

FSCA COMMUNICATION 4 OF 2026 (FM)

Publication of the Discussion Document: Strengthening capital requirements for non-bank over-the counter derivatives providers for comment

1. PURPOSE

- 1.1. The purpose of this Communication is to inform stakeholders that the Financial Sector Conduct Authority (FSCA) published a Discussion Document on strengthening capital requirements for non-bank over-the-counter derivatives providers (ODP) (Discussion Document) for public consultation today.
- 1.2. The Discussion Document is intended to communicate the context and policy rationales for the work underway to revise the requirements relating to capital adequacy for non-bank ODPs. The purpose is also to inform stakeholders that the project will follow the regulatory instrument making process prescribed in the Financial Sector Regulation Act, 2017 (Act No.9 of 2017) (FSR Act).

2. BACKGROUND

- 2.1. The FSCA is, in terms of the Financial Markets Act, 2012 (Act No. 19 of 2012) (FMA), read with the FSR Act, empowered to issue standards prescribing conditions and requirements for the provision of securities services, aimed at ensuring the efficiency and integrity of the financial markets.
- 2.2. The over-the-counter (OTC) derivatives market fulfils an important role within the South African financial markets. Well capitalised and resilient financial markets are essential for maintaining financial stability as capital requirements enable financial institutions to withstand unexpected shocks, absorb losses and reduce the risk of failure. A pre-emptive approach to respond to stresses in the financial markets is therefore important for fostering confidence in the financial markets generally.
- 2.3. Section 4.1 of Conduct Standard 1 of 2018: *Criteria for the authorisation of OTC derivative providers* imposes a baseline minimum capital requirement for ODPs and the project to which Discussion Document relates is intended to build on and expand on these requirements.
- 2.4. In 2022, the World Bank Group (WBG) and the International Monetary Fund released the results of its Financial Sector Assessment Program assessment of South Africa. The WBG recommended that the FSCA enhances the monitoring of ODPs. In this regard, it was recommended that the FSCA strengthens and develops more granular capital requirements for ODPs.
- 2.5. Stakeholders are advised that the development of the capital framework will take into account the need for appropriate granularity of requirements to ensure that ODPs are appropriately capitalised. Furthermore, the development of the capital framework will

be informed by the gaps identified in the regulation and supervision of non-bank ODPs. The FSCA will be guided by the need to ensure that the capital requirements are proportional to the activities and features of the domestic OTC derivatives market. The framework will be developed in consultation with and supported by the Prudential Authority.

- 2.6. From a process perspective, the FSCA will request information from licensed ODPs to map out the risks in the industry, which will inform the level of granularity to be implemented. This will involve both formal and informal consultation with impacted stakeholders. Once the FSCA has clearly defined a capital framework, it will issue an appropriate regulatory instrument to give legislative effect to the requirements in the framework. At that stage, the draft regulatory instrument (i.e. standard) will be issued for public consultation, as prescribed in the FSR Act.

3. Availability of Documents and Enquiries

- 3.1. The Discussion Document is available on the FSCA's website at www.fsca.co.za.
- 3.2. Stakeholders and other interested parties are invited to submit their written comments by **12 May 2026**. Comments should be addressed to Ms Talita Mshweshwe, using the attached comments template and submitted via email to: FSCA.RFDStandards@fsca.co.za.
- 3.3. For more information regarding the Discussion Document or this Communication please contact Talita Mshweshwe at Talita.Mshweshwe@fsca.co.za.



UNATHI KAMLANA
COMMISSIONER
FINANCIAL SECTOR CONDUCT AUTHORITY
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