

## **FSCA COMMUNICATION 30 OF 2023 (BANKS)**

### **Clarification of supervisory expectations regarding branch closures and automated teller machine (ATM) removals by banks**

#### **1. PURPOSE**

- 1.1 The purpose of this Communication is to provide clarity on the expectations of the Financial Sector Conduct Authority (FSCA) regarding the closure of branches and/or removal of ATMs by banks, whether on a temporary or permanent basis.

#### **2. BACKGROUND**

- 2.1 On 1 September 2021, the FSCA published *Communication 18 of 2021 (Banks) – Conduct of Business Supervision - The FSCA’s expectations regarding bank branch closures and automated teller machine (ATM) removals* (Communication 18)<sup>1</sup>.
- 2.2 The purpose of Communication 18 was to outline the FSCA’s expectations regarding the safeguarding of fair customer outcomes when banks decide to close bank branches or remove ATMs, either temporarily or permanently.
- 2.3 Subsequent to the publication of Communication 18, the FSCA has engaged extensively with the banking sector to clarify the intent and objectives of specific aspects contained in the Communication. These engagements also helped provide useful insights into certain practical implications of the expectations communicated in Communication 18.
- 2.4 This Communication seeks to further clarify and confirm the FSCA’s expectations based on the aforementioned engagements.

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<sup>1</sup> Please click [here](#) to access Communication 18.

### 3. CLARIFICATION OF THE FSCA'S EXPECTATIONS

- 3.1 The FSCA appreciates that the closure of a bank branch or removal of an ATM (temporarily or permanently) is a commercial imperative of a bank and may be done for various reasons, including for strategic or operational purposes.
- 3.2 In Communication 18, banks were requested to notify the FSCA of their intention to close physical points of presence, whether permanently or temporarily for purposes of refurbishment or conversion to self-service branches. Temporary closures were deemed to be closures for a period longer than 30 days.
- 3.3 The FSCA wishes to clarify and confirm the following:
- 3.3.1 Banks are not required to obtain prior approval from the FSCA before taking a commercial decision to close a branch or remove an ATM, whether temporarily or permanently; and
- 3.3.2 For practical reasons, a temporary closure will be deemed as a closure for a period longer than 45 days (and not the 30 days previously indicated in Communication 18).
- 3.4 To ensure that the FSCA is able to properly execute its mandate to promote fair outcomes for financial customers in line with the Financial Sector Regulation Act, No. 9 of 2017<sup>2</sup> and the requirements set out in Conduct Standard 3 of 2020 (Banks)<sup>3</sup>, the FSCA does expect a bank to notify it within a reasonable period after a decision has been taken to close branches or remove ATMs, temporarily or permanently, as follows:
- 3.4.1 In the case of planned branch closures or ATM removals, whether temporary or permanent, a bank will be expected to provide the FSCA, on an annual basis, with details of the bank's strategy relating to the planned closures or removals, including steps taken to ensure that such closures or removals do not adversely impact fair outcomes to financial customers; and
- 3.4.2 In the case of unplanned branch closures or ATM removals, whether temporary or permanent, a bank will be expected to share with the FSCA, through its ongoing supervisory engagements, details of appropriate arrangements such as the provision of reasonable alternative services or

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<sup>2</sup> Click [here](#) to access the Financial Sector Regulation Act, No. 9 of 2017.

<sup>3</sup> Click [here](#) to access Conduct Standard 3 of 2020 (Banks).

access points to ensure that the needs of vulnerable customers remain protected during such closures or removals.

- 3.5 The FSCA recognises that individual banks have their own risk assessment and governance protocols appropriate to their business models, customer profiles and distribution channels to help guide key strategic and operational decisions, including those relating to the closure of branches and removal of ATMs, whether temporarily or permanently. As such, the FSCA welcomes ongoing engagements with individual banks and the sector as a whole to better understand the factors that are considered in assessing how such decisions may impact financial customers going forward.

#### **4. ENQUIRIES**

- 4.1 For further information regarding this Communication, please contact Ms Sindiswa Makhubalo at [Sindiswa.Makhubalo@fsc.co.za](mailto:Sindiswa.Makhubalo@fsc.co.za).



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