principle 3.12.	Consumer Protection: The central bank discloses its operations relating to consumer protection conducted solely or jointly with other agencies.
Description	The SARB has no mandate for financial services consumer protection.
Review	<i>Not Applicable</i>
Comments	
Pillar IV—Central Bank Outcome	
Principle 4.1.	Monetary Policy: The central bank is transparent about the outcome of its monetary policy conduct.
Principle 4.1.1.	Governance Actions: The accountability of the central bank on monetary policy is clear as to whom accountability is owed and how it is discharged.
Description	<p>The SARB's accountability for its conduct of monetary policy is ensured by the regular publication of the Monetary Policy Statement, the Monetary Policy Review, and the Annual Report. These publications are also presented to various audiences followed by question-and-answer periods to promote broad accessibility, transparency and accountability. The Governor makes semi-annual and annual appearances to parliament to discuss monetary policy and operations of the central bank and the Annual Report respectively. After each monetary policy decision, the Governor and other MPC members have televised press conferences and then the next day virtual meetings with market participants and analysts. The Governor and MPC members also present the MPR at Monetary Policy Forums to the public across different regions of the country and respond to a wide range of questions. This innovative initiative is part of the SARB Connect outreach and stakeholder engagement program. Other useful initiatives in this vein are:</p> <ul style="list-style-type: none"> • Quarterly Economic Roundtables, which are chaired by the Governor, and attended by academics, market participants and industry experts and discuss various economic policy issues some of which are related to monetary policy issues. • Annual MPC Schools Challenge, which is designed to spark interest in economics and central banking by exposing learners to monetary policy and its role in the economic well-being of South Africans. Now in its 12th year, the competition has expanded to include more than 400 schools from all provinces and thousands of learners from both public and private institutions. Each participating school assembles a team of four learners who assume the role of the SARB's MPC. The

	<p>team is expected to submit an essay in the format of the SARB's bimonthly MPC statement.</p> <p>The SARB also uses speeches, research papers and media engagements to explain its conduct of monetary policy and the related outcomes, In addition to these formal channels, senior SARB officials make a strong effort to be available to meet with all parties interested in learning more about the SARB's conduct of monetary policy.</p> <p>Lastly, the SARB in the April MPR each year examines the accuracy of its forecasts for inflation and output growth, compares them to private sector forecasts, and explains forecast errors.</p> <p>In 2022, the National Treasury commissioned Patrick Honohan and Athanasios Orphanides to conduct ex-post evaluation of SARB's monetary policy framework. The results of the review were not published directly either by NT or by SARB and were released as a Working Paper.</p>
Review	<p><i>Comprehensive</i></p> <p>The SARB pursues a very comprehensive multi-pronged approach to transparency and accountability for monetary policy outcomes, making a concerted effort to reach out to and engage an impressively wide range of stakeholders, with much success. As a result, it is a credible and respected national institution, and its monetary policy is well understood by external stakeholders.</p>
Comments	<p>The SARB should consider conducting regular ex-post evaluations of its monetary policy framework and its implementation, with either external experts performing the assessment (as was done by Ben Bernanke for the Bank of England in 2024) or having external experts reviewing the self-assessment (as was done by Warwick McKibbin and Lawrence Schembri for the Reserve Bank of New Zealand in 2022)</p>
Principle 4.1.2.	Policies: The central bank discloses progress toward achieving its monetary policy objective(s) as well as prospects for achieving them.
Description	<p>The SARB's monetary policy publications, namely, the bi-monthly Monetary Policy Statement and the semi-annual Monetary Policy Review, each include detailed analysis of the current conjecture of the South African economy, including where CPI inflation is relative to its target (4.5 percent within a 3 to 6 percent range), as well as a complete projection of the key macroeconomic variables including CPI inflation, output and the repo policy rate. The projection is based on the Quarterly Projection Model; it generates a path of the repo rate that closes the output gap and returns the inflation rate to target. Also included in these publications are discussions of the risks identified by the MPC that would affect the prospects, namely the timing, for achieving the inflation objective.</p> <p>As noted in 4.1.1, both publications are presented by the Governor and MPC members to a variety of audiences, including the public, the media, market participants and analysts and parliament, followed by question-and-answer periods. The issue of progress made towards achieving the inflation target and prospects for achieving it, which would be affected by the risks, would routinely be addressed in such sessions.</p>

Review	<i>Comprehensive</i>
Comments	The SARB could better explain its interpretation of the 3 to 6 percent target range and the 4.5 percent midpoint. For example, does the range reflect normal variation in the inflation rate and is the 4.5 percent point target symmetric?
Principle 4.1.3.	Operations: The central bank discloses the volumes and interest rates of the operations, as well as the level of the operational target achieved.
Description	<p>The SARB discloses extensive, mostly daily, data on the implementation of monetary policy under the new “tiered-floor” system. In particular, the Daily Monetary Operations note includes the total quota amount, the banks’ total amount within quota and in excess of quota being held in the standing facilities in the SARB and the volumes at the weekly repo auction. These volume data provide useful information on the overall liquidity and functioning of operating system.</p> <p>There is also a daily note on the benchmark overnight benchmark interest rates, Sabor, Zaronia and the Overnight FX rate, and the volumes transacted. The proximity of these overnight benchmark rates to the repo rate indicates how well the target for the monetary stance is being achieved and the overall transmission of monetary policy.</p>
Review	<i>Comprehensive</i>
Comments	None
Principle 4.2.	Cross-Border Financial Flows and Foreign Exchange Administration: The central bank discloses the outcome of its policy implementation.
Principle 4.2.1.	Governance Actions: The central bank discloses information about to whom its accountability on the policy is owed and how it is discharged.
Description	<p>As mentioned in the SARB website the responsibility for exchange control policy vests with the Minister of Finance, who delegated certain powers and functions to designated officials of the SARB. The Treasury has specifically delegated to the Governor, a Deputy-Governor, the Head of the Financial Surveillance Department, as well as various other officials in the Department, certain powers, functions and duties assigned to and imposed upon the Treasury under the Exchange Control Regulations. These powers include appointing certain registered banks to act as Authorized Dealers in foreign exchange and appointing Authorized Dealers in foreign exchange with limited authority. Appointment gives these banks and ADLAs the right to buy and sell foreign exchange, subject to conditions and within limits prescribed by the FinSurv. Authorized Dealers and ADLAs are not agents for the FinSurv, but act on behalf of their customers.</p> <p>The Financial Surveillance Department of the SARB therefore implements and administers such policy on behalf of the Government. All policy decisions in this regard are taken by the Minister of Finance, and the SARB, therefore, only acts in an advisory capacity to Government relating to decisions on exchange control policy. The SARB (through the</p>

	<p>FinSurv) is empowered to conduct investigations or to appoint investigators under Exchange Control Regulation 19.</p> <p>See in particular the 'Legal context' and 'Introduction' sections in the Currency and Exchanges Manual for Authorized Dealers and the Currency and Exchanges Manual for Authorized Dealers in foreign exchange with limited authority, where the above information is disclosed. The document is available on the SARB website.</p> <p>The Financial Surveillance Department only shares information about the result of its actions related to cross-border financial flows and foreign exchange administration with internal stakeholders, and other regulators. Information is also shared on request with the National Treasury. Links to SARB website:</p>
Review	<p><i>Core</i></p> <p>While the SARB discloses clearly to whom it is accountable (i.e., the National Treasury), no disclosures are in place to document how the policy has been discharged.</p>
Comments	Disclosures related to the discharge of the SARB's delegated responsibility would enhance transparency of governance actions in relation to Cross-Border Financial Flows and Foreign Exchange Administration.
Principle 4.2.2.	Policies: The central bank discloses on a regular basis information about the results in achieving the policy objectives.
Description	<p>All policy decisions related to Cross-Border Financial Flows and Foreign Exchange Administration are taken by the Minister of Finance, and the SARB only acts in an advisory capacity to Government (see Principle 2.2).</p> <p>Major changes to policy/exchange control reforms are announced by the Minister of Finance (after consultation with the Financial Surveillance Department and other regulators and/or industry players that may be affected by the proposed reforms) on an ad hoc basis in the Budget Speech or Medium-Term Budget Policy Statement. The reforms and the reasons/objectives of the reforms are contained in the Budget Review.</p>
Review	<i>Not applicable</i>
Comments	The SARB's advisory role to the Government on Cross-Border Financial Flows and Foreign Exchange Administration is covered in the relevant transparency practices related to the Official Relations sections of the CBT (Pillar V).
Principle 4.2.3.	Implementation: The central bank discloses on a regular basis information about the results of the policy implementation.
Description	The Financial Surveillance Department only shares information about the result of its actions related to cross-border financial flows and foreign exchange administration with internal stakeholders, and other regulators. Information is also shared on request with the National Treasury.

Review	<i>Not implemented</i> Results of policy implementation are only shared with the National Treasury on request.
Comments	Disclosure of non-market sensitive information on the results of policy implementation, for instance in its Annual Report, would enhance transparency of SARB's actions related to cross-border financial flows and foreign exchange administration. In particular, market participants would benefit from disclosures on the thematic outcomes of policy implementation (i.e., areas of cross-border financial flows and FX administration that have led to interpretations by SARB in response to AD/ADLA queries; key outcomes of the supervisory actions and related sanctions taken by SARB...).
Principle 4.3.	Foreign Exchange Management: The central bank discloses how its governing committee is accountable for undertaking and reporting on foreign exchange interventions.
Principle 4.3.1.	Governance Actions: The central bank discloses its decision-making structure and how it is accountable for Foreign Exchange Management.
Description	As noted in Section 2.3.1, the SARB does not actively manage the value of the rand exchange rate, but only intervenes in the foreign exchange market under certain prescribed circumstances. Such interventions have not occurred for several years. The decision-making process for intervention under these circumstances, including for market dysfunction, exists, but is not disclosed.
Review	<i>Not applicable</i>
Comments	
Principle 4.3.2.	Policies: The central bank discloses the role of Foreign Exchange Management toward achieving its policy objective(s) as well as its interaction with broader monetary policy objectives.
Description	See Section 2.3.1
Review	<i>Not applicable</i>
Comments	The SARB did not analyze or explicitly disclose the estimated impact of past foreign exchange interventions. Efforts were made to sterilize the impact of past foreign exchange market interventions on the domestic money supply to limit the impact on the monetary policy stance.
Principle 4.3.3.	Operations: The central bank discloses the results of its market operations, the volume of activity, and the direction of interventions on its website at a predefined time lag.
Description	See Section 2.3.1

Review	<i>Not applicable</i>
Comments	The SARB did not explicitly disclose past foreign exchange interventions.
Principle 4.4.	Foreign Exchange Reserve Management: The central bank discloses any changes to the general principles of internal governance and provides clarity on the outcomes of its policy decisions about foreign exchange reserve management.
Principle 4.4.1.	Governance Actions: The central bank publicly discloses the general principles of internal governance to ensure the integrity of its policy formulation and operations.
Description	<p>The general principles of internal governance in relation to FX reserve management provided in the Investment Policy (sections 8 and 10) and on the section of the SARB website are kept up to date. In addition, the general principles of internal governance are outlined in the Investment Policy as follows:</p> <ul style="list-style-type: none"> • Section 8 sets out the governance framework for the management of foreign exchange reserves and outlines the lines of responsibility as well as reporting requirements and timelines. • Section 10 outlines the control activities, delegation of oversight, internal audit requirements and actions taken under an emergency situation.
Review	<p><i>Comprehensive</i></p> <p>The general principles of internal governance are disclosed in a clear and comprehensive way in the Investment Policy, and also summarized on the dedicated page of the SARB's website.</p>
Comments	None
Principle 4.4.2.	Reporting on Implementation: The central bank discloses data relating to the level and composition of reserve assets, short-term liabilities, and drains that can lead to demand on reserves at a predefined frequency.
Description	<p>The Bank publishes the official foreign exchange reserves on its website on a monthly basis which reflects the gross reserves, foreign currency liabilities and its forward position. It includes a discussion on the drivers of the monthly changes whether it was market movements or withdrawals/injections. However, it does not forecast future movements or withdrawals/injections, and it does not provide frequent information on the currency composition of the reserves. The composition of the reserves both by security and currency is only disclosed on an annual basis in the SARB Annual Report and associated annual financial statements.</p>
Review	<i>Expanded</i>

	The SARB discloses on a monthly basis the level of reserve assets, as well as more detailed information (in particular the currency composition) in the annual audited financial accounts.
Comments	Disclosures on the drains that can lead to demand on reserves at a predefined frequency would enhance the transparency of SARB's FX Reserve Management. A more frequent publication of the currency composition of the official foreign exchange reserves than the current one-year periodicity would also enhance transparency.
Principle 4.4.3.	Financial Results: There is clarity in audited financial statements on the amount, composition, profit/loss, and risks arising from foreign exchange reserves.
Description	The section of the audited financial statements which deals with the management of the foreign exchange reserves provide detailed information on the composition of the FX reserves, the key drivers of returns during the preceding period, profit/losses recorded, risks arising from FX reserves, and the drivers thereof as well as the impact of the foreign exchange reserves on the Bank's financial position The annual audited financial statements posted on the SARB website include a section which outlines the financial key effects/results of the SARB reserve management activities: <ul style="list-style-type: none"> Note 6 provides detailed information on the composition of the reserves (Types of assets, maturity structure; derivatives). Note 29 provides detailed information on credit risk associated with FX reserve management (share of the assets by rating and a discussion along the lines of IFRS 9), as well as information associated with the liquidity and settlement risks, and a currency distribution which distinguished the US dollar, Euro, Pound Sterling, Chinese Yan and other currencies.
Review	<i>Comprehensive</i> The notes to the annual audited financial statements provide detailed information on the various risks associated to FX reserve management (i.e., credit, liquidity, rating, settlement, currency distribution).
Comments	See also assessment of practices under Pillar 1 Tools – Independently Audited Financial Statements and Risk Exposures (1.6.2).
Principle 4.5.	Macroprudential Policy: The central bank discloses outcomes and evaluations of its macroprudential policy actions and its accountability for such actions.
Principle 4.5.1.	Governance Actions: The accountability of the central bank on macroprudential policies is clear as to whom accountability is owed and how it is discharged.
Description	The FSR Act requires the SARB to assess the stability of the financial system at least every six months, and to communicate its assessment in the FSR. Among other things, the SARB is required to include the following in the FSR:

	<ul style="list-style-type: none"> • Assessment of the stability of the financial system during the six-month review period. • Identification and assessment of the risks to financial stability in at least the next 12 months. • Overview of the steps taken by the SARB and the financial sector regulators to identify and manage identified risks and vulnerabilities in the financial system; and • Overview of the recommendations made by the SARB and the FSOC during the period under review, and progress made in implementing those recommendations. <p>The FSR is tabled and discussed in Parliament. It is also presented to other stakeholders through the Financial Stability Forum targeting participants in the financial sector, international central bank peers, ratings agencies, international financial institutions, standard-setting bodies and academia. The FSR aims to stimulate debate on pertinent issues related to financial stability in South Africa.</p> <p>The SARB conducts impact studies and cost/benefit analyses of macroprudential policy changes, for example the CCyB. However, the SARB is not very active in terms of macroprudential policy as most instruments are implemented through the financial sector regulators and communicated through those channels.</p>
Review	<p><i>Comprehensive</i></p> <p>The accountability of the SARB on macroprudential policies is clear as to whom accountability is owed to and how it is discharged. The legislation specifying its macroprudential policy objectives and responsibilities are disclosed. The key interactions between the central bank and designated public authorities on issues of financial stability are disclosed.</p>
Comments	None
Principle 4.5.2.	Policies: The central bank discloses ex-post evaluations of its macroprudential policies.
Description	<p>The SARB discloses ex-post evaluations of its macroprudential policies. In particular, several working papers produced by the staff have analyzed and assessed the impact of various macroprudential measures. For instance, a study investigates the effect of the introduction of the Net Stable Funding Ratio on South African domestic banks' lending. The analysis showed that NSFR regulations in South Africa are largely compliant with Basel III standards. While total lending does not appear to have been affected, our results indicate that the introduction of the NSFR has influenced loan composition and maturity profiles.</p> <p>Another study examined how South Africa's credit market has responded to macroprudential policy measures, with a focus on borrowers' heterogeneity, to evaluate whether financial stability objectives are achieved at the expense of an equitable credit allocation. The study found that macroprudential regulation has reduced lending to households, it also revealed that this regulation triggers lenders' adverse selection by penalizing more creditworthy enterprises. The results suggest that while Basel III has</p>

	<p>reduced reckless consumer credit, it has also redistributed finance in ways that are not beneficial to long-term growth and financial stability.</p> <p>Early the Covid-19 pandemic, The SARB's acted swiftly and introduced measures encompassing monetary policy instruments, interventions in financial market operations, regulatory tools as well as collaborations with other entities to provide relief to the economy and enable the financial sector to help customers in need. These measures are well described in its 20/21 Annual Report (page 17). They cover the functioning of the financial market, lowering repo rate, administrating government guarantee scheme, and temporary regulatory relief. Furthermore, The SARB disclosed the impact of each measure for the intended objectives.</p> <p>The SARB's introduced a cycle-neutral countercyclical capital buffer of one percent be implemented for the banking sector. The phase-in period for implementing the CCyB will commence on January 2025, and is to be fully implemented by 31 December 2025. The SARB is intended to do an economic impact assessment of the decision, the outcomes of which are due to be published in the November 2024 FSR</p>
Review	<p><i>Comprehensive</i></p> <p>The SARB discloses ex-post evaluations of its macroprudential policies on an ad-hoc basis. For instance, it publishes selected studies analysis how its macroprudential policies affect financial stability and vulnerabilities.</p>
Comments	<p>The SARB is encouraged publishing on a regular basis, on its website, briefings and dedicated studies dedicated to the evaluations of its macroprudential policy actions and whether the intended objectives have been achieved, including analysis of the impacts of specific measures and tools.</p>
Principle 4.6.	Microprudential Supervision: Selected principles from BCP, ICP, and IOSCO.
	Reference as per Section II.A. of the Guidance Note
Principle 4.7.	Emergency Liquidity Assistance: The Emergency Liquidity Assistance framework allows for appropriate disclosure of the provision of liquidity support, terms and conditions, and amounts provided, while maintaining confidentiality as long as required.
Principle 4.7.1	Market-wide Liquidity Support: The ELA framework allows for appropriate disclosure of the provision of market-wide liquidity support, terms and conditions, and amounts provided, while maintaining confidentiality as long as required.
Description	<p>As disclosed in in the section of the SARB website dealing with SARB core legislation, the SARB was established by the Constitution of South Africa in terms of Section 223 - 225. In terms of Section 225 the SARB's functions extend to include functions that are ordinarily performed by central banks. One of the functions that are traditionally performed by central bank is to act as Lender of Last Resort. The South African Reserve Bank Act provides the SARB with the necessary powers to perform this function through enabling the SARB to provide emergency liquidity assistance.</p>

	The SARB has disclosed in several of its publications the provision of market-wide liquidity support on its bond-buying program during the COVID-19 pandemic (see for details Principles 2.7.1 and 3.8.1).
Review	Comprehensive In terms of its LOLR functions, the SARB has published a Paper on the SARB's internal ELA Policy. The Paper sets out the scope, principles, and conditions under which the SARB may consider providing ELA. The Paper also states that disclosure of any ELA provided is at the SARB's discretion after consideration of all necessary factors, including the relevant financial stability considerations.
Comments	None
Principle 4.7.2	Bilateral Liquidity Support: The ELA framework allows for appropriate disclosure of the provision of bilateral liquidity support, terms and conditions, and amounts provided, while maintaining confidentiality as long as required.
Description	Under the 2022 ELA policy the SARB may disclose the provision of bilateral liquidity support, but there have been no disclosures of ELA since the new framework is in place
Review	Not Applicable
Comments	
Principle 4.8.	Resolution: Selected principles from KA.
	Reference as per Section II.A. of the Guidance Note
Principle 4.9.	Financial Market Infrastructures: Selected principles from PFMI.
	Reference as per Section II.A. of the Guidance Note
Principle 4.10.	Financial Integrity: The central bank discloses the outcome of its Anti-Money Laundering/Countering the Financing of Terrorism supervisory actions as well as details about the oversight of its internal Anti-Money Laundering/Countering the Financing of Terrorism controls.
Principle 4.10.1	AML/CFT Supervision: The central bank discloses the outcome of its AML/CFT supervisory actions.
Description	The PA proactively discloses the outcomes of its "core" activities, including its sectoral risk assessments and enforcement actions. In 2021, the PA published a compiled list of the administrative sanctions it imposed from April 2014-April 2021 (for banks) and July 2020-September 2021 (for life insurers) and, in 2023, it issued an AML/CFT Awareness Communiqué (" AML/CFT/CPF Communication 1 of 2023 ") to detail the key deficiencies it

	<p>identified from April 2019-March 2023. Updates to these particular documents are not posted on a regular basis due to capacity constraints – indeed, no update had been posted as of May 2024 – but all of the administrative sanctions imposed by the PA are disclosed in “real time” via press (“media”) releases issued by the SARB in accordance with Section 45C(11) of the FIC Act, published with a brief delay in PA annual reports, and reposted by the FIC. Included in every instance are: (i) the name of the sanctioned institution; (ii) the specific violation(s) found; and (iii) the enforcement action(s) taken/administrative sanction(s) levied.</p> <p>While the PA proactively discloses the fact that it cooperates with sanctioned institutions to address identified shortcomings and, to this end, that it receives quarterly progress reports on the remedial actions they have taken, those actions are not disclosed to the public. Neither are remedial actions taken by supervised institutions in response to PA-issued recommendations, which, unlike PA-issued sanctions, are <i>not</i> published. Relatedly, the PA provided the IMF with sufficient information to conclude, in the October 2021 Detailed Assessment Report on AML/CFT, that the inspections it has conducted and the sanctions it has imposed have had a positive impact on compliance in certain areas, but that information is not in the public domain.</p> <p>FinSurv has not yet published its ML/TF risk assessments of the ADLA sector or summaries of the findings contained therein. Moreover, FinSurv does not post compilations of the key deficiencies identified or the administrative sanctions imposed. Still, the latter are disclosed in “real time” via press releases issued by the SARB, in accordance with Section 45C(11) of the FIC Act, and are reposted by the FIC. Included in every such press release are: (i) the name of the sanctioned institution; (ii) the specific violation(s) found; and (iii) the enforcement action(s) taken/administrative sanction(s) levied.</p> <p>FinSurv conducts follow-up inspections of sanctioned institutions to confirm that the necessary remedial actions have been taken but does not disclose those actions, nor does it disclose remedial actions taken by ADLAs in response to FinSurv-issued recommendations. Relatedly, FinSurv provided the IMF with sufficient information to conclude, in the October 2021 Detailed Assessment Report on AML/CFT, that the inspections it has conducted and the directives it has issued have had a positive impact on compliance “with basic AML/CFT obligations”, but that information is not in the public domain.</p>
Review	<p><i>Expanded</i></p> <p>Unlike the PA, FinSurv has not yet published its sectoral risk assessments or prepared compilations of the key deficiencies identified and the administrative sanctions imposed. However, all AML/CFT-related administrative sanctions are detailed in press releases that include the names of the sanctioned institutions, the violations found, and the enforcement actions taken.</p> <p>Neither the PA nor FinSurv discloses information publicly on the remedial actions taken by supervised institutions.</p>
Comments	<p>The PA could: (i) post regular updates to “AML/CFT/CPF Communication 1 of 2023” and to its compiled list of the administrative sanctions imposed on banks and life insurers for violations of the FIC Act; (ii) publish analytic summaries of the results of its thematic inspections; and, to demonstrate the impact of the inspections it has conducted and the sanctions it has imposed (iii) systematically disclose the remedial actions taken by supervised institutions.</p>

	<p>FinSurv could publish its ML/TF risk assessments of the ADLA sector (or else summaries of the findings contained therein) and it could prepare and post on-line periodic compilations of the key deficiencies identified and administrative sanctions imposed. FinSurv could systematically disclose the remedial actions taken by sanctioned institutions.</p>
Principle 4.10.2	Internal AML/CFT Controls: The central bank discloses the details about the oversight of its internal AML/CFT controls.
Description	<p>Information on the outcomes of the AML/CFT Team’s activities (for example, the number and type of customers rejected or of regulatory reports submitted to the FIC) is included in its Annual Compliance Report, but that report is neither mentioned nor published on the SARB’s website. Likewise, the AML/CFT Team works with the Legal Services Department (LSD) to track, but does not produce public-facing reports on, any legal, regulatory, or policy ambiguities or gaps that may need to be addressed to facilitate its work. The AML/CFT Team does not currently compile ML/TF typologies that may involve SARB products and services or analyze the evolving nature of any SARB compliance failures.</p> <p>Due to operational sensitivities, the IAD does not publish its reports on the internal AML/CFT control function, summaries of the findings contained therein, or lists of the remedial actions taken in response to its recommendations.</p>
Review	<p><i>Not Implemented</i></p> <p>The RMCD does not publish information on the outcomes of the AML/CFT Team’s activities, nor does it disclose any identified legal, regulatory, or policy ambiguities or gaps. The AML/CFT team does not currently compile its own ML/TF typologies or analyze the evolution of any related compliance failures.</p> <p>The IAD does not disclose its findings or recommendations to the public, regardless of the subject matter, and only tracks the implementation of those recommendations for the SARB’s internal purposes.</p>
Comments	<p>The RMCD could publish a brief summary of the AML/CFT Team’s Annual Compliance Report, capturing: (i) the types of compliance failures identified, if any, along with important trends; and (ii) at least basic statistics regarding the number and type of customers rejected and of suspicious transactions identified and reported.</p> <p>The IAD could consider whether its operational sensitivities preclude the publication, in general terms, of the key findings and recommendations offered in its periodic reports on the internal AML/CFT control function.</p>
Principle 4.11.	Consumer Protection: There is clarity about the results and implications of consumer protection policies and operations conducted solely or jointly with other agencies.
Description	The SARB has no mandate for financial services consumer protection.
Review	<i>Not applicable</i>
Comments	

Pillar V—Central Bank Official Relations	
Principle 5.1.	Government: The central bank discloses its relationship with the government. This includes the exchange of information, the coordination of policies, and financial aspects such as rules on profit distribution, clearly distinguishing the different roles and modalities this can take.
Principle 5.1.1.	The institutional relationship between the central bank and the government/its agencies is clearly defined and publicly disclosed.
Description	<p>Section 224 of the Constitution of South Africa provides that, in pursuit of its primary objective, the SARB must perform its functions independently, but there must be regular consultation between the SARB and the Minister of Finance.</p> <p>The SARB has several roles and responsibilities when interacting with the government. In particular, it provides advice to the government on the economy and specific matters when required, managing the foreign exchange reserve, acting as a fiscal agent, coordinating financial stability issues, institutionalizing reporting requirements, to mention major ones.</p> <p>As a fiscal agent, the Financial Services Department provides banking services to the government. This entails the processing, settlement and recording of the immediate Settlements for high-value domestic payments and Electronic Fund Transfer payments scheduled or processed by National Treasury via the payments clearing bureaus.</p> <p>The SARB provides services related to government debt instruments as a central securities depository for the issuance, auction and settlement and related cooperate action for government securities. Specifically, SARB runs the fixed rate, floating rate, sukuk and inflation-linked bond issuances as well as treasury bills. SARB sends the auction invites, collects, and allocates the relevant bids. Furthermore, it settles the transactions with the bidders on behalf of NT. SARB is not directly involved in the issuance of hard currency debt.</p> <ul style="list-style-type: none"> • The NT pays a reference rate of South African Benchmark overnight rate on its tax and loan (cash account) balance with commercial banks. The SARB is responsible for collecting the data and publishing these rates. The rate is a combination of call deposits, interbank rates, and foreign exchange implied rates. <p>The SARB interacts with the government in a structured and regular basis through various committees. Four Standing Committees are currently in place:</p> <ul style="list-style-type: none"> • Macroeconomic Standing Committee. • Financial Sector Policy and Regulation Committee. • Standing Committee on Banking and Financial Markets. • International Relations Standing Committee. <p>Some sub-committees were also set to facilitate the work of their committees.</p>

The Standing Committee on Banking and Financial Markets is crucial arrangement with the purpose of encouraging a smooth and sound relation between the SARB and NT. Its primary objective is contributing to achieve a cost-effective and sound debt management policy; improving co-operation in the management of the account configuration of the government; advising on debt and reserves management strategy and policies; sharing information on the developments in the domestic and global financial and capital markets and to evaluate the impact of government's funding strategy and the SARB's monetary operations.

As monetary policy, the definition of inflation objective is covered by the letter sent by the Minister of Finance to the Governor. Last time this letter was sent in 2010 and made public. A technical working group (under the auspices of Macroeconomic Standing Committee) was set up to substantiate the revision of the target (both level and mechanism). Furthermore, the SARB informs that the South African government, in consultation with the SARB, set up an inflation target (3–6 percent) to measure price stability and the SARB strives to keep inflation within the target range, preferably close to the midpoint of 4.5 percent.

As managing the [foreign exchange reserve](#), the SARB interacts with the NT to define the metrics associated with the adequacy and liquidity parameters of the reserves as outlined in the SARB Investment Guidelines and is reviewed on annual basis. In this context, the SARB benefits from input provided by the NT, although this consultation is not publicly disclosed.

Regarding the cross-border financial flows and foreign exchange administration, the policy is taken by the Minister of Finance while the SARB acts in an advisory capacity to Government. The Financial Surveillance Department only shares information with internal stakeholders, and other regulators, e.g., SARS and FSCA on results in achieving the policy objectives. Information is also shared on request with the NT.

As financial stability, the SARB must act within a policy framework agreed between the Minister and the Governor and must have regard to the roles and functions of other organs of state exercising powers that affect aspects of the economy. The SARB must also submit a copy of each review to the Minister and the Financial Stability Oversight Committee for information and allow the Minister or the Financial Stability Oversight Committee at least two weeks to make comments. In Addition, the SARB needs to consult the Minister before determining whether a specified event or circumstance to be considered a systemic event.

The SARB discloses its interaction with the government on a few and specific matters.

- For instance, the SARB disclosed the reform to the settlement framework for the [GFECRA](#), as a result of the February 2024 Budget Review. This reform has been agreed between NT and the SARB. Through Frequently Asked Questions document, the SARB provided detailed technical information.
- Furthermore, the SARB disclosed information on COVID-19 [Loan](#) Guarantee Scheme developed by the NT and SARB. The loan guarantee scheme is an initiative to provide loans, guaranteed by government, to eligible businesses to meet some of their operational expenses such as for salaries, rent and lease agreements, contracts with suppliers, etc.

The SARB does not disclose the formal arrangement of the interaction with the government, which is based on, inter alia, MOU. This MOU determines the terms and conditions of engagement between the SARB and NT. It also envisages regular meetings

	<p>between the Minister and Governor to discuss the policies relevant to both institutions. The SARB and NT are currently working on revising the MOU.</p> <p>As agreed with the government, the SARB discloses notices providing detail of the US dollar equivalent of the level of the SARB's official gold and foreign exchange reserves, Special Drawing Rights, and foreign currency deposits received from customers.</p>
Review	<p><i>Core</i></p> <p>SARB's functions with respect to the government and provisions describing their cooperation are established in the legal framework. Furthermore, the SARB and NT have well established relations on practice guided by the MOU. However, meaningful information on the services, modalities, instruments, and the outcome of its interaction with the government is rarely published.</p>
Comments	<p>The SARB may consider revealing its interaction with the government in a structured and regular manner, including its services, responsibilities, cooperation and coordination and major events. This could be done by setting up a dedicated webpage.</p> <p>Furthermore, the SARB may consider publishing the tools and institutional arrangements to interact with the government such as MOU, terms of reference, etc. covering but not exclusively the work of various committees, subcommittees, working groups, including the four standing committees.</p>
Principle 5.1.2.	The central bank publicly discloses its policies and terms and conditions governing financial transactions with the government, including its fiscal agent role, the management of the current account, deposit taking, advances, guarantees, loans and credit arrangements to the public sector, as well as agency services performed on behalf of the government.
Description	<p>As described in previous principles, the SARB plays an important role for the implementation of the government objectives and policies. In particular, the SARB provides advise on economic policies, acts as a fiscal agent, manage reserves, etc. this information is disclosed in the Audited Financial Statements in the annual report.</p> <p>Regarding its fiscal agent role, the SARB refers to its annual report for the services it offers. Disclosure regarding government borrowing and strategy is published on the NT website, while SARB publishes the auction calendar. Nevertheless, there is no publicly available information describing how the SARB is implementing its fiscal agent function.</p>
Review	<i>Not implemented</i>
Comments	The SARB needs to disclose on a regular basis information on its policies and terms and conditions governing its interaction with the government., including the various roles such as fiscal agent, banking operations, etc.
Principle 5.1.3.	The instruments used in interaction (including the financial transactions) between the central bank and the government/its agencies are clearly defined and publicly disclosed.

Description	<p>The implementation of the SARB's mandate relies on well-defined relationships with many stakeholders, including government, other regulators, and broader communities. The instruments used to interact with the government are defined in several legal acts, MOUs and Terms of Reference (TOR). Most of the documentations such as the legal act and TORs are published on the website, while a few MOUs are publicly available. The outcomes of these interactions are discussed throughout SARB's Annual Report for 2022/23. It discloses that it collaborates with relevant government departments, notably NT on macroeconomic policies.</p> <p>Furthermore, the SARB publishes information on the national foreign debt both public and private sectors and holding of foreign bonds and equities.</p> <p>The SARB also discloses the surplus of the SARB, after provisions normally provided for by bankers and payment of dividends, to the government. Information also available on foreign exchange profits or losses are booked on the account of government and are thus transferred to the GFECRA.</p> <p>As a banker to the government, The SARB provides banking services to the SA government on a monthly basis and earns revenue in the form of bank charges. The performance obligations of the SARB is to provide banking services which include, but are not limited to, electronic funds transfers, foreign and local payments and deposits from commercial banks. The performance obligations are satisfied when the SARB executes the specific transaction. The bank charges are recognized at a point in time when the service has been rendered</p>
Review	<p><i>Core</i></p> <p>The SARB does disclose some of the instruments used to interact with the government and its agencies.</p>
Comments	<p>The SARB needs to clearly define and disclose on a structured and regular basis the instruments used in its interaction with the government and its agency.</p>
Principle 5.1.4.	<p>The central bank discloses publicly on a regular basis the outcome of its interaction (including operations) with the government/its agencies.</p>
Description	<p>The outcomes of the SARB's interaction with the government, are published in its annual reports. In particular:</p> <ul style="list-style-type: none"> • The volume and value of SARB 's holding of government bonds and treasury bills are described in the financial statement. The SARB informed that there were no purchases of SA government bonds during 2022/23. • The revaluation of the gains and losses incurred on gold holding is reflected in the GFECRA, which operates in terms of section 28 of the SARB Act. • Foreign exchange transactions are settled subject to agreement between the SARB and the government and consists mainly of the exchange margin. For instance, during the reporting year 2022/23, a net amount of R53.7 million was settled by government.

	<ul style="list-style-type: none"> • Foreign deposits of the government are managed by the SARB as part of the foreign exchange reserves portfolio until such time when these deposits are withdrawn by National Treasury. • Inter-Governmental Cash Co-ordination loans are advanced as part of the national government loans arrangement, in terms of which some state-owned entities and treasuries of provincial governments deposit excess funds to form pool of funds from the public sector. • In accordance with the SARB Act, the SARB acts as fiscal agent of the government in its dealings with International Financial Institutions. In compliance with the SARB Act, the accounts with the IMF, which records all transactions with the IMF, are disclosed the financial statements. • The SARB provides banking services to the SA government monthly and earns revenue in the form of bank charges. These services include, but are not limited to, electronic funds transfers, foreign and local payments and deposits from commercial banks. • Foreign exchange profits or losses of the SARB, insofar as they arise from changes in the value of the rand compared to other currencies, are booked on the account of government and consequently all these profits or losses are transferred to the GFECRA in terms of sections 25 to 28 of the SARB Act. • In terms of section 25 of the SARB Act, all gains or losses on gold, held by the SARB, are for the account of the government and, transferred to the GFECRA. <p>In terms of section 24 of the SARB Act, nine-tenths of the surplus of the SARB, after provisions normally provided for by bankers and payment of dividends, must be paid to the government. For the year ended 31 March 2023, no profits were due to the SA government by the SARB.</p>
Review	<p><i>Expanded</i></p> <p>The legal framework contains a clear mechanism for the establishment of the terms and conditions of the SARB's functions with respect to the government. Furthermore, the SARB discloses publicly the outcomes of its interaction, including operations with the government.</p>
Comments	<p>The SARB is advised publishing on a more regular basis and in accessible manner the outcomes of its interaction with the government through press release and statements.</p>
Principle 5.2.	<p>Domestic Financial Agencies: The central bank discloses its relationships with domestic financial agencies as relevant to the pursuit of its mandate and the execution of its functions.</p>
Principle 5.2.1.	<p>The relationship between the central bank and relevant domestic financial agencies is clearly defined and publicly disclosed, including cooperation and co-decision-making modalities and arrangements for the formal/informal sharing of information.</p>

Description	<p>The relationship between the SARB and relevant domestic financial agencies is clearly defined in various legislations, including the FSR Act, which is publicly available. It recognizes that the mandate of SARB can be achieved by requiring a high degree of interagency coordination and cooperation. The FSR Act makes provision for such interaction through the establishment of the FSOC. The SARB discloses the objectives of the institutions and the nature of the cooperation, although no information is available on the meetings and the outcomes (see Principle 5.2.4).</p> <p>The Corporation for Public Deposits is a subsidiary of the SARB. It provides investment services, and its Board comprises officials from the SARB and NT who are appointed by the Minister of Finance. The Corporation for Public Deposits Act 46 of 1984 governs the CPD. The CPD accepts call deposits from the public sector and invests the funds in short-term money-market instruments and special Treasury bills. With the permission of the Minister of Finance, the CPD may accept call deposits from other depositors. Public entities, including NT, can deposit funds in and borrow funds from the CPD. SARB is responsible for the investment of the CPD's cash and for making funds available should public entities, limited to members of the intergovernmental cash coordination facility, choose to borrow from the facility.</p> <p>The SARB discloses its ownership in the two subsidiaries related to the production and distribution of banknotes and coins, namely, the South African Mint Company (RF) Proprietary Limited (SA Mint), which mints coins, and the South African Bank Note Company (RF) Proprietary Limited, which prints banknotes. The SARB also disclosed the forecasts and calculates annually the volume of banknotes and coin needed to meet public demand.</p> <p>The SARB has disclosed its cooperation and collaboration with the FIC, responsible to combat money laundering and the financing of terrorist and related activities. A MOU was signed between the SARB, FIC and the PA that regulates and strengthens and formalizes matters of common interest cooperation, collaboration and exchange of information between the involved parties.</p>
Review	<p><i>Expanded</i></p> <p>The SARB discloses information on the legal framework, which contains provisions establishing cooperation and coordination with domestic financial regulatory and supervisory authorities.</p>
Comments	None
Principle 5.2.2.	The policies and instruments used in the interaction of the central bank with domestic financial agencies, and the outcome of the interaction are transparent.
Description	The SARB recognizes and discloses that the broad scope of the monetary policy and financial stability mandates requires a high degree of interagency coordination and cooperation (see Principle 2.5.1). The main legal instrument relied upon to govern the interactions between the SARB and the other domestic agencies is legal acts, MOUs, terms of reference, and agreements. Such instruments are used to administer the interaction with other financial agencies, including the FSCA, NCR, and FIC.

	The SARB has disclosed its cooperation and collaboration with the Financial Intelligence Center, responsible to combat money laundering and the financing of terrorist and related activities. Arrangement is in place between the SARB, FIC and the PA that formalizes the interaction on matters of common interest, including cooperation, collaboration, and exchange of information between the involved parties (see Principle 5.2.4).
Review	<i>Expanded</i> The policies and instruments used in the interaction of the central bank with domestic financial agencies, and the outcome of the interaction are transparent.
Comments	The relations to the domestic financial institutions are disclosed on the website, but the arrangements with the agencies participating in the FSOC and FSCS are not disclosed. A more sustained practice of disclosure the arrangements with these agencies would be beneficial to increase the SARB transparency practices.
Principle 5.2.3.	With respect to macroprudential policy, the central bank discloses its role, responsibly, and actions—and those of any other authority it collaborates with. The central bank also discloses any advice it receives.
Description	Please see the description below as the SARB has the financial stability and macroprudential policy is a subfunction to its financial stability mandate.
Review	<i>Expanded</i> The legal framework contains provisions establishing cooperation between the SARB and domestic financial regulatory and supervisory authorities, as well as basic terms and conditions with a view to information sharing, coordination of activities, or any other cooperation arrangement
Comments	The SARB may consider disclosing more information on its interaction with other governmental agencies on issues related to financial stability, including arrangements, allocations of tasks, and outcomes of its major interactions.
Principle 5.2.4.	With respect to financial stability, all arrangements to restore or maintain financial stability are clearly disclosed, including arrangements on data sharing, liquidity support, and who is responsible for which type of decision or action at what stage.
Description	The broad scope of the financial stability mandate requires a high degree of interagency coordination and cooperation. Principles 2.5.1 and 2.5.2 provide a detailed information on these arrangements. Sections 26 and 27 of the FSR Act requires financial sector regulators to co-operate and collaborate with the SARB, and with each other to maintain, protect and enhance financial stability and to sign MOUs to implement to such co-operation and collaboration. To this extent, MOUs are in place to facilitate necessary information sharing between the SARB and the FSCA , the SARB and the PA , the SARB, PA and the FIC and the SARB and the NCR to restore or maintain financial stability. Furthermore, to facilitate efficient information

	<p>sharing, the SARB is in the process of implementing a data sharing platform for purposes of enabling its financial stability mandate.</p> <p>The information on the cooperation with other governmental agencies are published on the SARB website, including the composition of committees and subcommittees and their main objectives. Nevertheless, there is few information on the meetings, task, outcomes.</p>
Review	<p><i>Expanded</i></p> <p>The legal framework contains provisions establishing cooperation between the SARB and domestic financial regulatory and supervisory authorities, as well as basic terms and conditions with a view to information sharing, coordination of activities, or any other cooperation arrangement.</p>
Comments	<p>The SARB (with the consent of its counterparties) may consider disclosing more information on its interaction with other governmental agencies on issues related to financial stability. In particular, it may consider disclosing certain information on the meetings, tasks and outcomes for each meeting of the FSOC and FSCF (see Principle 2.5.1). For instance, while the disclosures on the detailed discussion of financial system's risks and vulnerabilities may not be warranted given market sensitivity of such information, FSOC and FSCF members may consider the option of publishing a joint press statement after each meeting, broadly outlining the agenda of the discussion. The members of these bodies may also think about publishing brief annual summary of the topics discussed at the meetings throughout the calendar year.</p>
Principle 5.3.	<p>Foreign Agencies: The central bank discloses its dealings with international organizations foreign governments, other central banks, and other relevant foreign agencies, including the nature of the involvement or interactions, and any obligations and commitments that may arise from these relationships.</p>
Description	<p>The SARB discloses its involvement in international and regional organizations and forums on its website. These include the Group of Twenty (G20), International Monetary Fund, World Bank, BRICS, Financial Stability Board (FSB), Bank for International Settlements (BIS), Basel Committee on Banking Supervision, International Association of Insurance Supervisors, Committee on Payments and Market Infrastructures, International Organization of Securities Commissions, Financial Action Task Force, International Association of Deposit Insurers, Committee of Central Bank Governors, Southern African Development Community, Association of African Central Banks (AACB) and Common Monetary Area.</p> <p>The SARB Governor and management chair several international forums. For instance, the Governor chairs/chaired the IMF International and Monetary Financial Committee, FSB Standing Committee on Standards Implementation, Committee of Central Bank Governors, and FSB Regional Consultative Group for Sub-Saharan Africa.</p> <p>As cooperation with other central banks, the SARB and the People's Bank of China signed a MOU for the purposes of clearing and settlement of Renminbi in South Africa. Both central banks agreed to coordinate and cooperate on the supervision, oversight and clearing of Renminbi in South Africa and to exchange information to facilitate the continuous improvement and development of bi-lateral trade. Furthermore, the SARB and the Deutsche Bundesbank have signed a cooperation agreement, aimed at enhancing</p>

	<p>collaboration between the two central banks. Cooperation between the Deutsche Bundesbank and the South African Reserve Bank reached a major milestone today when the Bundesbank announced its representative to be based in Pretoria, its first on the African continent.</p> <p>The SARB discloses information on regional and continental initiatives on its website. Such an important initiative is the AACB. Recently, it held workshops in Cairo May 2019 to explore the development of an interregional payment system integration framework and an integrated mobile payment strategy. The terms of reference for the task force were approved at the annual meeting in Kigali, Rwanda, in August 2019.</p> <p>Another important forum is the Southern African Development Community (SADC). The objective is mainly to promote sustainable and equitable economic growth and socio-economic development for the SADC region. The SARB is a member and act as a secretary of the Committee of Central Bank Governors in SADC supported by the SADC Ministers responsible for national financial matters. The main objective for establishment of CCBG was the need for a specialized body in SADC to promote and achieve closer co-operation among central banks within the Community. Furthermore, the SARB is member of the Common Monetary Area. The Member States undertook to co-operate in monetary and financial matters to establish monetary stability within the Common Monetary Area aimed at facilitating economic integration efforts and the attainment of sustainable economic development of the Common Monetary Area.</p> <p>The SARB discloses its international strategy, which is directed at leveraging and maximizing its participation in international forums in pursuit of the following objectives:</p> <ul style="list-style-type: none"> • Enhance domestic economic and financial policy formulation and implementation by drawing on international best practice; • Enhance the profile and relevance of the SARB in international discussions in support of advancing South Africa's and Africa's interests; and • Promote regional economic and financial integration in SADC and Africa. <p>This participation entails monitoring and analyzing international economic and financial regulatory developments and identifying the potential policy implications for South Africa and the SARB. In addition, the SARB's participation in international forums is directed at ensuring that policy developments adequately account for South Africa's and Africa's interests. The SARB provides regular feedback to relevant African stakeholders on the latest international economic and policy developments.</p>
Review	<p><i>Comprehensive</i></p> <p>The SARB clearly defines and discloses its relationship, incl. exchange of information and coordination of actions/policies with international and regional organizations.</p>
Comments	<p>The SARB needs to enhance the disclosure of bilateral arrangements with other central banks, including information on financial transactions, commitments, obligations and rights arising from such relations.</p>

Principle 5.4.	Other Relations: The central bank discloses its involvement with private or semi-public institutions.
Description	<p>The SARB interacts with the private sector through various mechanisms such as committees, forums, as well as using financial tools.</p> <p>The Financial Markets Liaison Group is a consultative forum and was established as a joint initiative between the SARB, as the central bank, and key participants in the financial markets. The FMLG strives to facilitate an active dialogue between the SARB and market participants on topics of common interest and acts as a valuable platform to exchange views on market functioning.</p> <p>FMLG meetings are chaired by the deputy governor of the SARB responsible for markets and international. Members include senior representatives from the major domestic banks and non-bank financial institutions, the International Banking Association, National Treasury and various departments of the SARB. Representatives from the Prudential Authority, the Banking Association South Africa, the Association for Savings and Investment South Africa, the exchanges, the central securities depositories, and other relevant parties are invited occasionally to present on topics of particular interest. The FMLG meetings are held semi-annually, as a means for the SARB and market participants to maintain regular contact at senior level. Special FMLG meetings are convened when specific issues need to be discussed as a matter of urgency.</p> <p>The SARB has also established a Financial Stability Forum as a structured manner to reach out to external stakeholders and discuss issues related to financial stability and macroprudential. However, there is no detailed information on the composition of this forum and the specific topics that have been discussed.</p> <p>The SARB participate in the Intergovernmental Fintech Working Group (IFWG), aimed at promoting fintech solutions in South Africa. It provides a space for safe experimentation and actively advance innovation, such as Fintech Sandbox. This group comprises financial sector regulators, including the SARB, PA, NT, FIC, FSCA, NCR, and Competition Commission. In October 2022, the SARB published on its website Feedback on the Intergovernmental Fintech Working Group’s first regulatory sandbox initiative.</p> <p>As a bank resolution authority, the SARB disclosed putting the African Bank Limited (ABL) under its curatorship in August 2014. It was a protection mechanism that provided the SARB with the legal means to create the necessary space to implement a resolution plan to ensure the future viability of ABL. On 1 June 2021, the SARB announced its process to dispose of its 50 percent shareholding in ABL given the potential conflict as the regulator, the significant shareholder, and the lender of last resort to African Bank Limited. In March 22 2022, the SARB announced that after due consideration of the expressions of interest that were received, the SARB has concluded that none of the interested investors would be suitable to acquire the SARB’s shareholding at this stage.</p>
Review	<p><i>Comprehensive</i></p> <p>The SARB discloses its involvement with private or (semi) public institutions. In particular, it discloses its investments in a private financial entity.</p>
Comments	None

Annex II. List of SARB Units and External Stakeholders

South African Reserve Bank Senior Management and Staff:

- Governor
- Deputy Governors
- Members of Monetary Policy Committee
- Members of the Board of Directors
- Chief Information Officer
- Communication Division
- Economic Research Department
- Financial Markets Department
- Financial Stability Department
- Financial Surveillance Department
- Human Resources Cluster
- Internal Audit Department
- International Economic Relations & Policy Department
- Legal Services Department
- Prudential Authority
- Risk Management and Compliance Department

External Stakeholders in Cape Town, Johannesburg, and Pretoria:

- Academia (University of Pretoria)
- The Banking Association South Africa
- Financial Intelligence Centre
- Financial Services Conduct Authority
- National Assembly Standing Committee on Finance
- National Credit Regulator
- National Treasury
- Media Representatives (Bloomberg, Business Day, Financial Mail)
- Private Sector Representatives (ABSA, Citi, First Rand, Goldman Sachs, HSBC, JP Morgan, Investec, Morgan Stanley, RMB, Standard Bank)
- Trade Unions (COSATU)