



14/6/2_2020

2020-12-21

Exchange Control Circular No. 20/2020

Systems governance requirements and procedures

Flowing from numerous queries received from reporting entities relating to the submission of systems governance documentation which, inter alia, includes the submission to the Financial Surveillance Department of an inspection report, pre and post managerial letters of comfort as well as an annual managerial letter of comfort, Authorised Dealers and Authorised Dealers in foreign exchange with limited authority are advised that new sections J.(J) and C.1(J) have been incorporated into the Currency and Exchanges Manual for Authorised Dealers as well as the Currency and Exchanges Manual for Authorised Dealers in foreign exchange with limited authority respectively to document the systems governance requirements and procedures as follows:

(J) Systems governance

(i) Inspection manual

The minimum information that should be contained in an inspection manual includes:

- a) a comprehensive flow diagram clearly depicting the flow of transactions through various systems (on-boarding, transactional, accounting and FinSurv Reporting System, including the Reconciliation Module) from capturing to submission of the transactions to the Financial Surveillance Department;

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- b) an up to date list of definitions, contact details of the dedicated person(s) responsible for the reporting to Financial Surveillance Department, error handling and the Reconciliation Module; and
 - c) suitable back-up procedures (i.e. how often, where, when, by whom, the duration of storage that should be minimum five years and recovery testing). Refer to the inspection manual specimen which is available from the website: www.resbank.co.za by following the links: Home>Financial Surveillance>Authorised Dealers>FinSurv Reporting System>FinSurv Reporting System documents>System Governance Templates or Home>Financial Surveillance>ADLAs>FinSurv Reporting System >FinSurv Reporting System documents>System Governance Templates.

(ii) Pre and post certification managerial letter of comfort

- a) Pre certification managerial letter of comfort must be submitted to the Financial Surveillance Department prior to the inspectors conducting a systems certification of the on-boarding, transactional, accounting and FinSurv Reporting System, including the Reconciliation Module. The pre certification managerial letter of comfort provides assurance that the reporting entity's FinSurv Reporting System complies with the Financial Surveillance Department's reporting requirements. In addition, risks and controls around the systems are properly mitigated to ensure that correct, accurate and comprehensive data is submitted as well as that the respective system is ready for deployment into the production environment.
- b) Post certification managerial letter of comfort must be submitted to the Financial Surveillance Department after the on-boarding, transactional, accounting and FinSurv Reporting System, including



the Reconciliation Module have been deployed in a live environment successfully for at least one month.

- c) These pre and post managerial letters of comfort should be completed by the dedicated person responsible for regulatory compliance in consultation with various governance structures within the reporting entity. Refer to the pre and post certification managerial letter of comfort specimens that are available as outlined in (i)(c) above.

(iii) Annual managerial letter of comfort

- a) The reporting entity must submit an annual managerial letter of comfort indicating that it is comfortable with the governance structures and functionality of the FinSurv Reporting System. The letter must be submitted to the Financial Surveillance Department annually within three months after the financial year end of the reporting entity.
- b) The dedicated person responsible for regulatory compliance must be accountable for completing the annual managerial letter of comfort and obtaining confirmation from assurance providers that the independent assurance review of the on-boarding, transactional, accounting and FinSurv Reporting System, including the Reconciliation Module will form part of its ongoing reviews. In this regard, the nature of the assurance procedure must be outlined. Refer to the annual managerial letter of comfort specimen that is available as outlined in (i)(c) above.

The inspection manual template, pre and post certification managerial letter of comfort specimens as well as an annual managerial letter of comfort specimen may be downloaded from the South African Reserve Bank's website: www.resbank.co.za by following the links: Home>Financial Surveillance>Authorised Dealers>FinSurv Reporting System >FinSurv Reporting System documents>System Governance



Templates or Home>Financial Surveillance>ADLAs>FinSurv Reporting System
>FinSurv Reporting System documents>System Governance Templates.

The amended Manuals and guideline documents may be accessed on the SARB website: www.resbank.co.za by following the links: Home> Financial Surveillance>Financial Surveillance documents>Manuals.

Acting Head of Department: Financial Surveillance

Appendix A

Inspection Manual Specimen:



Template 1 -
Inspection Manual.doc

Appendix B

Annual Managerial Letter of Comfort Specimen:



Template 2 - Annual
Managerial Letter of C

Pre and Post Certification Managerial Letter of Comfort Specimens:



Template 3 - Pre
Certification Manager



Template 4 - Post
Certification Manager