MANAGING REGULATORY CHANGE

We believe in a regulatory system that contributes to a safer financial system for all and that facilitates sustainable economic growth in Africa. We support the move towards a more principles-based regulatory framework that focuses on fair and beneficial outcomes for clients, as well as the stability and integrity of the financial system.

The pace, volume and scope of changes in regulation remains a concern for us, and we work with policymakers and regulators to identify the likely effects of regulatory reform and potential unintended consequences. We continue to invest in our capabilities to understand and comply with the multiplicity of regulatory requirements facing a universal bank operating in more than 20 countries.

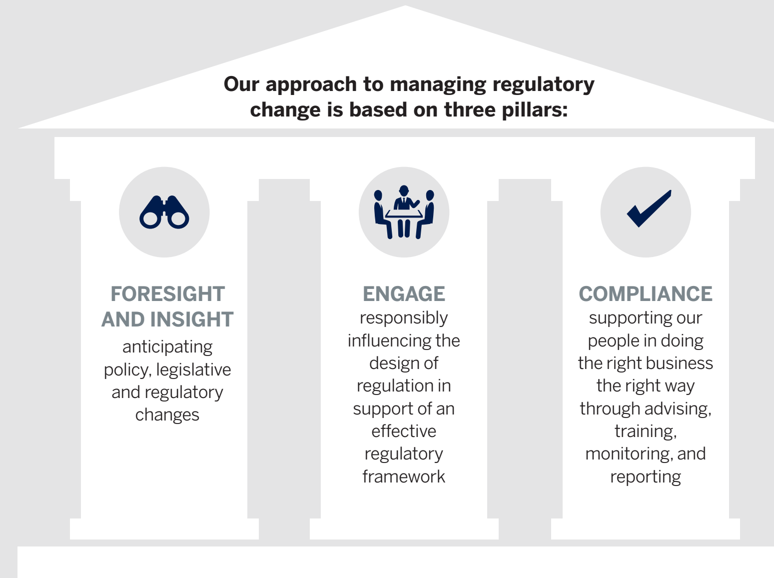
RETHINKING REGULATION

In the past 12 months, there has been no lessening of the pace, volume, and scope of regulatory change impacting the bank. In South Africa, for example, the authorities publish, on average, one new regulation, directive, or draft law, every week. Changes in public policy, legislation and regulation affect every part of the group. For our South African operation, managing rapid regulatory change is "business-as-usual", as the processes of assessing, influencing, and implementing new regulatory requirements is embedded in normal operations. The focus has now shifted to embedding similar processes and capabilities across all our operations.

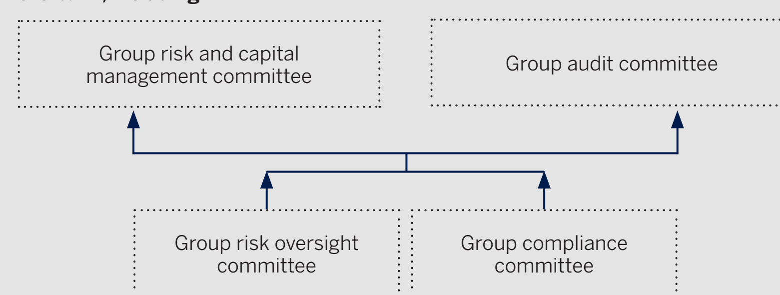
Our ability to effectively manage regulatory change is central to the trust that our stakeholders place in us: our clients want to know that their interests are protected; our people want to do the right business the right way; governments want to ensure that policy problems are solved and unintended consequences avoided; our regulators want to know we are compliant; and our shareholders are keen to minimise the costs of disruptive change programmes.

We support a regulatory framework that is appropriately balanced between promoting financial stability, protecting clients, ensuring a sustainable banking sector, and promoting economic growth. The characteristics of an effective regulatory framework are:

- Evidence-based regulatory impact assessments
- Clarity in what is required
- Consistency of application
- Appropriate to local conditions
- Efficiently and economically administered.



This work is overseen by several board and management committees in the bank, including:



FORESIGHT AND INSIGHT: WHAT'S ON THE REGULATORY CHANGE RADAR?

Financial stability and making the financial system safer

The central challenge confronting policymakers and regulators is how best to manage competing policy imperatives: the need for economic growth and financial stability, the need for greater financial inclusion and better consumer protection, and the need to allow for national discretion within globally consistent standards. Getting this balancing act wrong can have adverse consequences for developing economies. For example, proposed changes to the Basel Capital Framework, that require global banks to hold considerably more capital, could contribute to disinvestment from some African countries by some banks, restricting access to much-needed finance for infrastructure investment, cross-border trade, and renewable energy.

Global standard-setting bodies such as the Basel Committee on Banking Supervision and the Financial Stability Board continue to consider ways to strengthen the safety of the financial system. Current proposals include revisions to the assessment of credit and operational risk, and changes to how much capital banks are required to hold.