



South African Reserve Bank

Prudential Authority

Bank licensing in the Republic of South Africa

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Purpose

This document sets out the Prudential Authority's (PA) authorisation process in respect of applicants seeking authorisation and/or registration to carry on the business of a bank in the Republic of South Africa (Republic), in accordance with the Banks Act 94 of 1990 (Banks Act) or the Mutual Banks Act 124 of 1993 (Mutual Banks Act) and also provides an overview of possible alternatives.

What is the 'business of a bank?'

The 'business of a bank', as defined in the Banks Act, includes the soliciting or advertising for, or the acceptance of, deposits from the general public as a regular feature of an institution's business. A deposit is defined as an amount of money paid by one person or institution to another, subject to an agreement in terms of which an equal amount or any part thereof will be repaid on demand, on a specified or unspecified date, or in circumstances agreed upon between the parties involved.

In order to conduct the business of a bank in the Republic, an entity must be registered as a bank, by the PA. Furthermore, conducting the business of a bank in the Republic without being licensed as a bank is an offence.

What is a commercial bank?

A (*commercial*) bank is defined as a public company registered as a bank in terms of the Banks Act and owned by its shareholders who are not necessarily depositors/customers of the bank.

The legislation applicable to banks can be obtained from the PA's website via the following link: <https://www.resbank.co.za/en/home/publications/prudential-authority/legislation/banks-act-1990-act-no-94-of-1990>

What are the alternatives?

Depending on an applicant's business plan or the activities the applicant wants to undertake, setting up a bank may not be the only, or in some cases, the most appropriate option. There are a number of alternatives to becoming a commercial bank, which allows an applicant to provide some of the services that banks offer at a potentially lower cost than setting up a bank. Alternatives to consider include a mutual bank, cooperative bank or cooperative financial institution.

A *mutual bank* is defined as a juristic person owned by its depositors who qualify as members by virtue

of their being shareholders in that juristic person, and who are entitled to participate in the exercise of control in a general meeting of that mutual bank. The legislation applicable to mutual banks can be obtained from the PA's website via the following link: <https://www.resbank.co.za/en/home/publications/prudential-authority/legislation/mutual-banks-act-1993>

A *cooperative bank* is defined as an autonomous association of persons united voluntarily to meet their common economic and social needs and aspirations through a jointly owned and democratically controlled enterprise organised and operated on cooperative principles, whose members:

- are employed by a common employer or who are employed within the same business district; or have common membership in an association or organisation, including a religious, social, cooperative, labour or educational group; or
- reside within the same defined community or geographical area.

The legislation applicable to cooperative banks can be obtained from the PA's website via the following link:

<https://www.resbank.co.za/en/home/publications/prudential-authority/legislation/co-operative-banks-act-no-40-of-2007>

A *cooperative financial institution* is defined as a cooperative that takes deposits and usually identifies itself as a Financial Cooperative, Financial Services Cooperative, Credit Union or Savings and Credit Cooperative.

The legislation applicable to cooperative financial institutions can be obtained from the PA's website via the following link: <https://www.resbank.co.za/en/home/publications/prudential-authority/legislation/co-operative-banks-act-no-40-of-2007>

There are varying degrees of legal restrictions placed on the scope and/or size of some of these alternative options, which are matched by differing levels of regulation.

Use of regulated words

No person shall use the word 'bank' in a business name unless:

- the business in question is a bank, branch or representative office of a foreign institution;
- the business in question is registered as a controlling company in respect of a bank; or
- such name or description is composed of words that include the word 'bank' as part of a place name or a personal name.

In addition to the above, the PA has to, in writing, authorise such person to use such name or description.

Any person contravening the aforementioned provisions shall be guilty of an offence.

Similarly, any person who – in conjunction with any business conducted by that person – uses or refers to himself/herself by any name, description or symbol indicating or leading persons to infer that that person is a mutual bank, registered as such under the Mutual Banks Act, while the person is not so registered as a mutual bank, shall be guilty of an offence. Furthermore, no person shall use in respect of any business a name or description that includes the words 'building society' or any derivative thereof, unless the business concerned is a mutual bank or a bank.

Overview of the PA's process for licensing

The PA's application process involves the following steps:

- An **optional** pre-application meeting between the PA and the prospective applicant to discuss the applicant's business plans, the authorisation process and the format and content required for an application. However, applicants do not have to meet the PA before submitting an application. An applicant can submit an application to the PA at any time and the PA will assess and make a determination on the application in accordance with the applicable legislation.
- Submission of an application and relevant information.
- The PA reviews the application. This includes consultation with the Financial Sector Conduct Authority (FSCA), in order to obtain the FSCA's concurrence prior to the PA granting a licence.

In general, the overall licensing process could take between six to nine months. Factors that can delay the licensing process include:

- an initial submission that contains incomplete or inadequate information/documentation;
- an entity being unable or unwilling to comply with the PA's requirements; and
- delays in responding to the PA's requirements and requests.

Guidelines and requirements for submitting applications

The licensing of institutions by the PA is based on the principle of a free system of entry and exit, subject to applicants meeting prescribed legislative and regulatory criteria. Accordingly, any person who would like to conduct the business of a bank may apply to the PA for authorisation to establish a bank or a mutual bank, in the prescribed manner.

The Banks Act only allows public companies incorporated and registered under the Companies Act 71 of 2008 (Companies Act) to carry on the business of a bank in the Republic. By contrast, mutual banks obtain their legal personality from the Mutual Banks Act and are not required to be incorporated as a company under the Companies Act.

An entity seeking authority to carry on the business of a bank in the Republic should apply in writing to the PA, in accordance with section 12 of the Banks Act. Alternatively, an applicant seeking authorisation to establish a mutual bank should apply in writing to the PA, in accordance with section 10 of the Mutual Banks Act. An application and every document lodged in terms of an application shall be signed by the chairperson or the chief executive officer of the institution.

Subsequently, an applicant to whom the PA granted authorisation for the establishment of a bank or a mutual bank may, at any time during the 12-month period commencing from the date of the granting of the said authorisation, apply in writing to the PA for the registration of the institution as a bank or a mutual bank, in accordance with either section 16 of the Banks Act or section 13 of the Mutual Banks Act. Similarly, an application and every document lodged in terms of an application shall be signed by the chairperson or the chief executive officer of the institution.

An institution which has been established in a country other than the Republic – which lawfully conducts in such other country a business similar to the business of a bank – should apply to establish locally incorporated subsidiaries or branches to carry on the business of a bank in the Republic in accordance with section 18A of the Banks Act. Foreign-owned bank subsidiaries are subject to the same legislative and prudential requirements as locally owned banks.

Considerations by the PA

Unless otherwise indicated, the considerations set out below are applicable to all applicants, including mutual banks as well as foreign bank applicants intending to establish branches or locally incorporated subsidiaries. These criteria represent the minimum requirements that an applicant will need to meet for authorisation or registration under the Banks Act or the Mutual Banks Act. Depending on the circumstances, the PA may refuse an application on other prudential grounds not covered in these guidelines.

The PA expects all applicants to be able to comply with its prudential requirements, as stipulated in various pieces of legislation, from the commencement of their banking operations. More stringent or otherwise modified prudential requirements may be set on a case-by-case basis.

Objectives of the PA

The PA's objectives are to promote and enhance the safety and soundness of financial institutions that provide financial products and securities services, to protect financial customers against the risk that those financial institutions may fail to meet their obligations and to assist in maintaining financial stability. In terms of the provisions of the Financial Sector Regulation Act 9 of 2017 (FSRA), the PA has to take the afore-mentioned objectives into account when assessing any application.

Public interest

Applicants must satisfy the PA that the proposed establishment will be in the public interest; that the business of the proposed bank will be conducted in a prudent manner; and that the applicant does not propose to adopt undesirable methods of conducting business.

Financial and other resources available to the applicant (liquidity and capital)

The PA expects banks and mutual banks to observe a prudent funding profile, taking into account both the expected behavioural and contractual maturities of liabilities, as well as the composition of counterparties. Banks and mutual banks are expected not to be reliant on funding from a narrow set of sources and to hold a buffer of high quality, unencumbered assets that can reliably be traded or exchanged in private markets, including in stressed circumstances as a mitigant to deposit runs. This buffer should enable banks and mutual banks to withstand a wide range of severe but plausible stress

scenarios covering institution specific, market wide and combined stress scenarios over different periods. The PA also expects banks and mutual banks to develop a framework for managing liquidity risk that captures the full range of liquidity risks to which a bank is exposed and to stress test these risks.

Banks and mutual banks are expected to maintain appropriate capital resources, in terms of both the quantity and quality, taking into account the risks to which they are exposed. Having enough capital of sufficiently high quality reduces the risk of a bank becoming unable to meet the claims of its creditors, and is therefore crucial for maintaining creditor confidence.

Applicants proposing to operate as banks or subsidiaries/branches of foreign banks (hereinafter collectively referred to as banks) must have a minimum capital of R250 million. Applicants proposing to operate as mutual banks must have a minimum capital of R10 million.

All banks and mutual banks are required to maintain, at all times, a prudential capital adequacy ratio (CAR) as set by the PA, in accordance with the applicable regulations. A bank's CAR is prescribed in Banks Act Directive 6 of 2017 and the minimum total capital requirement would be at least 11.5%. Furthermore, the minimum leverage ratio would be at least 4%. Banks will, at all times, be required to maintain a risk-based capital ratio in excess of its CAR. Newly established banks may be subject to a higher minimum CAR in their formative years, depending on the risk profile of the proposed operations. Foreign-bank applicants are expected to meet comparable capital adequacy standards.

The PA will determine the appropriate size and composition of an applicant's liquidity buffer as well as assess the adequacy of its start-up capital, on a case-by-case basis, based on the nature, scale and complexity of its business as proposed in the business plan.

Ownership

A person is regarded as a significant owner of a bank if the person, directly or indirectly, alone or together with a related or inter-related person, has the ability to control or influence materially the business or strategy of the bank.

Significant ownership of banks is governed by the FSRA, read with section 37 of the Banks Act. No person shall acquire shares in a bank or controlling company amounting to more than 15% of the issued shares of a bank or controlling company without having obtained permission from either the PA or the

Minister of Finance, whichever may be applicable. Furthermore, section 42 of the Banks Act stipulates that no person other than a bank or an institution which has been approved by the PA may exercise control over a bank unless such person is a public company and such person is registered as a controlling company in respect of a bank.

A mutual bank is a juristic person owned by its depositors who qualify as members by virtue of their being shareholders in that juristic person, and who are entitled to participate in the exercise of control in a general meeting of that mutual bank. The ownership of mutual banks is governed by the FSRA, read with the provisions of the Mutual Banks Act.

All significant shareholders - as defined in the FSRA - of an applicant are required to demonstrate to the PA that they are 'fit and proper' and that its shareholding in a bank or mutual bank is not contrary to the public interest or the interest of the bank concerned or its depositors, and that they have the capacity to contribute additional capital, if required.

Governance

Banks and mutual banks are expected to establish and maintain an adequate and effective process of corporate governance that is consistent with the nature, complexity and risks inherent in the bank's or mutual bank's on-balance sheet and off-balance sheet activities and that responds to changes in the bank's or mutual bank's environment and conditions. Applicants must satisfy the requirements set out in the Banks Act, Mutual Banks Act and the relevant regulations with regard to the composition and functioning of the board of directors (board).

It is the responsibility of each bank and mutual bank's board and management to manage the bank and mutual bank prudently, thereby contributing to the continued stability of the financial system. Applicants must therefore also satisfy the PA that any person who holds the office of a director or an executive officer in a bank are fit and proper. The PA may consult other regulators regarding the suitability of personnel for the proposed bank or mutual bank.

Banks and mutual banks are furthermore expected to have in place clear structures of accountability and delegation of responsibilities for individuals and committees, including checks and balances to prevent dominance by individuals. Senior individuals should remain accountable for the actions of those to whom they delegate responsibilities, including where banks use third-parties in respect of outsourced functions.

Risk management and internal control systems

The PA attaches particular importance to banks and mutual banks managing risk effectively as it is the emerging of risk or concerns about risks emerging in the future that causes problems for banks and mutual banks' safety and soundness. Banks and mutual banks should have robust frameworks for risk management and financial and operational control, commensurate with the nature, scale and complexity of their business.

The conduct of the business of a bank therefore entails the ongoing management of risks, which may arise from the bank's or mutual bank's on-balance sheet or off-balance sheet activities and which may include the following types of risk:

- credit risk;
- market risk arising from banking business and trading activities;
- liquidity risk;
- interest rate risk;
- solvency risk;
- operational risk; and
- any other risk regarded as material.

Banks and mutual banks are expected to have in place comprehensive risk management processes, practices and procedures, and board approved policies to identify, measure, monitor, control, appropriately price, appropriately mitigate and appropriately communicate or report the afore-mentioned risks.

Competent and, where appropriate, independent control functions should oversee these frameworks, policies and procedures.

Information and accounting systems

All banks and mutual banks are required to submit data to the PA in terms of the Regulations relating to Banks and/or the Regulations relating to Mutual Banks. Applicants are therefore required to demonstrate to the PA that their systems will be capable of producing all required statutory and prudential information in an accurate and timely manner, from the commencement of their banking operations.

Applicants must satisfy the PA that their information and accounting systems are adequate and fit-for-purpose to support the business imperatives and other initiatives to be undertaken by the bank or mutual bank, that the governance and risk structures provide oversight to the business activities and are fit-for-purpose to enable the organisation to effectively execute different functions. The bank or mutual bank should also demonstrate that it has contingency plans in place to ensure that business will be able to continue in the event of a disaster.

The PA furthermore requires a detailed discussion on the applicants' information technology (IT) systems and/or its proposed material outsourcing arrangements which have to satisfy the PA's outsourcing requirements. Particular focus should be placed on how the applicant plans to manage the risks emanating from the use of IT systems, how the applicant plans to manage the operational risks associated with its use of third-party suppliers and its plans for the monitoring and oversight of these arrangements.

Supervision by home supervisor

Only institutions which has been established in a country other than the Republic - which lawfully conducts in such other country a business similar to the business of a bank - may with the prior written authorisation of the PA conduct the business of a bank by means of a branch or a subsidiary in the Republic. The afore-mentioned applicants must satisfy the PA that the responsible consolidating supervisor of the foreign institution:

- has authorised the proposed establishment of a branch or subsidiary in the Republic;
- accepts, is committed to and complies with the proposals, guidelines and pronouncements of the Basel Committee on Banking Supervision (Basel Core Principles) and is not legally impeded from doing so;
- accepts its responsibilities in terms of the Basel Core Principles as the consolidated supervisor;
- as far as may be reasonably possible, ensures that the members of the board and the executive management of the foreign institution at all times consist of fit and proper persons;
- is satisfied with the standard of risk management maintained by the foreign institution; and
- is committed to keeping the bank supervisory authorities in the Republic informed of any material information regarding the financial soundness of the foreign institution and its branch/subsidiary.

The PA may also take into consideration the existence of a Memorandum of Understanding (MoU) entered into between the PA and the relevant home supervisor.

The business operations of a branch/subsidiary shall furthermore be covered and supported by a valid letter of comfort and undertaking issued by the relevant foreign institution, in which letter of comfort and undertaking such foreign institution duly:

- confirms its understanding and acceptance of the ultimate objective of the maintenance of financially sound branches/subsidiaries in the interests of an efficiently functioning overall financial system in the Republic;
- undertakes to ensure that the management of the branch/subsidiary at all times consists of individuals considered fit and proper to fulfil their respective responsibilities and tasks;
- undertakes, within reasonable standards, to strive towards enhancing the standards of risk management being applied in respect of the business of the branch/subsidiary by its management;
- confirms its acceptance of and its responsibility for the operations of the branch/subsidiary;
- undertakes to safeguard the financial soundness and stability, including the maintenance of the branch capital, of the branch/subsidiary; and
- confirms its understanding and acceptance of, and its adherence to the Basel Core Principles and other legislation governing the conduct of the business of a bank in the Republic.

Application procedures

Pre-application consultation

The PA may conduct a pre-application meeting with prospective applicants after receiving an enquiry or request for a meeting via the PA website or telephonically. The pre-application meeting provides prospective applicants with an opportunity to discuss their proposed business plans. It will also allow the PA to highlight any areas the applicant might need to address. The applicant will also have the opportunity to ask questions about the authorisation process.

Before the initial meeting, the applicant will be required to prepare a brief high-level summary of its business proposition. As a minimum, the aforementioned brief should contain the following:

- a reason why the applicant wants to establish the relevant financial institution;

- the applicant's initial business proposition and strategy, including a business plan, the products to be offered, how the products will be offered and the target market;
- an indication of the sources of funding, how the applicant proposes to fund the business and whether it has any investors and/or funding in place;
- details of proposed owners and controllers, as far as they are known;
- corporate governance, including details of the structure, board, senior management and governance arrangements, as far as they are known; and
- project plan, including an overview and timeline of the applicant's plan to set up the financial institution.

Information to be submitted with an application

A list of information and supporting documentation required to be submitted with an application for authorisation and/or registration as a bank or a mutual bank in the Republic is set out in annexures A and B as attached.

Submission of application

Two copies of the final application, each signed by the chairperson of the board or the chief executive officer of the applicant, including all the required information and supporting documentation as set out in the annexures, should be submitted to the PA. Due to the size of the applications, the PA should also be provided with a soft copy of the application.

An application can be submitted to the PA in the following ways:

- email to the PA: SARB-PA@resbank.co.za; or
- hand deliver to the PA at 370 Helen Joseph Street (previously Church Street), Pretoria.

Processing and notification

All applications will be processed within a reasonable time, having regard to the particular circumstances of each application, including the completeness of information and documents submitted to the PA by the applicant.

The PA may seek such additional information from an applicant as is necessary to assess the application. In this regard, the PA need not deal further with an application until the applicant has provided the PA with such additional information.

The PA will make a decision independently on whether or not to grant an application. While the PA will make the final decision on an application, section 126 of the FSRA stipulates that the PA may not issue, vary, suspend or revoke a licence unless the other financial sector regulator has concurred. The PA will accordingly obtain FSCA's concurrence prior to issuing any licence.

The PA may impose conditions for authorisation and/or registration at the time it is granted and may impose, vary or revoke conditions for authorisation and/or registration thereafter.

When the PA grants an application for registration, it will give written notice of that fact to the applicant concerned. Registrations will be published on the PA's website and, where required, in the *Government Gazette*.

Supporting information required for an application for authorisation to establish a bank and/or a subsidiary/branch of an institution which has been established in a country other than the Republic and which lawfully conducts in such other country a business similar to the business of a bank

Criteria	Yes/No
Public company incorporated under the Companies Act 71 of 2008 (refer to section 11 of the Banks Act 94 of 1990) – not applicable to branches	
Form BA 002 signed by chairperson/chief executive officer of the applicant (refer to regulation 53 of the Regulations relating to Banks)	
Name of applicant	
A statement as to whether the person applying is doing so in his/her own capacity or as an agent on behalf of a principal	
In the case of an agent acting on behalf of a principal, the written consent of such a principal for the agent to submit the application on the principal's behalf	
Full and abbreviated name of institution as well as the literal translation thereof, together with address of head office and postal address	
Two copies of memorandum of incorporation with an indication on whether or not the same is registered by the Companies and Intellectual Property Commission	
Predominant business activities in which the applicant is likely to be engaged and proportion in which each activity stands to total business activities of applicant	
<p>Outline of the proposed strategic and operational/business plan in the short, medium and long term, including sufficiently detailed information in respect of:</p> <ul style="list-style-type: none"> • the relevant systems related to corporate governance, risk management and internal controls, including those related to the detection and prevention of criminal activities and the oversight of proposed outsourced functions; and • the scope and degree of sophistication of the proposed activities 	
Pro forma form BA 100 (balance sheet) – proposed for ensuing year	
Pro forma form BA 110 (off-balance sheet activities) – proposed for ensuing year	
Form BA 125 (return regarding shareholders of a bank/controlling company) –	

current and proposed for ensuing 12 months as from date of application and, when applicable, written confirmation by a public accountant that designated share capital received from proposed shareholders is held in a trust account	
Pro forma form BA 120 (income statement) – proposed for ensuing year	
Contemplated future policy with regard to payment of dividends	
Pro forma form BA 300 (liquidity risk) – proposed for ensuing year	
Guidelines (policy) to be followed in connection with maximum deposits, in relation to total deposits, to be accepted from a single depositor	
Pro forma form BA 700 (capital adequacy) – proposed for ensuing year	
Pro forma form BA 350 (derivative instruments) – proposed for ensuing year	
Pro forma form BA 130 (restriction on investments, loans and advances) – proposed for ensuing year	
Name(s) and address(es) of auditors	
Form BA 006 (application for approval of appointment of auditors)	
With regard to the management – by the applicant in the conduct of its business – of the risks specified in regulation 39(3) of the Regulations relating to Banks, the policy to be followed by the applicant in the management of each type of risk and the effect, quantified if possible, of the following type of risk on the business of the applicant: <ul style="list-style-type: none"> • solvency risk • liquidity risk • counterparty risk • interest rate risk • market risk (position risk) • credit risk • currency risk • technological risk • operational risk • compliance risk • any other risk regarded as material 	
The names and curricula vitae of directors and executive officers of the bank, together with duly completed forms BA 020 (refer to regulation 42 of the Regulations relating to Banks and Banks Act Directive 3 of 2008)	

With regard to the group of companies of which the applicant is a member, a schematic representation reflecting all interests held in, and by the applicant and in the case of such interests held by the applicant, the nature of the business of the entities in which interests are so held by the applicant	
With regard to the internal auditing of the transactions of the applicant, the applicant's findings relating to the adequacy and efficiency of the internal auditing processes applied in respect of the applicant's deposit book, advances book and large exposures during the period of 12 months immediately preceding the date of the application	
Any instances of non-compliance by the applicant with any of the provisions of the Banks Act 94 of 1990 or the Regulations relating to Banks during the period of 12 months immediately preceding the date of the application	
A report by a public accountant on funds received from anticipated shareholders and held in a trust account	
Public interest motivation	
Rationale for the establishment	
Prescribed fees (refer to regulation 58 of the Regulations relating to Banks)	

Additional information required for an application for registration as a bank (to be submitted at any time during the period of 12 months commencing on the date of the granting of the authorisation)

The information stipulated above, including:

Criteria	Yes/No
Two copies each of the institution's memorandum of incorporation	
A written statement which includes: <ul style="list-style-type: none"> • the full and the abbreviated name of the institution as well as the literal translations thereof; • the address of the institution's head office as well as its postal address; • full particulars of the business the applicant proposes to conduct and the manner in which it proposes to conduct such business; • the full names and the addresses of the chairperson, the other directors and 	

<p>the executive officers of the institution; and</p> <ul style="list-style-type: none"> • a list of shareholders of the institution as at the date of the application, drawn up in accordance with the requirements with which a return referred to in section 59 of the Banks Act has to comply 	
Prescribed fees	
Written proof that the institution complies with the provisions of section 70 of the Banks Act (minimum capital requirement)	
Written proof that the institution complies with the conditions set by the PA when granting authorisation	

Additional information required for an application for authorisation to establish a subsidiary/branch in the Republic by an institution which has been established in a country other than the Republic and which lawfully conducts in such other country a business similar to the business of a bank

The information stipulated above, including:

Criteria	Yes/No
<p>Written statement by the responsible consolidating supervisor of the foreign institution that:</p> <ul style="list-style-type: none"> • it has duly authorised the proposed establishment by the foreign institution of a bank in the Republic; • accepts and complies with the proposals, guidelines and pronouncements of the Basel Committee on Banking Supervision; • is not legally impeded from complying with the provisions of the Basel Committee on Banking Supervision; • accepts its responsibilities as a consolidating supervisor; • as far as may be reasonably possible, ensures that the members of the board and the executive management of the foreign institution shall at all times consist of fit and proper persons; • is satisfied with the standard of risk management maintained by the foreign institution; and • will keep the PA informed of any material information regarding the financial soundness of the foreign institution and its bank in the Republic 	

<p>Proof that the foreign institution, on its own, or a foreign institution and the banking group of which such foreign institution forms part, has at a point in time not earlier than 18 months prior to such foreign institution's application to establish a branch has held, and at all times during the operation of its branch will hold, net assets, as certified by its/their auditors and reflected in its/their audited financial statements, to the total value of at least USD1 billion (refer to section (3)(a) of Government Notice No. 8814, published in <i>Government Gazette</i> No. 30627 dated 1 January 2008 (Conditions for the conducting of the business of a bank by a foreign institution by means of a branch in the Republic))</p>	
<p>A valid letter of comfort and undertaking issued by the relevant foreign institution containing the confirmations required by section 5(c) of Government Notice No. 8814, published in <i>Government Gazette</i> No. 30627 dated 1 January 2008 (Conditions for the conducting of the business of a bank by a foreign institution by means of a branch in the Republic)</p>	
<p>Prescribed fees</p>	

Supporting information required for an application for authorisation to establish a mutual bank

Criteria	Yes/No
An application shall be made by an applicant on behalf of at least seven persons (founders) who have subscribed their names to proposed articles of association agreed to by them for the government of the mutual bank	
Form DI 002 signed by the chairperson/chief executive officer of the applicant (refer to regulation 33 of the Regulations relating to Mutual Banks)	
Public interest motivation	
Mutuality concept	
Name of applicant	
A statement as to whether the person applying is doing so in his/her own capacity or as an agent on behalf of a principal	
In the case of an agent acting on behalf of a principal, the written consent of such a principal for the agent to submit the application on the principal's behalf	
Full and abbreviated name of the institution as well as the literal translation thereof, together with address of head office and postal address	
Two copies of articles in terms of section 32 of the Mutual Banks Act	
Predominant business activities in which the applicant is engaged and the proportion in which each activity stands to the total business activities of the applicant	
An outline of the applicant's business plan in the short, medium and long term	
Pro forma form DI 100 (balance sheet) – proposed for ensuing year	
Pro forma form DI 110 (off-balance sheet activities) – proposed for ensuing year	
Pro forma form DI 200 (income statement) – proposed for ensuing year	
Contemplated future policy with regard to payment of dividends	
Pro forma form DI 300 (liquidity risk) – proposed for ensuing year	
Guidelines (policy) to be followed in connection with maximum deposits, in relation to total deposits, to be accepted from a single depositor	
Pro forma DI 400 (capital adequacy) – proposed for ensuing year	
Pro forma DI 430 (trading risk) – proposed for ensuing year	

Pro forma DI 700 (restriction on investments, loans and advances) – proposed for ensuing year	
Names and addresses of auditors	
Form DI 005 – application for appointment of auditors	
<p>With regard to the management – by the applicant in the conduct of its business – of the risks specified in regulation 37(4) of the Regulations relating to Mutual Banks, the policy to be followed by the applicant in the management of each type of risk and the effect, quantified if possible, of the following type of risk on the business of the applicant:</p> <ul style="list-style-type: none"> • solvency risk • liquidity risk • counterparty risk • interest rate risk • market risk (position risk) • credit risk • currency risk • technological risk • operational risk • any other risk regarded as material 	
The names and curricula vitae of directors and executive officers of the mutual bank, together with duly completed forms DI 020 (refer to regulation 39 of the Regulations relating to Mutual Banks)	
With regard to the group of companies of which the applicant is a member, a schematic representation reflecting all interests held in and by the applicant and, in the case of such interests held by the applicant, the nature of the business of the entities in which interests are so held by the applicant	
With regard to the internal auditing of the transactions of the applicant, the applicant’s findings relating to the adequacy and efficiency of the internal auditing processes applied in respect of the applicant’s deposit book, advances book and large exposures during the period of 12 months immediately preceding the date of the application	
Any instances of non-compliance by the applicant with any of the provisions of the Mutual Banks Act or the Regulations relating to Mutual Banks during the period of	

12 months immediately preceding the date of the application	
Rationale for the establishment	
Prescribed fees (refer to regulation 40 of the Regulations relating to Mutual Banks)	

Additional information required for an application for registration as a mutual bank (to be submitted at any time during the period of 12 months commencing on the date of the granting of the authorisation)

The information stipulated above, including:

Criteria	Yes/No
Two copies of the institution's articles	
<p>A written statement which includes:</p> <ul style="list-style-type: none"> • the full and the abbreviated name of the institution as well as the literal translation thereof; • the address of the institution's head office as well as its postal address; • full particulars of the business the proposed mutual bank will conduct and of the manner in which such business will be conducted; • the full names and the addresses of the chairperson, the other directors and the executive officers of the institution; and • a list of proposed shareholders in the institution, setting out the full name, occupation and residential or business address of the subscriber, the number and type of shares he/she takes and the nominal value of such shares 	
Prescribed fees (refer to regulation 40 of the Regulations relating to Mutual Banks)	
Written proof that the institution complies with the provisions of section 48 of the Mutual Banks Act (minimum capital requirement)	
Written proof that the institution complies with the conditions set by the PA when granting authorisation	

List of abbreviations

Banks Act	Banks Act 94 of 1990
Basel Core Principles	Core Principles for Effective Banking Supervision issued by the Basel Committee on Banking Supervision
Board	Board of Directors
CAR	capital adequacy ratio
Companies Act	Companies Act 71 of 2008
FSCA	Financial Sector Conduct Authority
FSRA	Financial Sector Regulation Act 9 of 2017
IT	information technology
MOU	Memorandum of Understanding
Mutual Banks Act	Mutual Banks Act 124 of 1993
PA	Prudential Authority
Republic	Republic of South Africa