SA banks 'will have to accept reforms'

Bankers have been warned they have no choice but to adopt some of the new, tough global reforms being proposed to protect them and consumers from another crippling financial crisis.

By Sure Kamhunga 5 Aug 2010

Yesterday, 4 August 2010, experts from PricewaterhouseCoopers said while a "one size fits all" approach would not work, the banks had to accept that changes were necessary because they were part of a global financial system demanding tighter controls.

G-20 reforms

The Group of 20 (G-20) nations was spearheading new, tougher reforms in the aftermath of the collapse c major banks in the US. But bankers in Africa, Canada, China and Australia have criticised what they see as knee-jerk response, arguing they should not be penalised for the misadventures of their American and European counterparts.

Johannes Grosskopf, industry leader for banking and capital markets at PricewaterhouseCoopers, said S/ membership of the G-20 made it even more imperative for banks and the regulator to discuss compliance taking into account already tight banking regulations.

"We have to accept that we are a global player ... and therefore we want to be seen to be complying with tl regulations. Obviously, there will be a need to apply national discretion because ... of different levels of economic development of countries."

Michael Jordaan, CEO of First National Bank, said while bankers had accepted it was no longer business a usual after the G-20 summit in Toronto, there was still a need for more discussion.

Basel 3

"There is still considerable uncertainty around the final set of proposals for Basel 3. The Basel committee has not yet finalised the new regulatory minimum level of capital the banks need to hold, (which) has to be appropriately calibrated given the potential impact on banking activities as well as the economy.

"Whilst the new proposals are likely to reduce both the tier 1 and total capital adequacy ratios of banks, we do not expect to have to raise additional capital to meet the new requirements," he said.

In an earlier presentation yesterday, Grosskopf said the Basel 3 reforms would particularly affect the capit base and liquidity requirements of banks, and also require tighter risk management practices.

Don't wait

Rather than wait for further clarification, he suggested bankers and the regulatory authorities in SA should s down to discuss how they could comply.

"While it may be tempting for them to wait for all the answers, the impact of the changes will be pervasive,' he said.

"Successful implementation for both banks and the financial system as a whole will depend on a thorough understanding of these requirements and their effect on the bank's business model, and on quality change management," he said.

More talks needed

PricewaterhouseCoopers' financial services advisory practice director, Monika Mars, said more debate was required on the definition of capital base and credit risk capital.

But it was clear that banking businesses would require additional capital "as a result of increased counterparty credit risk for derivatives, repos and securities financing".

Source: Business Day