# FIRSTRAND BANK

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7 December 2012

Financial Stability Board
fsb@bis.org

Dear Sir

**FIRSTRAND BANK LIMITED'S COMMENTS ON CONSULTATIVE PAPER: RECOVERY AND RESOLUTION PLANNING - MAKING THE KEY ATTRIBUTES REQUIREMENTS OPERATIONAL**

Please find attached FirstRand Bank Limited's comments on the consultative paper *Recovery and resolution planning: Making the key attributes requirements operational.*

We appreciate the opportunity to comment on the said consultative document.

Please contact us, should you have any questions on our views expressed in this letter.

Yours sincerely

YVETTE SINGH
**PUBLIC POLICY AND REGULATORY AFFAIRS EXECUTIVE**

ENCL. 1

**FirstRand Bank Limited Reg. No. 1929/001225/06**
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**Company Secretary** BW Unser

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FIRSTRAND

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|---|---|
| **To** | Financial Stability Board |
| **From** | FirstRand Bank Limited |
| **Subject** | Consultative Paper: Recovery and Resolution Planning – Making the key attributes requirements operational |
| **Date** | 7 December 2012 |

## CONTENTS

INTRODUCTION ..... 2
COMMENTS FOR FSB TO CONSIDER ..... 2

## 1. INTRODUCTION

As per Financial Stability Board ("FSB") paper, Consultative Document – Recovery and Resolution Planning: Making the Key Attributes Requirements Operational of November 2012, FirstRand Bank hereby submits our comments.

Improving the stability of the banking system by strengthening banks ability to manage themselves through a potentially severe stress situation is of national imperative, FirstRand welcomes the Recovery and Resolution guidance issued by the FSB and will continue to be committed to this process.

## 2. COMMENTS FOR FSB TO CONSIDER

FirstRand is committed to the Recovery and Resolution Planning process and in general agrees with and encourages the incorporation of the principals contained within the FSB's guidance concerning this process. However, considering the South African banking and regulatory system as a whole, there are a few topics contained in the FSB's guidance that we would like to bring to your attention and in some instances we would appreciate further discussions and guidance from the FSB.

- In the context of an emerging market with a less sophisticated and developed market, the full application of the recovery and resolution planning items contained in this consultative document will require significant increase in resources on both a regulatory and bank front. The availability of these skilled resources is constrained within the emerging market space. It is our view that the recovery and resolution requirements be tailored to an emerging market relative to the requirements in a developed financial market.

    - The South African banking industry is largely different to other global economies for various reasons such as: relatively small number of large domestically significant financial institutions but relatively equitable in market share through products and sectors; strong exchange controls meaning a rather closed and protected ZAR system, don't have the depth in market liquidity compared globally and financial institutions are in massive majority, locally operated with very little global reach or exposure.

    - In South Africa, principal focus has initially placed on only an idiosyncratic stress event. Given the structural nature of the South African banking industry mentioned above, we feel that significant work needs to be performed between the banking industry and the regulator to explore and set regulations to govern the resolution process in a systemic event. We would greatly appreciate any further guidance from the FSB with regards to systemic resolution planning, especially in a smaller emerging market economy.

- Currently the recovery and resolution legislative regime to be applied in South Africa is still being defined by the Finance ministry. It is our anticipation that the G-SIFI designation will be applied to the large South Africa banks. In the context of the regime still being developed,

forums such as the Crisis Management Group (CMG) have not been established. As such the opportunity for direct feedback and methodology discussions have not yet been facilitated.

  - At this stage there has been no formal submission to or review by the SARB of the banks Recovery Plans so the banks have not had any official comment or direct feedback on the specifics or methodology used to develop their Recovery Plans.

- In respect of the issuance of Basel III additional Tier 1 and Tier II capital instruments, the uncertainty around instrument triggers for a going concern and resolution state entity, we are in agreement with the regulators requirement to have discretion on determining the point of Non viability. However one area where we would greatly appreciate any further guidance from the FSB would be surrounding the definition of early/going concern Tier 1 triggers.

  - Determining the quantitative early triggers that can be set in the going concern stage (well before PoNV) for Tier 1 capital, would give greater price determination transparency to the investor base, as the distance to default is defined