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GOVERNMENT NOTICE

DEPARTMENT OF FINANCE**No. R. 357****20 April 2001****BANKS ACT, 1990****DESIGNATION OF AN INSTITUTION OF WHICH THE ACTIVITIES DO NOT
FALL WITHIN THE MEANING OF "THE BUSINESS OF A BANK"
("ITHALA DEVELOPMENT FINANCE CORPORATION LIMITED")****formerly known as "KWAZULU FINANCE & INVESTMENT CORPORATION LIMITED")**

under paragraph (dd)(i) of the definition of "the business of a bank" in section 1 of the Banks Act, 1990 (Act No. 94 of 1990), I, Trevor Andrew Manuel, Minister of Finance, hereby designate for the period with retrospective effect, commencing on 1 July 1998 and expiring on 31 December 2002, and subject to the conditions set out in paragraph 3 of the Schedule, the institution specified in paragraph 2 of the Schedule as an institution of which the activities do not fall within the meaning of "the business of a bank".

T A Manuel

Minister of Finance

SCHEDULE**1. Definitions**

In this Schedule, "**the Banks Act**" means the Banks Act, 1990 (Act No. 94 of 1990), and any word or expression to which a meaning has been assigned in the Banks Act or the Regulations relating to Banks shall bear the meaning to assigned thereto and, unless the context otherwise indicates-

"KwaZulu Natal Ithala Development Finance Corporations Act" means the KwaZulu Natal Ithala Development Finance Corporation Act, 1999 (Act No. 2 of 1999);

“Ithala Development Finance Corporation Limited” formerly known as **“KwaZulu Finance and Investment Corporation Limited”** means the development corporation known as Ithala Development Finance Corporation Limited, referred to in section 2 of the KwaZulu Natal Ithala Development Finance Corporations Act;

“Ithala” means Ithala Development Finance Corporation Limited.

2. Institution

Ithala Development Finance Corporation Limited

3. Conditions

3.1 The activities of Ithala, shall, in so far as they correspond to the activities contemplated in paragraphs (a), (b), (c) and (d) of the definition of “the business of a bank” in section 1(1) of the Banks Act, be performed by virtue of the powers conferred upon Ithala in terms of the provisions of the KwaZulu Natal Ithala Development Finance Corporations Act: Provided that Ithala may not, in the performance of its activities—

- (a) use, or refer to itself or any of its divisions by any name, description or symbol indicating, or calculated to lead persons to infer, that it or such a division is a bank registered as such under the Banks Act; or
- (b) in respect of itself or any of its divisions or undertakings use a name or description that includes the word “bank”, or any derivative thereof, or the words “building society, or any derivative thereof, unless such name or description is composed of words that include the word “bank” as part of a place-name or a personal name.

3.2 The activities of Ithala shall be—

(a) managed in such a way that the sum of its issued primary and secondary share capital and its primary and secondary unimpaired reserve funds in the Republic does not at any time amount to less than an amount which represents 8 (eight) per cent of the sum of the amounts calculated by multiplying the average amounts of such different categories of-

(i) assets; and

(ii) other risk exposures in the conduct of Ithala's business,

as set out in ANNEXURE A, by risk weights expressed as percentages, as so set forth, in respect of such different categories of assets and other risk exposures.

(b) performed whilst Ithala at all times holds an average daily amount of liquid assets in the Republic that shall not be less than an amount equal to 5 (five) per cent of its total liabilities to the public.

3.3 Ithala immediately commences and completes, at its own costs, to the satisfaction of the Registrar of Banks and the Minister of Finance, the "ring-fencing" of its deposit-taking activities within a separately capitalised and limited corporation ("Ithala Savings").

3.4 Ithala effects an immediate separation between the lending activities of Ithala, in particular the current loan and advances exposures, and the current and future deposit-taking activities will be conducted by Ithala Savings.

3.5 Ithala Savings shall fully comply with such prudential, reporting, and other regulatory requirements, which may be imposed by the Registrar of Banks and/or the Minister of Finance, from time to time.

ANNEXURE "A"

Risk Weighting	Transactions with the following counterparties, including assets and Contingent liabilities
0 %	<p>Transactions with the following counterparties: Central government of the RSA and OECD countries Central banks of the RSA and OECD countries</p> <p>Assets: Bank notes, subsidiary coin, gold coin and bullion Postal and money orders, service deposits and stamps</p> <p>Contingent liabilities Performance-related guarantees on behalf of the RSA central government and RSA public-sector bodies and central governments in common monetary area Irrevocable letters of credit with an original maturity of up to three months All irrevocable, unutilised facilities with an original maturity of less than one year Irrevocable, unutilised draw-down facilities to the central government of the RSA and OECD countries</p>
5 %	<p>Contingent liabilities Irrevocable letters of credit with an original maturity of more than three months on behalf of public-sector bodies in the RSA Irrevocable, unutilised facilities with an original maturity of one year and over to public-sector bodies in the RSA Irrevocable, unutilised draw-down facilities to public-sector bodies in the RSA</p>
10 %	<p>Transactions with the following counterparties RSA public-sector bodies, excluding the central government, SA Reserve Bank and the Corporation for Public Deposits</p>
20 %	<p>Transactions with the following counterparties Public-sector bodies in countries in common monetary area, excluding the RSA Banks in the RSA and OECD countries not covered in the above categories Non-RSA banks and non-OECD banks when the residual maturity is less than or equal to 12 months Securities firms incorporated in the RSA or OECD countries provided that such firms are subject to comparable supervisory and regulatory arrangements than in the RSA, including, in particular, risk-based capital requirements</p> <p>Contingent liabilities Irrevocable letters of credit for a period of longer than three months to all other parties not covered above Contracted capital expenditure</p>

Risk Weighting	Transactions with the following counterparties, including assets and Contingent liabilities
50 %	<p><u>Assets</u> Loans granted on or before 1 October 1998, fully secured by mortgage bonds on occupied urban residential dwellings or occupied individual sectional title dwellings, in respect of which loans, the principal amount, together with accrued interest, is repayable in equal monthly instalments, when the monthly instalments are not four months or more overdue and to the extent that the capital amount outstanding does not exceed 80 per cent of the current market value of the mortgaged property Loans granted before 1 October 1998, fully secured by mortgage bonds on urban residential dwellings or individual sectional title dwellings, in respect of which loans, the principal amount, together with accrued interest, is repayable in equal monthly instalments, when the monthly instalments are not four months or more overdue and when the capital amount outstanding does not exceed the current market value of the mortgaged property Remittances in transit</p> <p><u>Contingent liabilities</u> Performance-related guarantees on behalf of non-banks not covered in the above categories All other irrevocable facilities, including all other unutilised draw-down facilities Underwriting exposures</p>
100 % Impairments	<p><u>Transactions with the following counterparties</u> All other counterparties not covered above</p> <p><u>Assets</u> All other assets not covered above <u>Against primary share capital and primary unimpaired reserve funds</u> The value of assets lodged or pledged to secure liabilities incurred under any other law when the effect of such lodging or pledging is that such assets are not available for the purpose of meeting the liabilities of the bank in terms of the Banks Act, 1990 Accumulated losses</p>

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