

Regulatory Frameworks and Bank Failure Prevention in South Africa: Assessing Effectiveness and Enhancing Resilience

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Abstract : In the context of South Africa's banking sector, the prevention of bank failures is of paramount importance to ensure financial stability and economic growth. This paper focuses on the role of regulatory frameworks in safeguarding the resilience of South African banks and mitigating the risks of failures. It aims to assess the effectiveness of existing regulatory measures and proposes strategies to enhance the resilience of financial institutions in the country. The paper begins by examining the specific regulatory frameworks in place in South Africa, including capital adequacy requirements, stress testing methodologies, risk management guidelines, and supervisory practices. It delves into the evolution of these measures in response to lessons learned from past financial crises and their relevance in the unique South African banking landscape. Drawing on empirical evidence and case studies specific to South Africa, this paper evaluates the effectiveness of regulatory frameworks in preventing bank failures within the country. It analyses the impact of these frameworks on crucial aspects such as early detection of distress signals, improvements in risk management practices, and advancements in corporate governance within South African financial institutions. Additionally, it explores the interplay between regulatory frameworks and the specific economic environment of South Africa, including the role of macroprudential policies in preventing systemic risks. Based on the assessment, this paper proposes recommendations to strengthen regulatory frameworks and enhance their effectiveness in bank failure prevention in South Africa. It explores avenues for refining existing regulations to align capital requirements with the risk profiles of South African banks, enhancing stress testing methodologies to capture specific vulnerabilities, and fostering better coordination among regulatory authorities within the country. Furthermore, it examines the potential benefits of adopting innovative approaches, such as leveraging technology and data analytics, to improve risk assessment and supervision in the South African banking sector.

Keywords : banks, resolution, liquidity, regulation

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