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GOVERNMENT NOTICE

SOUTH AFRICAN RESERVE BANK

No. R. 1029

12 December 2012

BANKS ACT, 1990 (ACT NO. 94 OF 1990)

REGULATIONS RELATING TO BANKS

The Minister of Finance has under section 90 of the Banks Act, 1990 (Act No. 94 of 1990), issued the regulations contained in the Schedule.

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CHAPTER I

BASIS OF REGULATIONS

1. Objective of Regulations and completeness of information

(1) The objective of these Regulations is to provide for the establishment of basic principles relating to the maintenance of effective risk management by banks and controlling companies, with due allowance for the ancillary objective that the benefits derived by banks and controlling companies from compliance with these Regulations exceed the costs entailed by such compliance.

(2) All information required to be reported in the forms prescribed in these Regulations shall be reflected against the appropriate items and in the columns specified in the forms. For example, subject to the provisions of regulation 2, all liabilities consisting of claims relating to and all assets arising from the business of the reporting bank shall be included against the appropriate liability or asset items in the relevant columns provided.

(3) Upon request, an analysis of any information or item furnished or appearing in any of the forms referred to in subregulation (2) shall be made available to the Registrar within a reasonable period of time.

2. Management accounts as basis for the completion of returns

(1) Unless expressly otherwise provided in the Act or these Regulations, all the prescribed returns shall reflect the management accounts presented to the management and/or board of directors of a bank or controlling company in the sense that the said returns-

(a) shall be prepared using the same principles used in the preparation of such management accounts and/or board reports;

(b) shall be easily reconcilable to such management accounts and/or board reports.

(2) In the event of a conflict between the instructions, directives and interpretations relating to the completion of the returns, as prescribed in these Regulations, and the manner in which the management accounts of the bank or controlling company concerned are completed, the basis and composition of amounts disclosed in such management accounts shall after consultation with the Registrar be presented to the Registrar for approval, provided that in all cases the aggregate amount of the relevant amounts disclosed shall agree or easily be reconcilable.

3. Financial Reporting Standards

(1) Subject to the provisions of regulation 9, unless expressly otherwise provided in the Act or these Regulations, all the relevant prescribed returns shall be prepared in accordance with Financial Reporting Standards issued from time to time, with additional disclosure when required, provided that in the absence of a specific Financial Reporting Standard and an approved interpretation reference shall be made to the relevant pronouncements of the International Accounting Standards Board. In virtually all circumstances the appropriate application of Financial Reporting Standards results in returns and information that provide a fair presentation of the financial position, the results of operations and the relevant risk positions of the relevant bank or controlling company.

(2) Unless-

- (a) specifically otherwise provided in these Regulations; or
- (b) on prior application, the Registrar authorised a deviation from such policy,

the same accounting policy applied by a bank or controlling company in the compilation of its annual financial statements shall be applied by such bank or controlling company in the compilation of the prescribed returns required to be furnished to the Registrar in terms of the Act and these Regulations.

(3) In the event of a deviation in the compilation of the prescribed returns required to be furnished by a bank or controlling company to the Registrar in terms of the Act and these Regulations from the accounting policy applied by such a bank or controlling company in the compilation of its annual financial statements, as envisaged in subregulation (2), the said returns shall be easily reconcilable to the said annual financial statements.

(4) When a bank or controlling company, in accordance with the relevant requirements contained in Financial Reporting Standards issued from time to time, wishes to implement or adopt any fair value option or approach in respect of financial instruments, the said bank or controlling company-

- (a) shall have in place robust risk management systems and board approved policies, procedures and controls prior to the initial application of the said fair value option for a particular activity, instrument or purpose, and on an ongoing basis, in order to ensure, amongst other things, that-
 - (i) sound risk management objectives consistent with the risk management framework and overall risk appetite approved by the bank or controlling company's board of directors, or a relevant committee of the board, are met when the fair value option or approach is applied;
 - (ii) the bank or controlling company applies appropriate valuation methods;
 - (iii) fair values are reliable for all instruments included in the fair value option category;
 - (iv) relevant risk management and control policies pertaining to the use of the fair value option and related valuation methodologies are consistently applied and complied with; and
 - (v) appropriate information is periodically provided to the bank or controlling company's relevant senior management and board of directors, or a relevant committee of the board, about the use of the fair value option, and the impact thereof on the bank's financial condition and performance;
- (b) shall at all times, in form and in substance, comply with any relevant criteria or requirements contained in the relevant Financial Reporting Standard;

- (c) shall duly document its application of the fair value option or approach and all relevant or related matters;
- (d) shall ensure that all relevant assets and liabilities designated as at fair value under the fair value option are duly captured in the relevant risk measurement systems and that the resulting exposure amounts are included in all relevant internal reports that compare actual overall exposure to approved overall risk management limits,

provided that-

- (i) no bank or controlling company shall for the purposes of these Regulations apply any fair value option or approach to instruments in respect of which it is unable to reliably estimate fair values;
- (ii) the Registrar may in writing require a bank or controlling company-
 - (A) to provide supplemental information regarding its application of the fair value option or approach in order to, amongst other things, assess the impact thereof on the bank or controlling company's-
 - (i) overall risk profile;
 - (ii) capital adequacy position;
 - (iii) earnings, and the volatility in earnings;
 - (iv) net interest margin;
 - (v) profit and loss position;
 - (vi) credit risk and related allowances for loss;
 - (B) to exclude from its qualifying amount of capital and reserve funds-
 - (i) any gains or losses arising from changes in its own credit risk due to the application of the fair value option to financial liabilities, that is, when a bank or controlling company, for example, applies the fair value option to its own debt and subsequently recognises a gain and a resulting increase in its capital and reserve funds owing to a deterioration in its own creditworthiness, the Registrar may require the said bank or controlling company to exclude the relevant amount from its qualifying amount of capital and reserve funds;
 - (ii) any unrealised gains or losses on items designated as at fair value through profit and loss when such treatment gives rise to safety and soundness concerns;

- (iii) the relevant fair values of assets and liabilities designated as at fair value under the fair value option shall be independently verified by an appropriately qualified unit independent from the relevant business unit(s), with the same frequency that the fair values of any related assets or liabilities are independently verified;
- (iv) all relevant models used to value items designated as at fair value under the fair value option shall be independently verified by an appropriately qualified unit as part of the bank or controlling company's regular cycle of model validation;
- (v) staff independent from those responsible for the origination of transactions shall monitor the application of the fair value option, amongst others, for conformity with all relevant Financial Reporting Standards, including all relevant accounting and disclosure requirements;
- (vi) based on its risk assessment, the appropriateness of a bank or controlling company's use of the fair value option shall periodically be subject to review by internal audit.

4. Certification and rendition of returns

(1) Irrespective whether a return is rendered on a prescribed form or by means of an electronic facility, the chief executive officer, chief accounting officer and executive officer responsible for the relevant reporting bank or controlling company's compliance with the Financial Intelligence Centre Act, 2001 (Act No. 38 of 2001), as amended (FICA), shall sign and certify the prescribed form BA 099 in respect of each return indicated on the said form.

(2) Every set of returns rendered simultaneously, as mentioned in subregulation (1), shall be accompanied by a duly completed, signed and certified form BA 099.

(3) When the chief executive officer, chief accounting officer or executive officer responsible for compliance with FICA is not available to sign a completed form BA 099, the officer performing the relevant function shall sign the said form in an acting capacity and not on behalf of the absent officer, and the normal office of the officer so acting shall be clearly stated on the form BA 099.

(4) The furnishing of the returns referred to in these Regulations, whether by way of the completion of the prescribed forms or by electronic means, shall be done at the intervals indicated in Chapter II and Chapter VI of these Regulations, and such returns shall be forwarded to the Registrar at the address set out in regulation 6(1).

(5) A reporting bank or controlling company shall submit every appropriate, duly completed form prescribed in Chapter II and Chapter VI of these Regulations, reflecting the required particulars relating to the business conducted by it in the Republic.

(6) A reporting bank or controlling company shall, apart from the forms referred to in subregulation (5), submit every appropriate, duly completed form prescribed in Chapter II and Chapter VI of these Regulations, reflecting the required particulars relating to the relevant business conducted by it, other than the business referred to in subregulation (5), through the medium of an agency or in respect of a branch, a subsidiary company or a relevant associate contemplated in regulation 45(2)(b) in each country elsewhere in the world.

(7) Unless otherwise indicated, all returns shall be completed in either the currency of the country in which the banking or relevant business is being conducted or in the currency in which the banking or relevant business is officially reported, whichever is applicable.

(8) When completing the returns in respect of banking business conducted outside the Republic, the definitions and interpretation of items used in these Regulations shall be applied to the circumstances prevailing in each relevant country and any difficulty experienced or uncertainty in this regard shall be referred to the Registrar for an appropriate directive.

5. Failure or inability to comply with the provisions of the Regulations

(1) Subject to the provisions of section 74 of the Act, a bank, controlling company, branch or branch of a bank that fails or is unable to comply with a provision of these Regulations shall report its failure or inability to comply in writing to the Registrar, stating the reasons for such failure or inability to comply.

(2) The Registrar may summarily take action under the Act or these Regulations against a bank, controlling company, branch or branch of a bank referred to in subregulation (1) or, if in the circumstances the Registrar deems it fit to do so, condone the said failure or inability and, subject to such conditions as may be specified in writing, afford the institution concerned an opportunity to comply with the relevant provision within a specified period.

6. General

(1) Forms to be completed and submitted in terms of these Regulations can be obtained from the Reserve Bank, Office for Banks, P O Box 8432, Pretoria, 0001, and shall be completed and submitted in accordance with the relevant instructions, directives and interpretations contained in the applicable chapters of these Regulations.

(2) A bank or controlling company is not obliged to use the forms provided by the Office for Banks, but any reproduction used by the said bank or controlling company shall in all respects correspond to the prescribed forms.

(3) Additional facilities are provided by the Office for Banks for the rendition by a bank or controlling company of the required information in the prescribed statements and returns by electronic means, and further details in this regard may be obtained from the said Office for Banks.

- 1 Means the supervision of the South African operations of a bank incorporated in the Republic.
- 2 Means a bank conducting business as such outside the Republic, through the medium of a branch of a bank.
- 3 Means the supervision of a bank on a legal entity basis, that is, the combination of information of the relevant bank in the Republic and its relevant branches.
- 4 Means a bank or other entity conducting the business of a bank, which bank or entity is not located or incorporated in the Republic but is controlled by a bank or controlling company that is incorporated in the Republic, but does not include any branch of a bank.
- 5 Means any regulated or unregulated non-bank entity controlled by a bank or controlling company incorporated in the Republic.
- 6 Means the supervision on a consolidated basis of a bank incorporated in the Republic and its relevant branches, subsidiaries and associates, as envisaged in regulation 36.
- 7 Means the supervision on a sub-consolidated basis of a bank or controlling company and its relevant branches, subsidiaries and associates when the said bank or controlling company is a subsidiary of another bank or controlling company subject to the relevant requirements for consolidated supervision specified in these Regulations.
- 8 Means the supervision on a consolidated basis of a bank controlling company incorporated in the Republic and its relevant subsidiaries and associates, as envisaged in regulation 36.
- 9 Forms BA 099 and BA 099A are not prescribed financial returns, but shall be used as a control sheet and to furnish the required declarations regarding compliance and the maintenance of prescribed minimum balances.
- 10 The prescribed statements and returns shall be submitted within the periods specified below.
- a. Before 09:00 am on the second business day immediately following on the day to which the prescribed statement or return relates.
 - b. Within 15 business days immediately following on the month-end or quarter-end to which the prescribed statement or return relates.
 - c. Within 20 business days immediately following on the month-end or quarter-end to which the prescribed statement or return relates.
 - d. Within 30 business days immediately following on the month-end or quarter-end to which the prescribed statement or return relates.
 - e. Within 20 business days immediately following on the sixth month of the financial year or the date to which the annual financial statements relate.
 - f. Within 30 days of 31 December of each year.
 - g. Within 90 days immediately following on the date to which the annual financial statements relate.
 - h. Within 60 days immediately following on the sixth month of the financial year and within 90 days immediately following on the date to which the annual financial statements relate.
 - i. Within 20 business days of 30 June and 31 December of each year.

(Note: As an example, a reference to 10c; 10h in respect of a specific prescribed return means two independent submissions in respect of the specified return, interval and period.)

DECLARATION IN RESPECT OF STATUTORY RETURNS SUBMITTED

BA 099

(To accompany all relevant statutory returns submitted in terms of these Regulations)

Name of bank/controlling company

Period ended.....(yyyy-mm-dd)

A. DECLARATION IN RESPECT OF RETURNS

We, the undersigned, hereby declare as follows in respect of each of the relevant statutory statements and returns (identified and rendered in the manner indicated in the space provided for such purposes in part C of this form) submitted herewith in respect of the period indicated above:

1. GENERAL

- (i) The information contained in the statements and returns is to the best of our knowledge and belief correct; and
- (ii) the statements and returns have been compiled in accordance with the relevant provisions of these Regulations; and
- (iii) the statements and returns reflect the management accounts presented to the management and board of directors of the bank, as required in regulation 2 of these Regulations.

2. FORM BA 130

This bank has at all times during the reporting period complied with the relevant provisions and requirements specified in sections 76 and 77 of the Act.

3. FORM BA 310

- (i) None of the liquid assets included in items 16 to 23 of the form BA 310 have been pledged or otherwise encumbered, as envisaged in section 72(3) of the Act, without the consent of the Registrar;
- (ii) all securities included under the liquid assets envisaged in paragraph (i) have been valued in accordance with the provisions of section 72(4) of the Act; and
- (iii) this bank has from the fifteenth business day of the month following the month for which the preceding return of form BA 310 was submitted to date maintained, and will continue to maintain, for every day until the fourteenth business day of the month following the month to which this return relates, the prescribed average daily minimum reserve balance with the Reserve Bank, as required in terms of section 10A of the South African Reserve Bank Act, 1989, and the prescribed average daily minimum amount of liquid assets, as prescribed in regulation 27(3), and complies/will comply, as from the fifteenth business day of the month following the month to which this return relates, with the aforesaid prescribed minimum requirements on the basis of its prescribed amount of liabilities during the reporting month. (When the bank failed to comply with the prescribed requirements, the declaration shall be qualified, and a statement showing the relevant deficiency(ies), for every day on which a deficiency existed, shall accompany this return.)

4. FORM BA 325

This bank has not exceeded the limit on its effective net open position(s) in foreign currency, as prescribed in regulation 29(3). (When the bank exceeded the prescribed limit, the declaration shall be qualified, and a statement showing the relevant excess(es), for every day on which an excess existed, shall accompany this return.)

5. FORM BA 700

This bank has from the twentieth business day of the month following the month for which the preceding return of form BA 700 was submitted to date maintained, and will continue to maintain, for every day until the nineteenth business day of the month following the month to which this return relates, the relevant prescribed minimum aggregate amount of-

- (i) allocated qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds relating to risks other than market risk; and
- (ii) allocated qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds relating to market risk,

and complies/will comply, as from the twentieth business day of the month following the month to which this return relates, with the aforesaid relevant requirements relating to the maintenance of the prescribed minimum aggregate amounts of:

- (i) allocated qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds relating to risks other than market risk; and
- (ii) allocated qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds relating to market risk.

(When the bank failed to comply with the relevant prescribed requirements, the declaration shall be qualified, and a

statement showing the relevant deficiency(ies), for every day on which a deficiency existed, shall accompany this return.)

B. DECLARATION IN RESPECT OF RELATED MATTERS

We, the undersigned, hereby declare as follows:

1. INVESTMENTS BY CONTROLLING COMPANIES* (* Delete when not relevant)

The abovementioned controlling company has at all times during the reporting period complied with the provisions of section 50 of the Act.

2. FINANCIAL INTELLIGENCE CENTRE ACT, 2001 (FICA)

This bank/controlling company has to date complied with and will continue to comply with-

- (i) any relevant requirement contained in the Financial Intelligence Centre Act, 2001 (Act No. 38 of 2001), as amended; and
- (ii) any relevant requirement contained in the Regulations that may be issued from time to time in terms of the aforesaid Act.

(When the bank/controlling company failed to comply with any relevant requirement, the declaration shall be qualified, and a statement indicating the relevant details of the failure to comply shall accompany this return.)

C. FORMS SUBMITTED

The following statement(s) and return(s), as identified by a hash total or cross in the relevant space provided, are submitted herewith in the format indicated below:

Form number	Title/ description	Hash total on BA form electronically submitted	In the event of a query, the Reserve Bank may contact:		
			Name	Tel no.	Ext
BA 100	Balance sheet				
BA 110	Off-balance-sheet activities				
BA 120	Income statement				
BA 125	Return regarding shareholders				
BA 130	Restriction on investments, loans and advances				
BA 200	Credit risk: monthly return				
BA 210	Credit risk: quarterly return				
BA 220	Credit risk: six-monthly return				
BA 300	Liquidity risk				
BA 310	Minimum reserve balance and liquid assets				
BA 320	Market risk				
BA 325	Daily return: selected risk exposure				
BA 330	Interest-rate risk: banking book				
BA 340	Equity risk in the banking book				
BA 350	Derivative instruments				
BA 400	Operational risk: six-monthly return				
BA 410	Operational risk: six-monthly return				
BA 500	Securitisation schemes				
BA 600	Consolidated return				
BA 610	Foreign operations of South African banks				
BA 700	Capital adequacy and leverage				
BA 900	Institutional and maturity breakdown of liabilities and assets				
BA 920	Analysis of instalment sale transactions, leasing transactions and selected assets				
BA 930	Interest rates on deposits, loans and advances				
BA 940	Selected locational statistics based on residence				
BA 950	Selected locational statistics based on nationality of bank				

Form number	Title/ description	Hard copies submitted ²	In the event of a query, the Reserve Bank may contact:		
			Name	Tel no.	Ext
BA 125	Return regarding shareholders				
BA 210	Credit risk: quarterly return				
BA 220	Credit risk: six-monthly return				
BA 410	Operational risk: six-monthly return				
BA 500	Securitisation schemes				
BA 600	Consolidated return				
BA 700	Capital adequacy and leverage				
	Other (Please specify)				

1. In respect of relevant amounts electronically submitted.
2. In respect of detailed information not submitted in an electronic format on the relevant return.

D. ATTESTATION OF FORM BA 099

1. CERTIFICATION BY OFFICIALS RESPONSIBLE FOR EACH RELEVANT RISK

RISK	RESPONSIBLE OFFICIAL	SIGNATURE	DATE
Balance sheet			
Income statement			
Solvency			
Liquidity			
Counterparty			
Interest rate			
Market (Position)			
Credit			
Technological			
Operational			
Any other risk regarded as material – please specify			

2. CERTIFICATION BY CHIEF EXECUTIVE OFFICER, CHIEF ACCOUNTING OFFICER AND EXECUTIVE OFFICER (FICA)

Signed at, this day of (yyyy-mm)

.....
Chief Executive Officer*

.....
Chief Accounting Officer*

.....
Executive Officer: FICA*

*Please note: When the Chief Executive Officer, Chief Accounting Officer or Executive Officer (FICA) is not available to sign a completed form BA 099, the officer performing the relevant function shall sign the said form in an acting capacity and not on behalf of the absent officer, and the normal office of the officer so acting shall clearly be stated.

**DECLARATION IN RESPECT OF STATUTORY RETURNS SUBMITTED BY
FOREIGN OPERATIONS**

BA 099A

(To accompany all statutory returns submitted by the above institutions in terms of the Regulations relating to Banks)

Name of foreign operation.....

Period ended.....(yyyy-mm-dd) Host country.....

A. DECLARATION IN RESPECT OF RETURNS

We, the undersigned, hereby declare as follows in respect of each of the relevant statutory statements and returns (identified and rendered in the manner indicated in the space provided for such purposes in part C of this form) submitted herewith in respect of the period indicated above:

1. GENERAL

- (i) The information contained in the statements and returns is to the best of our knowledge and belief correct; and
- (ii) the statements and returns have been compiled in accordance with the relevant provisions of these Regulations or, when relevant, the rules and regulations of the relevant host supervisor; and
- (iii) the statements and returns reflect the relevant management accounts presented to the management and board of directors of the relevant bank/ operation.

2. FORM BA 610

The issued common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the abovementioned bank/ operation have on (date) been reduced by the relevant amounts of items prescribed in regulation 38(5) as deductions against the aforesaid categories of capital and reserve funds.

Furthermore, this bank/operation has from the twentieth business day of the month following the quarter for which the preceding return of form BA 610 was submitted to date maintained, and will continue to maintain, for every day until the nineteenth business day of the month following the quarter to which this return relates, the relevant prescribed minimum aggregate amount of-

- (i) allocated qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds relating to risks other than market risk; and
- (ii) allocated qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds relating to market risk, or
- (iii) capital and reserve funds specified by the relevant host supervisor, should the latter be higher,

and complies/will comply, as from the twentieth business day of the month following the quarter to which this return relates, with the aforesaid relevant requirements relating to the maintenance of the prescribed minimum aggregate amounts of:

- (i) allocated qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds relating to risks other than market risk; and
- (ii) allocated qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds relating to market risk.

(When the bank/ operation failed to comply with the relevant prescribed requirements, the declaration shall be qualified, and a statement showing the relevant deficiency(ies), for every day on which a deficiency existed, shall accompany this return.)

B. DECLARATION IN RESPECT OF RELATED MATTERS

We, the undersigned, hereby declare as follows:

1. ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM LEGISLATION

This bank/operation has to date complied with and will continue to comply with any relevant requirement contained in relevant legislation in respect of anti-money laundering or combating the financing of terrorism.

(When the bank/operation failed to comply with any relevant requirement, the declaration shall be qualified, and a statement indicating the relevant details of the failure to comply shall accompany this return.)

C. FORMS SUBMITTED

The following statement(s) and return(s), as identified by a hash total or cross in the relevant space provided, are submitted herewith in the format indicated below:

Form number	Heading of form	Hash total on BA form electronically submitted ¹	In the event of a query, the Reserve Bank may contact:		
			Name	Tel no.	Ext
BA 610	Foreign operations of South African banks				
		Hard copies submitted ²	In the event of a query, the Reserve Bank may contact:		
			Name	Tel no.	Ext
BA 610	Foreign operations of South African banks				
Other	(Please specify)				

1. In respect of relevant amounts electronically submitted.
2. In respect of detailed information not submitted in an electronic format on the relevant return

D. ATTESTATION OF FORM BA 099A

1. CERTIFICATION BY OFFICIALS RESPONSIBLE FOR EACH RELEVANT RISK

RISK	RESPONSIBLE OFFICIAL	SIGNATURE	DATE
Balance sheet			
Income statement			
Solvency			
Liquidity			
Counterparty			
Interest rate			
Market (Position)			
Credit			
Technological			
Operational			
Any other risk regarded as material – please specify			

2. CERTIFICATION BY FOREIGN CHIEF EXECUTIVE OFFICER, FOREIGN CHIEF ACCOUNTING OFFICER AND FOREIGN EXECUTIVE OFFICER (ANTI-MONEY LAUNDERING)

Signed at, this day of (yyyy-mm)

.....
Foreign Chief Executive Officer*

.....
Foreign Chief Accounting Officer*

.....
Foreign Executive Officer* (Anti-money laundering)

*Please note: When the Foreign Chief Executive Officer, Foreign Chief Accounting Officer or Foreign Executive Officer (Anti-money laundering) is not available to sign a completed form BA 099A, the officer performing the relevant function shall sign the said form in an acting capacity and not on behalf of the absent officer, and the normal office of the officer so acting shall clearly be stated.

INSTRUCTIONS RELATING TO FINANCIAL, RISK-BASED AND OTHER RELATED RETURNS

8. Calculation of averages

(1) Whenever relevant or required, unless specifically otherwise stated, the average daily balance for a month in respect of any liability or asset item, or any other balance or prescribed magnitude, identified in the prescribed forms, shall be calculated by totalling the amounts thereof for each day of the month and by dividing such total by the number of calendar days in the particular month to which the statement relates.

(2) The balance to be used in respect of any day on which the reporting bank is not open for business shall be the total of the relevant liability or asset item, balance or magnitude as at the close of business on the preceding business day.

(3) When a bank is unable to calculate an average daily balance for a month, as envisaged in subregulation (1), the bank concerned may apply to the Registrar for approval to use, in respect of a particular item, the month-end figure for the reporting month and the relevant figures for the preceding two month-ends to calculate an average balance. (A bank shall indicate, in its application to the Registrar, the approximate average difference between the month-end figure and the average daily balance for the particular item and by which date it expects to be able to calculate an average daily balance for the month, as envisaged in subregulation (1)).

9. Gross balances

(1) Unless expressly otherwise directed in writing by the Registrar or provided in these Regulations, including the prescribed forms, all information required to be reported in the forms shall be reported on the basis of gross balances.

(2) Subject to the provisions of subregulation (1), the reduction of balances shall be effected only as a result of the application of set-off in terms of regulation 13, cash-management schemes in terms of regulation 16 or netting in terms of the relevant requirements specified in regulation 23.

(3) Assets pledged as security for liabilities of a bank, and such liabilities, shall respectively be reported on the basis of gross balances.

10. Maturity classification

Unless specifically otherwise stated, the maturity classification of a liability or an asset (which classification shall for the purpose of the determination of any average amount be effected on a daily basis) shall be determined with reference to **the remaining period to maturity** of the liability or asset in question and not with reference to the date on which the liability was incurred or the asset was acquired.

11. Reference to line item numbers

Arabic numerals appearing under the heading "Line item" and used to number individual paragraphs of the regulations containing directives and interpretations for the completion of returns correspond to the relevant line item numbers appearing on the relevant forms.

12. Revaluation surplus ranking as common equity tier 1 or additional tier 1 unimpaired reserve funds

(1) A surplus resulting from a revaluation of assets shall rank as common equity tier 1 or additional tier 1 unimpaired reserve funds only to the extent permitted in terms of relevant provisions contained in regulation 38 of these Regulations or such directive as may be issued in writing by the Registrar from time to time.

(2) Subject to the provisions of subregulation (1), no surplus resulting from a contingency item shall rank as common equity tier 1 or additional tier 1 unimpaired reserve funds in terms of section 1(1) of the Act.

13. Set-off

(1) When a client maintains both debit and credit balances with a bank, it may be permissible in certain circumstances to set such balances off against one another for the purposes of completing the prescribed forms, resulting in only net balances being reported.

(2) Unless specifically otherwise provided in these Regulations, set-off shall be allowed only if all of the circumstances specified below apply.

- (a) A legal right to set-off shall exist, and the reporting bank shall in cases of legal uncertainty obtain a legal opinion to the effect that its right to apply set-off is legally well founded and would be enforceable in the liquidation or bankruptcy of the client or the bank.
- (b) The debit and credit balances shall relate to the same obligor.
- (c) Both the debit and credit balances shall be denominated in the same currency.
- (d) The debit and credit balances shall have identical maturities.
- (e) The reporting bank shall monitor and control the relevant debit and credit balances on a net basis in its risk management process and client database for the granting of facilities.

(3) For the purposes of this regulation 13, obligor means any natural person or juristic person, and "person" shall not have the same meaning as a "person" defined in regulation 67.

14. Trading activities

- (1) All items included in a bank's trading book or comprising a bank's trading portfolio-
- (a) shall be reported in the forms prescribed in these Regulations and shall be reflected against the appropriate items and in the columns specified in the relevant forms;
 - (b) shall be reported in accordance with the relevant instructions, directives and interpretations of these Regulations;
 - (c) shall on a daily basis be marked to market or when the bank adopted an approach of marking to model, the bank shall assess on a daily basis the relevant parameters of the model;
 - (d) shall be managed and monitored in terms of duly defined policies and procedures, and a duly defined trading strategy, which policies, procedures and strategy-
 - (i) shall be approved by the bank's board of directors and senior management;
 - (ii) shall be duly documented;
 - (e) shall be managed through a trading desk by dealers with the autonomy, amongst other things, to enter into or manage the positions within the agreed limits and in accordance with the said board approved policies, procedures and trading strategy of the bank;
 - (f) shall be subject to appropriate position limits;
 - (g) shall be reported to the senior management of the bank as an integral part of the bank's day-to-day risk management process;
 - (h) shall actively be monitored with reference to relevant market information, including a continuous assessment by the bank of-
 - (i) market liquidity;
 - (ii) the ability to hedge positions;
 - (iii) the extent of turnover in the market;
 - (iv) the quality and availability of information that has an impact on the bank's valuation process;
 - (v) the extent and nature of relevant positions traded in the market.

15. Accrued interest and amounts

- (1) All liabilities and all assets shall include interest accrued up to the end of the period to which the relevant statement relates.
- (2) When a bank is unable to include interest accrued up to the end of the period to which the statement relates, as required by subregulation (1), the bank concerned may apply to the Registrar for approval to respectively reflect such accrued interest under other liabilities or other assets. (The bank shall indicate in its application to the Registrar by which date it expects to be able to include accrued interest in the respective liability or asset items, as required by subregulation (1)).
- (3) Amounts shall be reported to the nearest thousand units of currency, for example, R4 107 498 and R4 107 540 shall respectively be reported as R4 107 and R4 108.

16. Cash-management schemes

- (1) Unless specifically otherwise specified or prescribed in these Regulations, the reduction of balances resulting from the application of a cash-management scheme shall be taken into account in completing the prescribed forms only when all of the conditions specified below are met.
 - (a) The cash-management scheme shall be conducted only for companies that are subsidiaries of the same holding company and that are included in the group audited annual financial statements of such holding company, as well as for such holding company.
 - (b) Any transfers of debit or credit balances from individual accounts to a central group account shall be shown as actual transactions on individual accounts, as well as in the accounting records of the individual account holders, in order to ensure that the accounting system of the relevant bank reflects the true debtor/creditor and legal relationships.
 - (c) The bank shall provide its clients with statements of account evidencing the effect of transfers, whenever such transfers are made between their accounts and a central group account, in order to enable the clients of the bank to make the necessary entries to ensure that their respective accounting records reflect the true debtor/creditor and legal relationships *vis-à-vis* the bank (except for uncleared items, balances in the books of clients should therefore correspond to balances on client accounts in the accounting system of the relevant bank).
 - (d) A group account, or any other account to which transfers are made, shall be in the name of a legal entity in order to protect the legal position of the bank.

- (e) Any transfer between client accounts and a central group account shall be supported by legal authorisation granted to the bank by its clients, including resolutions of clients' boards of directors to effect such transfers.
- (f) Written agreements whereby authorisation is granted as contemplated in paragraph (e) shall legally limit the bank's risk to the debtor/creditor relationship that exists after transfers have been effected.
- (g) Any statutory return shall reflect the true debtor/creditor and legal relationships of the bank *vis-à-vis* its clients.
- (h) The bank entering into written agreements relating to cash-management schemes with its clients shall ensure that the clients are fully aware that after the transfer of balances on their accounts, they have no claim against or obligation to the bank in respect of the amounts so transferred.
- (i) The bank shall ensure that all written agreements relating to cash-management schemes entered into by it with clients are legal and binding.
- (j) Any cash-management scheme involving the transfer of balances among different legal entities, as well as a standardised written agreement, providing for the conduct of such a scheme, entered into between a bank and its clients, shall be submitted to the Registrar for approval.

17. *Assets sold or acquired in terms of a repurchase or resale agreement*

- (1) All repurchase and resale agreements concluded by a bank shall comply with the conditions specified below, and such further conditions as may be specified in writing by the Registrar.
 - (a) No repurchase or resale agreement shall be concluded by a bank with a client of that bank without such client's prior consent.
 - (b) A bank shall advise its client in writing of every such agreement concluded between them.
 - (c) All documentation relating to such agreements, including letters of confirmation, statements of account and audit certificates, furnished to its clients by a bank, shall clearly identify the relevant transactions as repurchase or resale agreements.
 - (d) Each transaction shall be recorded in the accounting records of the bank, including the client's account in the books of the bank, and the client shall be advised in writing of each transaction on his/her/its account with the bank concerned.
 - (e) The underlying asset of such agreement shall at all times separately be identified physically and in the accounting records of the bank.

BALANCE SHEET**Page no.**

1.	Form BA 100	-	Balance sheet	28
2.	Regulation 18	-	Directives and interpretations for completion of monthly balance sheet (Form BA 100)	34

BA 100
Monthly*

*Quarterly for columns 6 and 7

BALANCE SHEET
(Confidential and not available for inspection by the public)
Name of bank/ controlling company.....
Month ended (yyyy-mm-dd)

(All amounts to be rounded off to the nearest R'000)

Line no.	ASSETS	Actual balances at month-end					Consolidated bank controlling company*
		Operations in the Republic ¹		Total bank ²	Memo item Bank intra-group balances	Consolidated bank*	
		Banking	Trading				
1	2	3	4	5	6	7	
1	Cash and balances with central bank (total of items 2, 5 and 6)						
2	Cash in hand (total of items 3 and 4)						
3	Gold coin and bullion						
4	Local and foreign currency						
5	Mandatory reserve deposits with central bank						
6	Other balances with central bank						
7	Short term negotiable securities (total of items 8 to 10, less 11)						
8	Negotiable certificates of deposit						
9	Treasury bills						
10	Other						
11	Less: credit impairments						
12	Loans and advances to customers (item 24 less item 25)						
13	Home loans						
14	Commercial mortgages						
15	Credit card advances						
16	Lease and instalment debtors						
17	Overdrafts						
18	Redeemable preference shares and other equivalent instruments issued to provide credit						
19	Trade, other bills and bankers' acceptances						
20	Term loans						
21	Factoring accounts						
22	Loans granted/ deposits placed under resale agreements						
23	Other loans to customers/ clients						
24	Gross loans and advances (total of items 13 to 23)						
25	Less: credit impairments						

1. Excluding foreign branches
2. Including foreign branches

(All amounts to be rounded off to the nearest R'000)

Actual balances at month-end

Line no.	Operations in the Republic ¹							Consolidated bank controlling company ²		
	Banking		Trading		Total ¹		Total bank ²		Memro item Bank intra-group balances	Consolidated bank ²
	1	2	3	4	5	6				
ASSETS										
Investment and trading securities (total of items 27 to 31, less item 32)										
Equities - listed										
Equities - unlisted										
Commodities										
Government and government-guaranteed securities										
Other dated securities										
Less: impairment										
Derivative financial instruments										
Pledged assets (total of items 35 to 38)										
Equities - listed										
Equities - unlisted										
Government and government-guaranteed securities										
Other dated securities										
Investment in subsidiary companies										
Investment in associate companies										
Investments in joint ventures										
Non-current assets held for sale										
Intangible assets (total of items 44 to 46)										
Goodwill										
Computer software and capitalised development costs										
Other										
Reinsurance assets										
Investment property										
Property and equipment										
Current income tax receivables										
Deferred income tax assets										
Post-employment assets										
Other assets										
TOTAL ASSETS (total of items 1, 7, 12, 26, 33, 34, 39 to 43 and 47 to 53)										

1. Excluding foreign branches

2. Including foreign branches

(All amounts to be rounded off to the nearest R'000)

Line no.	LIABILITIES	Actual balances at month-end						
		Operations in the Republic ¹		Total bank ²	Memo item		Consolidated bank*	Consolidated bank controlling company*
		Banking	Trading		Total ¹	Bank intra-group balances		
1	2	3	4	5	6	7		
55	Deposits, current accounts and other creditors (total of items 56 to 62)							
56	Current accounts							
57	Savings deposits							
58	Call deposits							
59	Fixed and notice deposits							
60	Negotiable certificates of deposit							
61	Other deposit and loan accounts							
62	Funds received under repurchase agreements							
63	Liabilities under investment contracts							
64	Liabilities under insurance contracts							
65	Policyholder liabilities							
66	Derivative financial instruments and other trading liabilities (total of items 67 and 68)							
67	Derivative financial instruments							
68	Other trading liabilities							
69	Term debt instruments (total of items 70 and 71)							
70	Qualifying as capital							
71	Other							
72	Deferred revenue							
73	Current income tax liabilities							
74	Deferred income tax liabilities							
75	Non current liabilities held for sale							
76	Retirement benefit obligations							
77	Provisions							
78	Other liabilities							
79	TOTAL LIABILITIES (total of items 55, 63 to 66, 69 and 72 to 78)							

1. Excluding foreign branches

2. Including foreign branches

(All amounts to be rounded off to the nearest R'000)

EQUITY Capital and reserve funds attributable to equity holders	Line no.	Actual balances at month-end						
		Operations in the Republic ¹			Total bank ²	Memo item Bank intra-group balances	Consolidated bank* 6	Consolidated bank controlling company* 7
		Banking	Trading	Total ¹				
		1	2	3	4	5		
Total equity attributable to equity holders (total of items 81 to 83)	80							
Share capital	81							
Retained earnings	82							
Other reserves	83							
Preference shareholders and minority shareholders equity (total of items 85 and 86)	84							
Minority ordinary shareholders	85							
Preference shareholders	86							
TOTAL EQUITY (total of items 80 and 84)	87							
TOTAL EQUITY AND LIABILITIES (total of items 79 and 87)	88							

1. Excluding foreign branches.

2. Including foreign branches.

(All amounts to be rounded off to the nearest R'000)

Memorandum items:	Line no.	Actual balances at month-end					Consolidated bank controlling company*
		Operations in the Republic ¹		Total bank ²	Memo item Bank intra-group balances	Consolidated bank*	
		Banking	Trading				
	1	2	3	4	5	6	7
Analysis of item 12 (loans and advances to customers)	89						
Loans and advances to customers other than banks	90						
Loans and advances to banks	91						
Analysis of item 23 (other loans to customers/ clients) (total of items 93 to 99)	92						
Interbank call loans	93						
Corporate call loans	94						
Overnight loans	95						
Collateral	96						
Foreign-currency loans	97						
Specialised lending	98						
Other	99						
Daily average balance for the month in respect of interest bearing loans and advances (item 24)	100						
Analysis of item 55 (deposits, current accounts and other creditors)	101						
Sovereigns, including central banks	102						
Public sector entities	103						
Local authorities	104						
Banks	105						
Securities firms	106						
Corporate customers	107						
Retail customers	108						
Other	109						
Daily average balance for the month in respect of interest bearing deposits (item 55)	110						

1. Excluding foreign branches.

2. Including foreign branches.

(All amounts to be rounded off to the nearest R'000)

Line no.	Memorandum items:	Actual balances at month-end						
		Operations in the Republic ¹			Total bank ²	Memo item Bank intra-group balances	Consolidated bank [*]	Consolidated bank controlling company [*]
		Banking	Trading	Total ¹				
1	2	3	4	5	6	7		
111	Balances related to or in respect of banks:							
112	Assets: (total of items 91 and 112 to 120)							
113	Included in item 7							
114	Included in item 26							
115	Included in item 33							
116	Included in item 34							
117	Included in item 39							
118	Included in item 40							
119	Included in item 41							
120	Included in item 43							
121	Included in item 53							
122	Liabilities: (total of items 105 and 122 to 124)							
123	Included in item 66							
124	Included in item 69							
125	Included in item 78							
126	Equity (total of items 126 and 127)							
127	Included in item 80							
128	Included in item 84							
	Hash total							

1. Excluding foreign branches
2. Including foreign branches

18. Balance sheet - Directives and interpretations for completion of monthly balance sheet (Form BA 100)

(1) The content of the relevant return is confidential and not available for inspection by the public.

(2) In accordance with the relevant requirements specified in regulation 3 of these Regulations, unless expressly otherwise stated in this regulation 18 or the form BA 100 or directed in writing by the Registrar, the form BA 100 shall be prepared in accordance with Financial Reporting Standards issued from time to time, with additional disclosure when required, provided that-

- (a) in the absence of a specific Financial Reporting Standard and an approved interpretation reference shall be made to the relevant pronouncements of the International Accounting Standards Board;
- (b) any uncertainty or difficulty experienced in this regard shall be referred to the Registrar for an appropriate directive.

(3) Instructions relating to the completion of the monthly balance sheet are furnished with reference to the headings and item descriptions of certain columns and line item numbers appearing on the form BA 100, as follows:

*Column number***1 Banking**

This column shall include all asset and liability items other than the asset and liability items designated in terms of the reporting bank's board-approved policy as constituting part of the bank's trading activities.

2 Trading

This column shall include all asset and liability items designated in terms of the reporting bank's board-approved policy as constituting part of the bank's trading activities.

3 Total SA operations, excluding foreign branches

This column shall reflect the aggregate amount of columns 1 and 2 and relates only to the South African operations of the reporting bank.

4 Total bank, including foreign branches

This column shall reflect the relevant amounts relating to the balance sheets of the reporting bank and its foreign branches, which amounts shall be calculated on a consolidated basis.

5 Bank intragroup balances

Column 5 is a memorandum column and shall reflect any amount included in column 3 that relates to an amount received by/ owed to the reporting bank from any person, entity, institution or company that is a member of the group to which the reporting bank belongs, including any subsidiary, associate or joint venture of the reporting bank and its controlling company, and the controlling company itself.

6 Consolidated bank

This column shall reflect on a consolidated basis the consolidated amounts relating to the balance sheets of the reporting bank and its branches, subsidiaries, joint ventures and relevant associates.

7 Consolidated bank controlling company

This column shall reflect on a consolidated basis the consolidated amounts relating to the balance sheets of the controlling company and its subsidiaries, joint ventures and relevant associates.

*Line item
number*

5 Mandatory reserve deposits with central bank

This item shall include any credit balance in an account, and any relevant balance in a contra account, maintained by the reporting bank with the Reserve Bank in terms of section 10A of the South African Reserve Bank Act, 1989 (Act No. 90 of 1989).

In completing the return in respect of banking business conducted outside the Republic, the definitions and interpretations of items used in these Regulations shall be applied to the circumstances prevailing in each relevant country and any difficulty experienced or uncertainty in this regard shall be referred to the Registrar for an appropriate directive.

6 Other balances with central bank

This item shall include any credit balance in a clearing account with the Reserve Bank, provided that the reporting bank shall include in the relevant item under item 12 any other balance in respect of loans or advances to/ with any other central bank.

7 to 11 Short-term negotiable securities

These items shall include the relevant required gross amounts relating to-

- Negotiable certificates of deposit;
- Treasury bills; and
- Any other relevant security of a short-term nature,

provided that the reporting bank shall report in item 11 any relevant amount relating to a credit impairment raised in respect of the instruments included in items 7 to 10.

13 Homeloans

This item shall reflect the relevant aggregate amount in respect of loans secured by mortgage on occupied urban residential dwellings or occupied individual sectional title dwellings that are or will be occupied by the relevant borrowers, or that is rented with the consent of the relevant obligors, provided that the bank shall report in item 14 the relevant aggregate amount relating to any loans secured by mortgage other than the aforesaid mortgaged lending in respect of residential property.

25 Credit impairments

This item shall include the aggregate amount relating to specific and portfolio credit impairments raised in respect of discounts, loans or advances included in item 24.

30 Government and government guaranteed securities

This item shall reflect the aggregate amount relating to debt securities issued by a sovereign, including any multilateral development bank that qualifies for a risk weight of zero per cent in terms of the provisions of regulation 23(6), the Bank for International Settlements, the International Monetary Fund, the European Central Bank or the European Community.

31 Other dated securities

This item shall reflect the aggregate amount relating to debt securities issued by-

- a bank;
- a public-sector entity; or
- any other person, entity or institution.

34 to 38 Pledged assets

In accordance with relevant Financial Reporting Standards issued and relevant accounting practices applied from time to time these items shall reflect the relevant required amounts in respect of assets lodged or pledged to secure liabilities.

40 Investments in associate companies

This item shall reflect the relevant required amounts relating to investments in associate companies, which amounts shall be reported at carrying value, including any relevant amount in respect of equity accounted earnings, and net of any impairment for a diminution in value.

41 Investments in joint ventures

This item shall reflect the relevant required amounts relating to investments in joint ventures, which amounts shall be reported at carrying value, including any relevant amount in respect of equity accounted earnings, and net of any impairment for a diminution in value.

70 Term debt instruments qualifying as capital

This item shall reflect the aggregate amount in respect of subordinated debt issued by the reporting bank and in respect of which the bank obtained the prior written approval of the Registrar for the relevant amount to qualify as capital of the bank.

71 Term debt instruments, other

This item shall include the aggregate amount in respect of subordinated debt instruments issued by the reporting bank, other than amounts relating to instruments reported in item 70, including any relevant amount that constitutes non-qualifying capital due to a prescribed limit or haircut being applied in respect of the said amount.

78 Other liabilities

This item shall include the relevant aggregate amount in respect of liabilities not specifically provided for elsewhere in the return, including but not limited to creditors and any accrual for leave payment.

OFF-BALANCE-SHEET ACTIVITIES

			<u>Page no.</u>
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2.	Regulation 19	- Directives and interpretations for completion of monthly off-balance sheet activities (Form BA 110).....	40

OFF BALANCE SHEET ACTIVITIES
 (Confidential and not available for inspection by the public)
 Name of bank/ controlling company..... (yyyy-mm-dd)
 Month ended (yyyy-mm-dd)

BA 110
 Monthly*

*Quarterly for columns 6 and 7

(All amounts to be rounded off to the nearest R'000)

Line no.	Actual balances at month-end				Consolidated bank controlling company*		
	Operations in the Republic ¹		Total bank ²	Memo item Bank intra-group balances			
	Banking	Trading				Total ¹	
	1	2	3	4	5	6	7
OFF BALANCE SHEET ACTIVITIES							
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
1	Guarantees on behalf of clients						
2	Letters of credit						
3	Customers' indebtedness for acceptances						
4	Committed undrawn facilities and/ or irrevocable undrawn loan commitments (including committed unutilised draw-down facilities)						
5	Underwriting exposures (including revolving underwriting exposures)						
6	Credit-derivative instruments						
7	Committed capital expenditure						
8	Operating lease commitments						
9	Other contingent liabilities						
10	<i>of which:</i> uncommitted undrawn facilities (including conditionally revocable undrawn loan commitments)						
11	TOTAL (of items 1 to 9)						
	Memorandum items:						
	Portfolios managed						
	By others on behalf of the reporting institution						
	For others where financing is provided						
	Securities lent to:						
	Residents (total of items 15 and 16)						
	Banks						
	Non-banks						
	Non-residents						
	Securities borrowed from:						
	Residents (total of items 19 and 20)						
	Banks						
	Non-banks						
	Non-residents						
	Aggregate amount of uncommitted undrawn facilities included in items 1 to 8						
	Hash total						
	1. Excluding foreign branches						
	2. Including foreign branches						

19. Off-balance sheet activities - Directives and interpretations for completion of monthly return concerning off-balance sheet activities (Form BA 110)

(1) The content of the relevant return is confidential and not available for inspection by the public.

(2) The purpose of the return is to determine, among other things, the nature and extent of a bank or controlling company's unfunded off-balance sheet activities or exposures, including-

(a) off-balance sheet activities to which the reporting bank is irrevocably committed;

and

(b) off-balance sheet activities that may be revocable,

Provided that the funded component of any relevant exposure already included in the form BA 100 shall not be duplicated or also included in the form BA 110.

(3) In order to ensure that the reporting bank can duly distinguish between, among other things, committed undrawn facilities, that is, facilities to which the reporting bank is irrevocably committed, and undrawn unconditionally cancellable commitments, that is, facilities to which the reporting bank is not irrevocably committed, the bank shall ensure that any relevant documentation or facility letter between the bank and its client clearly provides for such a distinction.

(4) For the purposes of this regulation 19 and the completion of the form BA 110-

(a) a bank shall regard any issued guarantee that represents an undertaking by the bank to fulfill a financial obligation of the person (buyer) in respect of which/whom it was issued with regards to the purchase of property upon the registration of a mortgage bond, that is, a property guarantee, as a lending related guarantee;

(b) letters of credit comprise all unutilised letter of credit facilities granted in respect of domestic and foreign transactions, confirmed letters of credit in respect of banks and letters of authority, including-

(i) documentary credits outwards for domestic and foreign transactions (sight and usance); and

(ii) documentary credits inwards (sight and usance) confirmed and/ or accepted;

provided that any letter of credit serving as a financial guarantee shall be regarded as a lending related guarantee;

-
- (c) committed undrawn or unutilised facilities shall include-
- (i) loans and other credit facilities granted, whether for fixed or varying amounts, but not paid out to or used by clients;
 - (ii) undrawn or unutilised overdraft facilities on current account;
 - (iii) undrawn loan commitments;
 - (iv) undrawn or unutilised acceptance facilities; and
 - (v) undrawn or unutilised revolving credit facilities,
- to which the reporting bank is irrevocably committed;
- (d) irrevocable undrawn or unutilised draw-down facilities shall include any facility, regardless of its original maturity, granted in terms of a written agreement in terms of which the said facilities will be drawn down in agreed amounts during prearranged periods, provided that a bank shall include in the form BA 110 only those amounts that the bank is committed to advance during the three month period following the reporting month;
- (e) underwriting exposures shall include all quantifiable underwriting commitments, whether in writing or given verbally, including-
- (i) all note-issuance facilities; and
 - (ii) revolving underwriting facilities,
- in respect of which the contingent risk arise from the bank's role as underwriter of such issues, guaranteeing to provide a known amount of funds when other parties fail to do so;
- (f) a bank shall record its potential credit exposure originating from a credit-derivative contract when the bank acts as a protection provider/seller.
- (5) When a bank arranges a repurchase agreement, resale agreement, securities lending transaction or securities borrowing transaction, acting as an agent, but the bank provides a guarantee in respect of the performance of the third party, the bank shall be regarded as acting as principal and shall maintain capital in respect of the said transaction as if the bank acted as principal in respect of the relevant transaction.

(6) Instructions relating to the completion of the return are furnished with reference to the headings and item descriptions of certain items appearing on the form BA 110, as follows:

*Line item
number*

1 Guarantees on behalf of clients

This item shall include the aggregate amount in respect of all relevant lending related guarantees and performance related guarantees issued on behalf of clients.

3 Customers' indebtedness for acceptances

This item shall include the relevant aggregate amount in respect of bankers' acceptances issued by customers or clients and subsequently endorsed and on-sold by the bank, that is, the relevant aggregate amount related to undertakings by the bank to fulfill an obligation of a customer or client who issued an acceptance, when the said customer or client fails to fulfill the relevant obligation at the due date.

9 Other contingent liabilities

This item shall include the aggregate amount of all other liabilities where an outflow of economic benefits is possible, not probable, including the relevant aggregate amount related to undrawn unconditionally cancellable commitments, that is, facilities to which the reporting bank or controlling company is not irrevocably committed.

12 Portfolios managed by others on behalf of the reporting institution

This item shall include assets not reported on the form BA 100.

13 Portfolios managed for others and for which financing is provided

This item shall include financing provided for the purpose of acquiring a portfolio of investments managed by the reporting bank, which financing has not been reported on the form BA 100.

INCOME STATEMENT

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BA 120
Monthly*

* Quarterly for items 1 to 89, columns 8 and 9, and items 90 to 128, columns 2 and 3.

INCOME STATEMENT
(Confidential and not available for inspection by the public)
Name of bank/ controlling company.....
Month ended (yyyy-mm-dd)

(All amounts to be rounded off to the nearest R'000)

Line no.	Description of item	Operations in the Republic ¹						Total bank ² Year to date	Consolidated bank ³ Year to date	Consolidated bank controlling company ⁴ Year to date
		Current month		Current year to date		Total				
		Banking	Trading	Banking	Trading					
1	2	3	4	5	6	7	8	9		
1	Interest and similar income (total of items 2, 3 and 14, less item 15)									
2	Short-term negotiable securities									
3	Loans and advances to customers (total of items 4 to 13)									
4	Homeloans									
5	Commercial mortgages									
6	Credit cards									
7	Lease and instalment debtors									
8	Overdrafts									
9	Redeemable preference shares and other equivalent instruments issued to provide credit									
10	Trade, other bills and bankers' acceptances									
11	Term loans									
12	Factoring accounts									
13	Other									
14	Government and other dated securities									
15	Less: interest income on trading assets allocated to trading revenue									
16	Interest expense and similar charges (total of items 17, 25 and 26, less item 27)									
17	Deposits, current accounts and other (total of items 18 to 20, 23 and 24)									
18	Current accounts									
19	Savings deposits									
20	Term and other deposits (total of items 21 and 22)									
21	Fixed and notice deposits									
22	Other									
23	Negotiable certificates of deposit									
24	Other deposits and loans									
25	Other liabilities									
26	Term debt instruments									
27	Less: interest expense on trading liabilities allocated to trading revenue									
28	Net Interest Income (item 1 less item 16)									

1. Excluding foreign branches
2. Including foreign branches

(All amounts to be rounded off to the nearest R'000)

Description of item	Line no.	Operations in the Republic						Total bank ²	Consolidated bank*	Consolidated bank controlling company*
		Current month		Current year to date		Total	Year to date			
		Banking	Trading	Banking	Trading					
		1	2	3	4	5	6	7	8	9
Fee and commission income (total of items 30 to 35)	29									
Service charges	30									
Insurance commission	31									
Exchange commission	32									
Guarantees	33									
Knowledge based fees	34									
Other	35									
Fee and commission expense (total of items 37 and 38)	36									
Brokerage fees paid	37									
Other fees paid	38									
Net fee and commission income (item 29 less item 36)	39									
Net insurance premium revenue (total of items 41 and 42)	40									
Insurance premium revenue	41									
Insurance premium ceded to reinsurers	42									
Net reinsurance income (total of items 44 and 45)	43									
Gross claims and benefits paid on insurance	44									
Reinsurance recoveries	45									
Dividend income (total of items 47 and 48)	46									
Subsidiary companies	47									
Other	48									
Net trading income / (loss) (total of items 50 to 55)	49									
Foreign exchange	50									
Debt securities	51									
Commodities	52									
Derivative instruments	53									
Equities	54									
Other	55									
Other gains less losses (total of items 57 to 60)	56									
Fair value gains and losses through profit and loss	57									
Fair value gains and losses on insurance liabilities	58									
Profit/ (loss) on sale of available-for-sale assets	59									
Impairment of available-for-sale equity securities	60									
Other operating income / (loss) (total of items 62 and 63)	61									
Rental income	62									
Other	63									
Non Interest revenue (total of items 39, 40, 43, 46, 49, 56 and 61)	64									
Gross operating income / (loss) (total of items 28 and 64)	65									

1. Excluding foreign branches
2. Including foreign branches

(All amounts to be rounded off to the nearest R'000)

Line no.	Description of item	Operations in the Republic										Consolidated bank controlling company ¹									
		Current month			Current year to date			Total bank ²	Consolidated bank*	Consolidated bank controlling company ¹											
		Banking 1	Trading 2	Total 3	Banking 4	Trading 5	Total 6				Year to date 7		Year to date 8	Year to date 9							
66	Credit losses																				
67	Operating expenses (total of items 68 to 76)																				
68	Staff																				
69	Computer processing																				
70	Communication and travel																				
71	Occupation and accommodation																				
72	Marketing																				
73	Fees and insurances																				
74	Office equipment and consumables																				
75	Auditors remuneration																				
76	Other																				
77	Indirect taxation																				
78	Operating profit / (loss) before non-trading and capital items (item 65 less items 66, 67 and 77)																				
79	Non-trading and capital items (total of items 80 to 83)																				
80	Goodwill (impairment / realisation)																				
81	Impairment of investments																				
82	Impairment of property and equipment, software and other																				
83	Other non-trading and capital items																				
84	Share of profit / (loss) of associates and joint ventures																				
85	Profit / (loss) before income tax (total of items 78, 79 and 84)																				
86	Direct taxation																				
87	Profit / (loss) for the year (item 85 less item 86)																				
88	Attributable to:																				
	Equity holders of the company																				
	Preference shareholders and minority shareholders interest																				
89	Memorandum items:																				
	Interest received on interest bearing loans and advances as reported in item 100 of the form BA 100																				
90	Interest paid on interest bearing deposits as reported in item 110 of the form BA 100																				
91																					

1. Excluding foreign branches

2. Including foreign branches

Du Pont analysis based on interest earning assets	Line no.	Percentages ¹		
		Total bank ²	Consolidated bank*	Consolidated bank controlling company*
		1	2	3
Net interest income as a percentage of interest earning assets, plus	92			
Non interest revenue as a percentage of interest earning assets	93			
Total (of items 92 and 93)	94			
Less: Credit losses as a percentage of interest earning assets	95			
Less: Operating expenses as a percentage of interest earning assets	96			
Add: Associate income as a percentage of interest earning assets	97			
Net profit before tax (item 94 less items 95 and 96, plus item 97)	98			
Multiply by: (1 - effective tax rate)	99			
Equals: Earnings as a percentage of interest earning assets	100			
Multiply by: Interest earning assets as a percentage of total assets	101			
Equals: Return on assets (ROA)	102			
Multiply by: Gearing ratio	103			
Equals: Return on accounting equity (ROE)	104			
Supervisory deductions and non-qualifying amounts (item 106 less item 104)	105			
Equals: Return on qualifying common equity tier 1 capital and reserve funds	106			

Du Pont analysis based on risk weighted assets	Line no.	Percentages ¹		
		Total bank ²	Consolidated bank*	Consolidated bank controlling company*
		1	2	3
Net interest income as a percentage of risk weighted assets, plus	107			
Non interest revenue as a percentage of risk weighted assets	108			
Total (of items 107 and 108)	109			
Less: Credit losses as a percentage of risk weighted assets	110			
Less: Operating expenses as a percentage of risk weighted assets	111			
Add: Associate income as a percentage of risk weighted assets	112			
Net profit before tax (item 109 less items 110 and 111, plus item 112)	113			
Multiply by: (1 - effective tax rate)	114			
Equals: Earnings as a percentage of risk weighted assets	115			
Multiply by: Risk weighted assets as a percentage of total assets	116			
Equals: Return on assets (ROA)	117			
Multiply by: Gearing ratio	118			
Equals: Return on accounting equity (ROE)	119			
Supervisory deductions and non-qualifying amounts (item 121 less item 119)	120			
Equals: Return on qualifying common equity tier 1 capital and reserve funds	121			

Other selected ratios	Line no.	Percentages ¹		
		Total bank ²	Consolidated bank*	Consolidated bank controlling company*
		1	2	3
Cost to income ratio	122			
Credit losses as a percentage of net interest income	123			
Interest income as a percentage of risk weighted assets	124			
Interest expense as a percentage of risk weighted assets	125			
Fee and commission income as a percentage of total income	126			
Trading income as a percentage of total income	127			
Other income as a percentage of total income	128			
Staff expenses as a percentage of operating expenses	129			
Other expenses as a percentage of operating expenses	130			

1. Items shall be expressed as percentages, rounded to two decimal places.

2. Including foreign branches

20. Income statement - Directives and interpretations for completion of monthly income statement (Form BA 120)

- (1) The content of the relevant return is confidential and not available for inspection by the public.
- (2) The columns titled "Current year to date" in form BA 120 shall reflect the year-to-date amounts in respect of the financial year of the reporting bank. In order to ensure that the relevant columns titled "Current year to date" in form BA 120 reconcile with the aggregate amounts reported in the columns titled "Current month" for the particular financial year of the reporting bank a bank shall include any adjustment to amounts previously incorrectly reported in the columns titled "Current month", provided that amounts reported in columns 7 to 9 of items 1 to 91 relate only to the relevant year-to-date amounts.
- (3) All income and expense items, including gains and losses, shall be divided between those items relating to the bank's banking activities and those items relating to the bank's trading activities.
- (4) Instructions relating to the completion of the monthly income statement are furnished with reference to the item descriptions and line item numbers appearing on the form BA 120, as follows (where appropriate, the corresponding balance sheet item number is indicated):

*Line item
number*

1 Interest and similar income

The items listed in the income statement under this heading shall reflect interest income in respect of the corresponding asset items listed in the balance sheet, as follows:

Item description	Income statement Form BA120	Corresponding item on the balance sheet Form BA100
	Line item	Line item
Short term negotiable securities	2	7
Loans and advances to customers	3	12
• Homeloans	4	13
• Commercial mortgages	5	14
• Credit cards	6	15
• Lease and instalment debtors	7	16
• Overdrafts	8	17
• Redeemable preference shares and other equivalent instruments	9	18
• Trade, other bills and bankers' acceptances	10	19
• Term loans	11	20
• Factoring accounts	12	21
Government and other securities	14	30 plus 31 plus 37 plus 38

16 Interest expense and similar charges

The items listed in the income statement under this heading shall reflect the interest expense in respect of the corresponding liability items listed in the balance sheet, as follows:

Item description	Income statement Form BA120	Corresponding item on the balance sheet Form BA100
	Line item	Line item
Deposits, current accounts and other creditors	17	55
• Current accounts	18	56
• Savings deposits	19	57
• Term and other deposits	20	58 plus 59
• Negotiable certificates of deposit	23	60
• Other deposits and loan accounts	24	61
Term debt instruments	26	69

47 Subsidiary companies

This item shall reflect the aggregate amount in respect of dividends received from subsidiary companies.

48 Other

This item shall reflect the aggregate amount in respect of dividends received from investments other than investments in subsidiary companies.

52 Commodities

This item shall include any profit or loss resulting from the reporting bank's trading in commodities.

68 Staff costs

This item shall include any relevant amount in respect of-

- salaries and wages for staff;
- post retirement benefits;
- training costs;
- costs paid for contractors;

- temporary staff costs; and
- employee share-based payment expenses.

69 Computer processing

This item shall include any amount relating to depreciation in respect of computer equipment.

70 Communication and travel

This item shall include any relevant amount in respect of-

- telecommunication costs;
- local and foreign travel costs;
- postage and freight costs;
- vehicle depreciation costs; and
- vehicle operating lease charges.

71 Occupation and accommodation

This item shall include any relevant amount in respect of-

- external rental costs;
- wear and tear on leasehold properties and improvements;
- related operating lease charges; and
- other occupation and accommodation costs.

73 Fees and insurances

This item shall include any relevant amount in respect of fee and insurance costs but not any amount in respect of-

- fees paid for auditing services, which fees shall be included in item 75; or
- direct fees and commissions paid in the generation of income, which fees and commissions shall be included in item 36.

74 Office equipment and consumables

This item shall include any relevant amount in respect of-

- depreciation for furniture and other equipment;
- operating lease charges for furniture and other equipment;
- stationery and printing costs; and
- other office equipment or office consumable cost.

75 Auditors remuneration

This item shall include any relevant amount in respect of remuneration paid to auditors for audit services but not any fees paid to auditors for services other than audit services.

76 Other

This item shall include any relevant amount in respect of-

- share-based payment costs relating to BEE schemes;
- joint venture fees;
- deficiency;
- theft and fraud expenditure;
- maintenance costs relating to any property in possession; and
- any other expenditure item not included in items 68 to 75.

92 to 130 Du Pont analysis and other selected ratios

For the completion of items 92 to 130 of the form BA 120, risk weighted assets shall in the case of-

- (a) a bank, as envisaged in column 7 of the form BA 120, be deemed to be equal to (item 8, column 7, of the form BA 700) **divided by** (item 9, column 6, of the form BA 700);
- (b) a consolidated bank, as envisaged in column 8 of the form BA 120, be deemed to be equal to (item 8, column 7, of the form BA 700) **divided by** (item 9, column 6, of the form BA 700);

- (c) a consolidated bank controlling company, as envisaged in column 9 of the form BA 120, be deemed to be equal to (item 8, column 7, of the form BA 700) **divided by** (item 9, column 6, of the form BA 700).

Provided that the aforesaid form BA 700 used in the calculation of the relevant amount of risk-weighted assets shall be the form BA 700 relating to the reporting period immediately preceding the reporting period in respect of which the current form BA 120 is completed.

92 Net interest income as a percentage of interest earning assets

This item shall be equal to item 28 **divided by** (item 6 **plus** item 7 **plus** item 12, of the form BA 100) **multiplied by** (365 days **divided by** the year to date number of days to the end of the current reporting month).

93 Non interest income as a percentage of interest earning assets

This item shall be equal to item 64 **divided by** (item 6 **plus** item 7 **plus** item 12, of the form BA 100) **multiplied by** (365 days **divided by** the year to date number of days to the end of the current reporting month).

95 Credit losses as a percentage of interest earning assets

This item shall be equal to item 66 **divided by** (item 6 **plus** item 7 **plus** item 12, of the form BA 100) **multiplied by** (365 days **divided by** the year to date number of days to the end of the current reporting month).

96 Operating expenses as a percentage of interest earning assets

This item shall be equal to item 67 **divided by** (item 6 **plus** item 7 **plus** item 12, of the form BA 100) **multiplied by** (365 days **divided by** the year to date number of days to the end of the current reporting month).

97 Associate income as a percentage of interest earning assets

This item shall be equal to item 84 **divided by** (item 6 **plus** item 7 **plus** item 12, of the form BA 100) **multiplied by** (365 days **divided by** the year to date number of days to the end of the current reporting month).

99 1 – effective tax rate

This item shall be equal to 1 **minus** ((item 86 **plus** item 77) **divided by** (item 85 **less** item 79 **plus** item 77)).

101 Interest earning assets as a percentage of total assets

This item shall be equal to (item 6 **plus** item 7 **plus** item 12, of the form BA 100) **divided by** item 54 of the form BA 100.

103 Gearing ratio

This item shall be equal to (item 88 of the form BA 100) **divided by** (item 80 of the form BA 100).

105 Supervisory deductions and non-qualifying amounts

In order to reconcile the reporting bank's return on accounting equity, that is, ROE, and its return on qualifying common equity tier 1 capital and reserve funds, this item shall reflect the difference between accounting equity and qualifying common equity tier 1 capital and reserve funds owing to all relevant prescribed supervisory deductions and other non-qualifying amounts.

106 Return on qualifying common equity tier 1 capital and reserve funds

This item shall be equal to (item 87 less item 79 of the form BA 120) **divided by** (item 64, column 1, of the form BA 700) **multiplied by** (365 days **divided by** the year to date number of days to the end of the current reporting month).

107 Net interest income as a percentage of risk weighted assets

This item shall be equal to item 28 **divided by** the relevant amount of risk weighted assets as defined hereinbefore in this subregulation (4) **multiplied by** (365 days **divided by** the year to date number of days to the end of the current reporting month).

108 Non interest income as a percentage of risk weighted assets

This item shall be equal to item 64 **divided by** the relevant amount of risk weighted assets as defined hereinbefore in this subregulation (4) **multiplied by** (365 days **divided by** the year to date number of days to the end of the current reporting month).

110 Credit losses as a percentage of risk weighted assets

This item shall be equal to item 66 **divided by** the relevant amount of risk weighted assets as defined hereinbefore in this subregulation (4) **multiplied by** (365 days **divided by** the year to date number of days to the end of the current reporting month).

111 Operating expenses as a percentage of risk weighted assets

This item shall be equal to item 67 **divided by** the relevant amount of risk weighted assets as defined hereinbefore in this subregulation (4) **multiplied by** (365 days **divided by** the year to date number of days to the end of the current reporting month).

112 Associate income as a percentage of risk weighted assets

This item shall be equal to item 84 **divided by** the relevant amount of risk weighted assets as defined hereinbefore in this subregulation (4) **multiplied by** (365 days **divided by** the year to date number of days to the end of the current reporting month).

114 1 – effective tax rate

This item shall be equal to 1 **minus** ((item 86 **plus** item 77) **divided by** (item 85 **less** item 79 **plus** item 77)).

116 Risk weighted assets as a percentage of total assets

This item shall be equal to the relevant amount of risk weighted assets as defined hereinbefore in this subregulation (4) **divided by** item 54 of the form BA 100.

118 Gearing ratio

This item shall be equal to (item 88 of the form BA 100) **divided by** (item 80 of the form BA 100).

120 Supervisory deductions and non-qualifying amounts

In order to reconcile the reporting bank's return on accounting equity, that is, ROE, and its return on qualifying common equity tier 1 capital and reserve funds, this item shall reflect the difference between accounting equity and qualifying common equity tier 1 capital and reserve funds owing to all relevant prescribed supervisory deductions and other non-qualifying amounts.

121 Return on qualifying common equity tier 1 capital and reserve funds

This item shall be equal to (item 87 less item 79 of the form BA 120) **divided by** (item 64, column 1, of the form BA 700) **multiplied by** (365 days **divided by** the year to date number of days to the end of the current reporting month).

122 Cost to income ratio

This item shall be equal to item 67 **divided by** item 65.

123 Credit losses as a percentage of net interest income

This item shall be equal to item 66 **divided by** item 28.

124 Interest income as a percentage of risk weighted assets

This item shall be equal to item 1 **divided by** the relevant amount of risk weighted assets as defined hereinbefore in this subregulation (4) **multiplied by** (365 days **divided by** the year to date number of days to the end of the current reporting month).

125 Interest expense as a percentage of risk weighted assets

This item shall be equal to item 16 **divided by** the relevant amount of risk weighted assets as defined hereinbefore in this subregulation (4) **multiplied by** (365 days **divided by** the year to date number of days to the end of the current reporting month).

126 Fee and commission income as a percentage of total income

This item shall be equal to item 39 **divided by** item 65.

127 Trading income as a percentage of total income

This item shall be equal to item 49 **divided by** item 65.

128 Other income as a percentage of total income

This item shall be equal to (the sum of items 40, 43, 46, 56 and 61) **divided by** item 65.

129 Staff expenses as a percentage of operating expenses

This item shall be equal to item 68 **divided by** item 67.

130 Other expenses as a percentage of operating expenses

This item shall be equal to (item 67 less item 68) **divided by** item 67.

SHAREHOLDERS OF A BANK/CONTROLLING COMPANY

Page no.

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BA 125
Annually

RETURN REGARDING SHAREHOLDERS

(Confidential and not available for inspection by the public)

Name of bank/ controlling company.....

As at 31 December (yyyy)

(All amounts to be rounded off to the nearest '000)

Line no.	Class of share	Number of shareholders ¹				Number of shares				Nominal value of shares			
		Less than 1%	Domestic	Foreign	Total	Less than 1%	Domestic	Foreign	Total	Less than 1%	Domestic	Foreign	Total
1	Shares with voting rights (total of items 2 and 3)												
2	Ordinary shares		2	3	4	5	6	7	8	9	10	11	12
3	Other												
4	Shares with potential voting rights												
5	Cumulative preference shares												
6	Shares with no voting rights												
7	Non-cumulative preference shares												
8	TOTAL SHARES (total of items 1, 4 and 6)												
9	Memorandum item:												
10	Instruments with future voting rights (total of items 10 and 11)												
11	Convertible debentures												
	Other instruments												

1. Actual number, not thousands.

21. Shareholders of a bank/controlling company - Directives and interpretations for completion of the annual return concerning shareholders of a bank/controlling company (Form BA 125)

(1) The content of the relevant return is confidential and not available for inspection by the public.

(2) The purpose of the return, amongst other things, is to obtain from the relevant bank or controlling company's shareholder register selected information in respect of significant domestic and foreign shareholders, including selected information relating to significant or associated shareholders that control or may potentially control the relevant bank or controlling company.

(3) Subject to the provisions of subregulations (4) and (5) below, in respect of every relevant class of shares, that is, shares with voting rights, shares with potential voting rights and shares with no voting rights, the return shall contain or be accompanied by detailed separate lists of domestic and foreign shareholders, separately providing the relevant required details in respect of shareholders holding 1 per cent or more of the total number or nominal value of, or in relevant cases the exercisable voting rights attached to, the issued shares in respect of the specific class of share, or the total number or nominal value of, or in relevant cases the exercisable voting rights attached to, all the relevant classes of issued shares, which lists-

- (a) shall be compiled from the relevant bank or controlling company's shareholder register;
- (b) shall be compiled in alphabetical order according to the names of the respective shareholders, stating opposite each relevant shareholder name-
 - (i) the address of the relevant shareholder;
 - (ii) the number of shares registered in the name of that shareholder;
 - (iii) the nominal value of the shares registered in the name of that shareholder;
 - (iv) in all relevant cases, the exercisable voting rights attached to the shares registered in the name of that shareholder;
 - (v) the total number and nominal value of, or in relevant cases the exercisable voting rights attached to, shares issued in respect of the relevant class of shares;
 - (vi) the percentage which the total number or nominal value of, or in relevant cases the exercisable voting rights attached to, those shares registered in the name of that shareholder represents of the total number or nominal value of, or in relevant cases the exercisable voting rights attached to, the issued shares of the bank or controlling company in respect of the relevant class of shares;

- (vii) the percentage which the total number or nominal value of, or in relevant cases the exercisable voting rights attached to, those shares registered in the name of that shareholder represents of the total number or nominal value of, or in relevant cases the exercisable voting rights attached to, all the issued shares of the bank or controlling company; and
 - (viii) when the shareholder is a bank, controlling company or, in the case of a foreign shareholder, an institution conducting business similar to the business of a bank, the fact that it is such a bank, controlling company or institution, as the case may be.
- (c) shall in the case of two or more domestic or foreign shareholders that are associates, in alphabetical order according to their names and listed as a group under the name of one of the said associates, in addition to the particulars referred to in paragraph (b), indicate-
- (i) the fact that the said shareholders are associates;
 - (ii) the total number and nominal value of, or in relevant cases the exercisable voting rights attached to, all the shares registered in the names of the respective shareholders;
 - (iii) the percentage which the total number or nominal value of, or in relevant cases the exercisable voting rights attached to, those shares registered in the names of the said shareholders represents of the total number or nominal value of, or in relevant cases the exercisable voting rights attached to, the issued shares of the bank or controlling company in respect of the relevant class of shares;
 - (iv) the percentage which the total number or nominal value of, or in relevant cases the exercisable voting rights attached to, those shares registered in the names of the said shareholders represents of the total number or nominal value of, or in relevant cases the exercisable voting rights attached to, all the issued shares of the bank or controlling company,
- (d) shall separately specify the aggregate number and nominal value of, and in relevant cases the exercisable voting rights attached to, shares respectively registered in the names of all domestic and foreign shareholders.
- (4) When a domestic or foreign shareholder holds less than 1 per cent of the total number or nominal value of, or in relevant cases the exercisable voting rights attached to-
- (a) issued shares relating to a specific class of shares; or
 - (b) all the classes of issued shares,

the respective lists envisaged in subregulation (3) shall instead of the required individual names and other details of the said shareholders specify-

- (i) the aggregate number of such domestic or foreign shareholders;
- (ii) the aggregate number of shares registered in the name of the relevant shareholders;
- (iii) the total nominal value of such shares;
- (iv) in relevant cases, the exercisable voting rights attached to such shares;
- (v) the percentage which the total nominal value of such shares represents of the total nominal value of the issued shares of the bank or controlling company in respect of the relevant class of shares;
- (vi) the percentage which the total nominal value of such shares represents of the total nominal value of all the issued shares of the bank or controlling company;
- (vii) in relevant cases, the percentage which the exercisable voting rights attached to such shares represents of the total exercisable voting rights attached to the issued shares of the bank or controlling company in respect of the relevant class of shares; and
- (viii) in relevant cases, the percentage which the exercisable voting rights attached to such shares represents of the total exercisable voting rights attached to all the issued shares of the bank or controlling company.

(5) When the total number or nominal value of, or in relevant cases the exercisable voting rights attached to, shares in a bank or controlling company registered in the name of a shareholder is less than one per cent of the total number or nominal value of, or in relevant cases the exercisable voting rights attached to, issued shares in respect of a specific class of shares or all the issued shares of the bank or controlling company concerned, such bank or controlling company, for the purposes of this regulation, unless it has knowledge to the contrary, may accept that the shareholder concerned-

- (a) is a domestic shareholder when the address entered in respect of such shareholder in the register of members referred to in section 105 of the Companies Act, No 61 of 1973, or section 50 of the Companies Act, No 71 of 2008, as amended, is an address in the Republic; and
- (b) is not an associate of any other shareholder of the bank or controlling company.

(6) In addition to the relevant required information relating to shares, specified in subregulations (3) and (4) above, a bank or controlling company shall in respect of any instrument convertible into shares report to the Registrar-

- (a) the relevant number of persons holding the said instruments;
- (b) the relevant number of such instruments issued;
- (c) the relevant value of such instruments issued; and
- (d) whether or not the holders of the said convertible instruments are associates.

(7) For the purposes of this regulation 21 “associate” means an associate as defined in section 37(7) of the Act.

(8) Instructions relating to the completion of the return are furnished with reference to certain item descriptions and line item numbers appearing on the form BA 125, as follows:

*Line item
number*

1 to 3 These items shall reflect the relevant required aggregate amounts relating to shares with voting rights, such as ordinary shares.

4 and 5 These items shall reflect the relevant required aggregate amounts relating to shares with potential voting rights, such as cumulative preference shares.

6 and 7 These items shall reflect the relevant required aggregate amounts relating to shares with no voting rights, such as certain classes of non-cumulative preference shares.

9 to 11 These items shall reflect the relevant required aggregate amounts relating to convertible instruments, such as convertible debentures.

INVESTMENTS, LOANS AND ADVANCES

	<u>Page no.</u>
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2. Regulation 22 - Directives and interpretations for completion of the quarterly return concerning investments, loans and advances (Form BA 130)	64

RESTRICTION ON INVESTMENTS, LOANS AND ADVANCES

(Confidential and not available for inspection by the public)

Name of bank.....

Quarter ended..... (yyyy-mm-dd)

BA 130

Quarterly

(All amounts to be rounded off to the nearest R'000)

Restriction on investments in immovable property and shares, and on loans and advances	Line no.	Total
		1
Total (of items 2 to 4)	1	
Investment in immovable property	2	
Investment in shares, excluding preference shares that are not convertible into ordinary shares	3	
Loans and advances to subsidiaries investing in and/or developing immovable property	4	
Less: Investment in immovable property bought-in and shares acquired during the preceding five years in order to protect an investment, including loans and advances	5	
Investments as reduced (item 1 less item 5)	6	
Qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds relating to risks other than market risk	7	
Amount by which the bank's reported qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds exceed its investments in immovable property and shares and loans and advances to specified subsidiaries (item 7 less item 6)	8	
Restriction on investments in and loans and advances to certain associates	Line no.	Total
		1
Total (of items 10 to 12)	9	
Total amount of the bank's investments in specified debentures and preference shares	10	
Total amount owing to the bank in respect of loans and advances to associates	11	
Total amount of guarantees and/or other instruments, relating to the liabilities or contingent liabilities of associates	12	
Less: Amount by which the bank's qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds exceed its investments in immovable property and shares, and loans and advances to certain subsidiaries (item 8)	13	
Adjusted amount of investments, loans and advances (item 9 less item 13)	14	
10 per cent of specified liabilities to the public (10 per cent of item 55 of the form BA 100)	15	
Excess/(deficiency) (item 15 less item 14)	16	
Memorandum item		
Loans and advances to associates not conducted on an arm's-length basis (Please provide details on a separate schedule)	17	

22. Restriction on investments, loans and advances - Directives and interpretations for completion of the quarterly return concerning investments, loans and advances (Form BA 130)

(1) The content of the relevant return is confidential and not available for inspection by the public.

(2) The purpose of the return, amongst other things, is to determine the reporting bank's-

(a) investments in immovable property and shares, and on loans and advances to certain subsidiaries; and

(b) investments with, and loans and advances to certain associates.

(3) Based on, amongst others, the relevant requirements specified in section 76(1) of the Act, a bank shall manage its business in such a manner that the aggregate amount of its-

(a) investment in immovable property; **plus**

(b) investment in shares (excluding preference shares that are not convertible into ordinary shares); **plus**

(c) loans and advances to subsidiaries of which the main object is the acquisition and holding or development of immovable property; **less**

(d) investment in immovable property bought in and shares acquired during the preceding five years in order to protect an investment, including loans and advances,

does not at any time exceed its qualifying amount of common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds relating to risks other than market risk, as reported in item 88 of the form BA 700 less item 89 of the form BA 700, as at the latest reporting date for which the relevant statement was submitted.

(4) Notwithstanding the provisions of subregulation (3) above, based on, amongst others, the relevant requirements specified in section 77(1) of the Act, a bank shall manage its business in such a manner that the aggregate amount of-

(a) its investments in debentures or preference shares of any of its associates, excluding such an associate that is a subsidiary referred to in subregulation (3), a bank or mutual bank, which debentures or preference shares are not convertible into ordinary shares; **plus**

(b) its advances to any such associates; **plus**

(c) its guarantees and/or other instrument relating to the liabilities or contingent liabilities of such associates; **less**

- (d) the excess amount of qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds, determined in terms of the provisions of subregulation (3),

does not at any time exceed ten per cent of the bank's aggregate amount of deposits, current accounts and other creditors as reported in item 55 of the form BA 100 as at the latest reporting date for which the relevant statement was submitted.

CREDIT RISK

			<u>Page no.</u>
1.	Form BA 200	- Credit risk	67
2.	Regulation 23	- Directives and interpretations for completion of monthly return concerning credit risk (Form BA 200)	94
3.	Form BA 210	- Credit risk	403
4.	Regulation 24	- Directives and interpretations for completion of quarterly return concerning credit risk (Form BA 210)	443
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CREDIT RISK

(Confidential and not available for inspection by the public)

Name of bank:

Month ended:.....(yyyy/mm/dd)

BA 200

Monthly

Country:

(All amounts to be rounded off to the nearest R'000)

Standardised approach: Summary of selected credit risk related information	Line no.	Total
		1
Total gross loans and advances (item 24 of form BA100)	1	
Impaired advances ¹	2	
Assets bought-in (total of items 4 to 6)	3	
Immovable property (item 6, column 5, of form BA 220)	4	
Movable property	5	
Companies acquired (item 1, column 5, of form BA 220)	6	
Total credit impairments related to total gross loans and advances (item 25 of form BA 100)	7	
Total specific credit impairments (item 39, column 2, of form BA 200)	8	
Total portfolio credit impairments (item 39, column 3, of form BA 200)	9	
Credit losses charge to income statement (item 66 of form BA 120; item 45, column 1, of form BA 200)	10	
Total gross credit exposure (item 34, column 5, of form BA 200)	11	
Credit exposure post credit risk mitigation (item 34, column 14, of form BA 200)	12	
Credit exposure post credit risk mitigation and credit conversion factors (item 47, column 11, of form BA 200)	13	

1. Means advances in respect of which the bank raised a specific impairment, and shall include any advance or restructured credit exposures subject to amended terms, conditions or concessions that are not formalised in writing.

(All amounts to be rounded off to the nearest R'000)

Standardised approach: Summary of on-balance sheet and off-balance sheet credit exposure	Line no.	On-balance sheet exposure	Off-balance sheet exposure	Repurchase and resale agreements ¹	Derivative instruments ²	Total credit exposure pre CRM (col. 1 to 4)	Classification of total credit exposure ³ pre CRM						
							Special mention ³		Sub-standard ³		Doubtful ³		Loss ³
							Total	of which: 60 < overdue days ≤ 90	Total	of which: overdue > 90 days	Total	of which: overdue > 90 days	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	
Asset class													
Corporate exposure (total of items 15 and 16)	14												
Corporate	15												
SME corporate	16												
Public sector entities	17												
Local government and municipalities	18												
Sovereign (including central government and central bank)	19												
Banks	20												
Securities firms	21												
Retail exposure (total of items 23, 24, 26 and 29)	22												
Residential mortgage advances	23												
Retail revolving credit ⁴	24												
of which: credit cards	25												
SME retail (total of items 27 and 28)	26												
Secured lending	27												
Unsecured lending	28												
Retail – other	29												
of which: vehicle and asset finance	30												
unsecured lending ^{5, 6}	31												
≤ R30 000													
unsecured lending ⁶	32												
> R30 000													
Securitisation and resecuritisation exposure ⁷	33												
Total (of items 14, 17 to 22 and 33)	34												

1. Marked-to-market value.
 2. In accordance with the relevant requirements specified in regulation 23.
 3. In accordance with the relevant requirements specified in regulation 24(6).
 4. As defined in regulation 23(1)(c)(iv)(B)(ii).
 5. Relates to the relevant original exposure amount, excluding relevant retail revolving credit exposure and/or SME retail exposure.
 6. Including loans in respect of which the maximum NCA rate applies.
 7. Also refer to regulation 35 and the form BA500.

(All amounts to be rounded off to the nearest R'000)

Standardised approach: Summary of on-balance sheet and off-balance sheet credit exposure	Line no.	Credit exposure post CRM	Specific credit impairment	Total risk weighted exposure
Asset class		14	15	16
Corporate exposure (total of items 15 and 16)	14			
Corporate	15			
SME corporate	16			
Public sector entities	17			
Local government and municipalities	18			
Sovereign (including central government and central bank)	19			
Banks	20			
Securities firms	21			
Retail exposure (total of items 23, 24, 26 and 29)	22			
Residential mortgage advances	23			
Retail revolving credit ⁴	24			
of which: credit cards	25			
SME retail (total of items 27 and 28)	26			
Secured lending	27			
Unsecured lending	28			
Retail – other	29			
of which: vehicle and asset finance	30			
unsecured lending ^{5, 6}	31			
≤ R30 000				
unsecured lending ⁵				
> R30 000				
Securitisation and resecuritisation exposure⁷	32			
Total (of items 14, 17 to 22 and 33)	33			
	34			

1. Marked-to-market value.
2. In accordance with the relevant requirements specified in regulation 23.
3. In accordance with the relevant requirements specified in regulation 24(5).
4. As defined in regulation 23(1)(c)(iv)(B)(ii).
5. Relates to the relevant original exposure amount, excluding relevant retail revolving credit exposure and/or SME retail exposure.
6. Including loans in respect of which the maximum NCA rate applies.
7. Also refer to regulation 35 and the form BA500.

(All amounts to be rounded off to the nearest R'000)			
Standardised approach: Reconciliation of credit impairments	Line no.	Total credit impairments (col 2 + col 3)	Portfolio credit impairments
Balance sheet		1	2
Credit impairments: balance at beginning of period	35		3
Income statement charge/ (reversal)	36		
Amounts written off against credit impairments	37		
Acquisition / disposal of subsidiary and other	38		
Credit impairments: balance at end of period	39		
Memorandum item:			
Interest in suspense at end of period	40		

(All amounts to be rounded off to the nearest R'000)			
Standardised approach: Reconciliation of credit impairments	Line no.	Movement during reporting month (col 2 + col 3)	Portfolio credit impairments
Income statement		1	2
Credit impairments provision raised	41		3
Credit impairments provision released	42		
Recoveries	43		
Suspended interest charge	44		
Total (of items 41 to 44)	45		
Memorandum item:			
Write offs not applied directly against the balance sheet, that is, provision not previously raised - when relevant	46		

(All amounts to be rounded off to the nearest R'000)

Line no.	Standardised approach: Credit capital requirements Based on risk weights	Total gross credit exposure ¹	Specific credit impairment	Exposure amount post CRM and specific credit impairment	Breakdown of off-balance sheet exposure based on credit conversion factors (CCF)							Credit exposure value post CRM and CCF	Risk weighted exposure (col. 11 * risk weight)
					0% ≤ CCF ≤ 5%	5% < CCF ≤ 15%	15% < CCF ≤ 20%	20% < CCF ≤ 40%	50%	90%	100%		
					4	5	6	7	8	9	10		
47	Total (of items 48 to 63 and 56, 57, 60 and 63 to 67)		2	3								11	12
48	0% risk weight												
49	10% risk weight												
50	20% risk weight												
51	35% risk weight												
52	40% risk weight												
53	50% risk weight												
54	of which ² :												
55	past due without credit assessment by an eligible external credit assessment institution												
56	75% risk weight												
57	100% risk weight												
58	of which ² :												
59	past due without credit assessment by an eligible external credit assessment institution												
60	150% risk weight												
61	of which ² :												
62	past due without credit assessment by an eligible external credit assessment institution												
63	225% risk weight												
64	350% risk weight												
65	650% risk weight												
66	1250% ³ risk weight												
67	Other prescribed risk weights												
68	of which ² :												
69	past due without credit assessment by an eligible external credit assessment institution												

1. Exposure value before the application of any credit conversion factor (CCF), credit risk mitigation (CRM) and any volatility adjustment.
 2. When any exposure is both past due and unrated then the said exposure shall be included in BOTH categories.
 3. Or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds.

(All amounts to be rounded off to the nearest R'000)

Standardised approach: Other assets ¹	Line no.	Amount	Specified risk weight (%)	Risk weighted exposure (col. 1* col.2)
		1	2	3
Cash and balances with the central bank	70		0%	
Cash items in process of collection	71		20%	
Goodwill	72		Deduction ²	
Intangibles other than goodwill	73		Deduction ²	
Fixed assets (excl. assets bought-in)	74		100%	
Movable assets (excl. assets bought-in)	75		100%	
Assets bought-in	76		100%	
Lease residuals	77		100%	
Other assets	78		100%	
Total (of items 70 to 78)	79			

1. Other assets are unrelated to credit risk but in order to calculate the reporting bank's relevant aggregate required amount of capital and reserve funds, for reconciliation to the form BA 700, such other assets are included in the form BA 200. When the majority of the reporting bank's credit exposure is subject to the IRB approach the bank shall complete the relevant required information specified in items 167 to 176 of the form BA 200 and leave open the relevant items under the standardised approach.

2. Relates to assets the relevant amounts of which are to be deducted from the reporting bank's capital and reserve funds in accordance with the relevant requirements specified in regulation 38(6).

(All amounts to be rounded off to the nearest R'000)

Standardised approach: Counterparty credit risk ¹	Current exposure method										Standardised method					
	Line no.	OTC derivative instruments					SFT ²					OTC derivative instruments				
		Total notional principal amount	Gross replacement cost	Net replacement cost	Gross potential future exposure add-on	Net potential future exposure add-on	Collateral value after haircut	Credit exposure value	Collateral value	Netting benefits	Current market value of portfolio	Current market value of collateral	Risk position for transaction	Risk position from collateral	Net absolute risk position after the application of CCFs	
Based on specified risk weights	1	2	3	4	5	6	7	8	9	10	11	12	13	14		
Total (of items 81 to 85)	80															
0%	81															
20%	82															
50%	83															
100%	84															
150%	85															
Memorandum items:																
Maximum counterparty credit exposure during the month	86															

1. Refer to regulations 23(15) to 23(19) for the relevant directives related to the measurement of a bank's exposure to counterparty credit risk.
2. Means Securities Financing Transactions. In accordance with the relevant requirements specified in regulation 23(15), a bank that did not obtain the approval of the Registrar to adopt the Internal Model Method, shall calculate its exposure to credit risk arising from securities financing transactions in accordance with the relevant requirements specified in regulations 23(8) and 23(9).

(All amounts to be rounded off to the nearest R'000)

Standardised approach: Counterparty credit risk ¹	Standardised method					Internal model ¹					Aggregate total across all relevant approaches					
	Line no.	SFT ²			Netting benefit	OTC derivative instruments			SFT ²		Adjusted exposure amount	Risk weighted exposure				
		Credit exposure value	Collateral value	Netting benefit		Effective expected positive exposure	Stressed effective expected positive exposure	Effective expected positive exposure	Stressed effective expected positive exposure	OTC derivative instruments		SFT ²	Default risk	CVA ^{4, 5} risk	Total	
Based on specified risk weights	15	16	17	18	19	20	21	22	23	24	25	26	27	28		
Total (of items 81 to 85)	80															
0%	81															
20%	82															
50%	83															
100%	84															
150%	85															
Memorandum items:																
Maximum counterparty credit exposure during the month	86															

1. Refer to regulations 23(15) to 23(19) for the relevant directives related to the measurement of a bank's exposure to counterparty credit risk.
2. Means Securities Financing Transactions. In accordance with the relevant requirements specified in regulation 23(15), a bank that did not obtain the approval of the Registrar to adopt the Internal Model Method, shall calculate its exposure to credit risk arising from securities financing transactions in accordance with the relevant requirements specified in regulations 23(8) and 23(9).
3. In the case of cross-product netting, a bank shall report the relevant exposure under SFT.
4. Means credit valuation adjustment.
5. When the majority of the bank's credit exposure is subject to the IRB approach the bank shall complete the relevant information specified in items 252 to 281 of the form BA 200, and leave open the relevant columns under the standardised approach.

(All amounts to be rounded off to the nearest R'000)

Counterparty credit risk	Line no.	ISDA	ISMA	Netting in terms of relevant requirements specified in regulation 23	Other ²	Total (col. 1 to 4)
Analysis of netting		1	2	3	4	5
OTC derivative instruments						
Replacement cost	87					
Potential future exposure add-on	88					
SFT ¹	89					
Cross-product netting	90					

- Means Securities Financing Transactions. In accordance with the relevant requirements specified in regulation 23(15), a bank that did not obtain the approval of the Registrar to adopt the Internal Model Method, shall calculate its exposure to credit risk arising from securities financing transactions in accordance with the relevant requirements specified in regulations 23(8) and 23(9).
- Please provide relevant details separately.

Counterparty credit risk	Line no.	Alpha value
Own estimate of alpha ¹	91	1

- Relates to internal model method only.

(All amounts to be rounded off to the nearest R'000)

Analysis of standardised CVA ¹ risk weighted exposure	Line no	Weight	EAD	Hedging		Standardised CVA ¹ risk weighted exposure ²
				Single name CDS	Index CDS	
Ratings		1	2	3	4	5
AAA	92	0.70%				
AA	93	0.70%				
A	94	0.80%				
BBB	95	1.00%				
BB	96	2.00%				
B	97	3.00%				
CCC	98	10.00%				
Total (of items 92 to 98)	99					

- Means credit valuation adjustment.
- Total standardised CVA risk weighted exposure may not be equal to the sum of individual requirements calculated, due to, among other things, diversification benefits.

(All amounts to be rounded off to the nearest R'000)

Analysis of central counterparty trade exposure	Line no	Trade exposure	Risk weight	Risk weighted exposure	of which: calculated in terms of the standardised approach
		1	2	3	4
Exposures eligible for a 2% risk weight	100		2%		
Exposures eligible for a 4% risk weight	101		4%		
Exposures eligible for a bilateral risk weight	102				
Total central counterparty exposures (total of items 100 to 102)	103				

(All amounts to be rounded off to the nearest R'000)

Qualifying central counterparty default fund guarantees	Line no	Initial margin collateral posted with the CCP	Prefunded default fund contribution	Trade exposure	Risk weighted exposure
		1	2	3	4
Total (Specify)	104				
	105				

(All amounts to be rounded off to the nearest R'000)

Non-qualifying central counterparty default fund guarantees	Line no	Prefunded default fund contribution	Unfunded default fund contribution	Trade exposure	Risk weighted exposure
		1	2	3	4
Total (Specify)	106				
	107				

(All amounts to be rounded off to the nearest R'000)

Standardised approach:	Line no.	Total exposure			New business during the current reporting month				
		On-balance sheet exposure	Off-balance sheet exposure	Total gross credit exposure	On-balance sheet exposure	Off-balance sheet exposure	Total gross credit exposure		
Residential mortgage exposure	Analysed per specified loan-to-value (LTV) ratio ^{1,2}	1	2	3	4	5	6	7	8
Total (of items 109 to 111)	108								
LTV ratio ≤ 80%	109								
80% < LTV ratio < 100%	110								
LTV ratio ≥ 100%	111								

1. Calculated based on the amount envisaged in regulation 23(6)(c).
 2. An exposure shall be reported in only one of the relevant specified LTV-ratio buckets.

(All amounts to be rounded off to the nearest R'000²)

IRB approach: Summary of selected credit risk related information	Line no.	Total 1
Total gross loans and advances (item 24 of form BA 100)	112	
Impaired advances ¹	113	
Assets bought-in (total of items 115 to 117)	114	
Immovable property (item 6, column 5, of form BA 220)	115	
Movable property	116	
Companies acquired (item 1, column 5, of form BA 220)	117	
Total credit impairments related to total gross loans and advances (item 25 of form BA 100)	118	
Total specific credit impairments (item 216, column 2, of form BA 200)	119	
Total portfolio credit impairments (item 216, column 3, of form BA 200)	120	
Credit losses charge to income statement (item 66, column 3, of form BA 120; item 222, column 1, of form BA 200)	121	
Total credit extended ² (item 156, column 5, of form BA 200)	122	
Exposure at default (EAD) (item 156, column 7, of form BA 200)	123	
Average probability of default ³ (PD, EAD weighted) (item 205, column 3, of form BA 200)	124	
Average loss given default ³ (LGD, EAD weighted) (item 208, column 27, of form BA 200)	125	
Total expected loss (EL) (item 156, column 8)	126	
Best estimate of expected loss (BEEL)	127	
Net excess ⁴ /(deficit) ⁵ of total credit impairments compared to expected loss	128	

1. Means advances in respect of which the bank raised a specific impairment, and shall include any advance or restructured credit exposures subject to amended terms, conditions or concessions that are not formalised in writing.

2. Not on an EAD basis.

3. Specified items require percentages instead of amounts to be reported, which percentages shall be rounded to two decimal places.

4. Refer to item 85 of form BA 700 and regulation 23(22)(d)(i)(B)(ii) when positive.

5. Refer to items 48 of form BA 700 and regulation 23(22)(d)(i)(B)(i) when negative.

(All amounts to be rounded off to the nearest R'000)

Line no.	Asset class	Utilised (On-balance-sheet exposure)	Off-balance-sheet exposure	Repurchase and resale agreements ¹	Derivative instruments ²	Total credit extended ³ (col. 1 to 4)	of which: classified "in default" ⁴	Total credit exposure (EAD)	Expected loss	Specific credit impairment	Risk weighted exposure ⁵	Total		
												of which: attributed to defaulted assets	of which: not subject to double default adjustment	of which: subject to double default provisions prior to adjustment
1	2	3	4	5	6	7	8	9	10	11	12	13		
129	Corporate exposure (total of items 130 to 137)													
130	Corporate													
131	Specialised lending - high volatility commercial real estate (property development)													
132	Specialised lending - income producing real estate													
133	Specialised lending - object finance													
134	Specialised lending - commodities finance													
135	Specialised lending - project finance													
136	SME corporate													
137	Purchased receivables - corporate													
138	Public sector entities													
139	Local governments and municipalities													
140	Sovereign (including central government and central bank)													
141	Banks													
142	Securities firms													
143	Retail exposure (total of items 144, 145, 147, 150 and 154)													
144	Residential mortgage advances													
145	Retail revolving credit ⁶													
146	of which: credit cards													
147	SME retail (total of items 148 and 149)													
148	Secured lending													
149	Unsecured lending													
150	Retail - other													
151	of which: vehicle and asset finance													
152	unsecured lending ^{7, 8} ≤ R30 000													
153	unsecured lending ^{7, 8} > R30 000													
154	Purchased receivables - retail													
155	Securitisation and resecuritisation exposure ⁹													
156	Total (of items 129, 138 to 143 and 155)													

1. Marked-to-market value.
 2. In accordance with the relevant requirements specified in regulation 23.
 3. Not on an EAD basis.
 4. Refer to the definition of default in regulation 67.
 5. After the application of a scaling factor of 1.06.
 6. As defined in regulation 23(1)(c)(iv)(B)(ii).
 7. Relates to the relevant original exposure amount, excluding relevant retail revolving credit exposure and/or SME retail exposure.
 8. Including loans in respect of which the maximum NCA rate applies.
 9. Also refer to regulation 35 and the form BA500.

(All amounts to be rounded off to the nearest R'000)

IRB approach:	Line no.	Credit exposure	Risk weighted exposure ² (col. 1* specified risk weight * scaling factor of 1.06)	Memorandum items:		
				Expected loss	Specific credit impairment	Number of obligors
Capital requirement i.r.o specialised lending subject to specified risk weights and specified risk grades		1	2	3	4	5
Specified risk weights						
0%	157					
50%	158					
70%	159					
90%	160					
95%	161					
115%	162					
120%	163					
140%	164					
250%	165					
Total (of items 157 to 165)	166					

- Should also be included in items 131 to 135.
- After the application of a scaling factor of 1.06.

(All amounts to be rounded off to the nearest R'000)

IRB approach:	Line no.	Amount	Specified risk weight (%)	Risk weighted exposure (col. 1* col.2)
Other assets ¹		1	2	3
Cash and balances with the central bank	167		0%	
Cash items in process of collection	168		20%	
Goodwill	169		Deduction ²	
Intangibles other than goodwill	170		Deduction ²	
Fixed assets (excl. assets bought-in)	171		100%	
Movable assets (excl. assets bought-in)	172		100%	
Assets bought-in	173		100%	
Lease residuals	174		100%	
Other assets	175		100%	
Total (of items 167 to 175)	176			

- Other assets are unrelated to credit risk but in order to calculate the reporting bank's relevant aggregate required amount of capital and reserve funds, for reconciliation to the form BA 700, such other assets are included in the form BA 200. When the majority of the reporting bank's credit exposure is subject to the standardised approach the bank shall complete the relevant required information specified in items 70 to 79 of the form BA 200 and leave open the relevant items under the IRB approach.
- Relates to assets the relevant amounts of which are to be deducted from the reporting bank's capital and reserve funds in accordance with the relevant requirements specified in regulation 38(5).

(All amounts to be rounded off to the nearest R'000)

IRB approach: Analysis of total credit exposure, that is, EAD, analysed by PD band	Line no.	Prescribed rating scale		Average PD of reporting bank ¹ (%)	Asset class									
		Lower bound (%)	Upper bound (%)		Corporate exposure ²									
					Specialised lending			SME corporate			Purchased receivables - corporate	Total corporate exposure (total of col. 4 to 11)	Public sector entities ²	Local government and municipalities ²
1	2	3	4	5	6	7	8	9	10	11				
Prescribed PD band														
Performing (total of items 178 to 203)	177													
00	178		0.0000											
01	179	0.0001	0.0120											
02	180	0.0121	0.0170											
03	181	0.0171	0.0240											
04	182	0.0241	0.0340											
05	183	0.0341	0.0480											
06	184	0.0481	0.0670											
07	185	0.0671	0.0950											
08	186	0.0951	0.1350											
09	187	0.1351	0.1900											
10	188	0.1901	0.2690											
11	189	0.2691	0.3810											
12	190	0.3811	0.5380											
13	191	0.5381	0.7610											
14	192	0.7611	1.0760											
15	193	1.0761	1.5220											
16	194	1.5221	2.1530											
17	195	2.1531	3.0440											
18	196	3.0441	4.3050											
19	197	4.3051	6.0890											
20	198	6.0891	8.6110											
21	199	8.6111	12.1770											
22	200	12.1771	17.2220											
23	201	17.2221	24.3550											
24	202	24.3551	34.4430											
25	203	34.4431	99.9999											
Default	204	100.000	100.000											
Total (of items 177 and 204)	205													

1. Means the EAD weighted average probability of default (PD), calculated in accordance with the reporting bank's internal master rating scale and mapped to the relevant specified PD band.
 2. In respect of the relevant specified PD bands and asset classes, a bank shall report the aggregate amount of its total credit exposure, that is, the relevant EAD amount, calculated in accordance with the relevant requirements specified in these Regulations.

(All amounts to be rounded off to the nearest R'000)

IRB approach: Analysis of total credit exposure, that is, EAD, analysed by PD band	Line no.	Asset class													Total credit exposure (EAD) (col. 12 to 18)									
		Retail exposure																						
		Sovereign ¹ (including central government and central banks)	Banks ¹	Securities firms ¹	Total retail exposure (total of columns 19, 20, 22, 25 and 29)	Residential mortgage advances	Retail revolving credit		SME retail			Retail other				Purchased receivables retail								
15	16	17	18	19	Total of which: credit cards	20	21	22 (of col 23 and 24)	of which: secured lending	23	of which: unsecure d lending	24	Total	of which: vehicle and asset finance	26	of which: unsecured lending ≤ R30 000	27	of which: unsecured lending > R30 000	28	29	30			
Performing (total of items 178 to 203)	177																							
00	178																							
01	179																							
02	180																							
03	181																							
04	182																							
05	183																							
06	184																							
07	185																							
08	186																							
09	187																							
10	188																							
11	189																							
12	190																							
13	191																							
14	192																							
15	193																							
16	194																							
17	195																							
18	196																							
19	197																							
20	198																							
21	199																							
22	200																							
23	201																							
24	202																							
25	203																							
Default Total (of items 177 and 204)	204																							
	205																							

1. In respect of the relevant specified PD bands and asset classes, a bank shall report the aggregate amount of its total credit exposure, that is, the relevant EAD amount, calculated in accordance with the relevant requirements specified in these Regulations.

IRB approach: EAD weighted average LGD (percentage)	Line no.	Asset class													
		Corporate exposure ¹						Asset class							
		Specialised lending			Retail exposure			SME corporate	Purchased receivables - corporate	Total corporate exposure average LGD (%)	Public sector, entities	Local government and municipalities	Sovereign ¹ (including central government and central banks)	Banks ¹	Securities firms ¹
		high volatility commercial real estate (property development)	income producing real estate	object finance	commodity finance	project finance	Corporate								
Performing	206	2	3	4	5	6	7	8	9	10	11	12	13	14	
Default	207														
Total average LGD	208														

1. In respect of the relevant specified asset classes, a bank shall report the EAD weighted average LGD percentage relating to the relevant credit exposure, calculated in accordance with the relevant requirements specified in these Regulations.

IRB approach: EAD weighted average LGD (percentage)	Line no.	Asset class												
		Retail exposure												
		Total retail exposure average LGD (%)	Residential mortgage advances			Retail revolving credit		SME retail			Retail other			Total EAD weighted average LGD (%)
			Total	of which: credit cards	of which: secured lending	Total (of col 20 and 21)	of which: unsecured lending	Total	of which: vehicle and asset finance	of which: unsecured lending > R30 000	of which: unsecured lending > R30 000	Purchased receivables retail		
Performing	206	15	16	17	18	19	20	21	22	23	24	25	26	27
Default	207													
Total average LGD	208													

1. In respect of the relevant specified asset classes, a bank shall report the EAD weighted average LGD percentage relating to the relevant credit exposure, calculated in accordance with the relevant requirements specified in these Regulations.

(All amounts to be rounded off to the nearest R'000)

IRB approach: Expected loss	Line no.	Asset class														
		Corporate exposure ¹											Sovereign ¹ (including central government and central banks)	Local government and municipalities	Public sector entities ¹	Total corporate expected loss (total of col. 1 to 8)
		Specialised lending			Purchased corporate receivables	SME corporate receivables	Total corporate expected loss (total of col. 1 to 8)									
		Corporate	high volatility commercial real estate (property development)	income producing real estate				object finance	commodity finance	project finance						
Performing	209		2	3	4	5	6	7	8	9	10	11	12	13	14	
Default ²	210															
Total expected loss (total of items 209 and 210)	211															

1. In respect of the relevant specified asset classes, based on the relevant requirements specified in these Regulations, a bank shall report its relevant aggregate expected loss amount.
 2. Means the reporting bank's best estimate of the relevant expected loss amount.

(All amounts to be rounded off to the nearest R'000)

IRB approach: Expected loss	Line no.	Asset class											Total expected loss (total of col. 9 to 15)	
		Retail exposure ¹										Purchased retail receivables		
		Total retail exposure expected loss (total of col. 16, 17, 19, 22 and 26)	Residential mortgage advances	Retail revolving credit		SME retail		Retail other		of which: unsecured lending > R30 000	of which: unsecured lending ≤ R30 000			
				Total	of which: credit cards	Total (of col. 20 and 21)	of which: secured lending	of which: unsecured lending	Total			of which: vehicle and asset finance		
Performing	209	15	16	17	18	19	20	21	22	23	24	25	26	27
Default ²	210													
Total expected loss (total of items 209 and 210)	211													

1. In respect of the relevant specified asset classes, based on the relevant requirements specified in these Regulations, a bank shall report its relevant aggregate expected loss amount.
 2. Means the reporting bank's best estimate of the relevant expected loss amount.

(All amounts to be rounded off to the nearest R'000)

Line no.	Days overdue							
	1 - 30 days		31 - 60 days		61 - 90 days		>90 days	
	Total EAD	Of which: classified "in default"	Total EAD	Of which: classified "in default"	Total EAD	Of which: classified "in default"	Total EAD	Of which: classified "in default"
	1	2	3	4	5	6	7	8
IRB approach:								
Analysis of past due exposure (EAD)								
Asset class								
Corporate exposure (total of items 225 to 232)								
Corporate	224							
Specialised lending - high volatility commercial real estate (property development)	225							
Specialised lending - income producing real estate	226							
Specialised lending - object finance	227							
Specialised lending - commodities finance	228							
Specialised lending - project finance	229							
SME corporate	230							
Purchased receivables - corporate	231							
	232							
Public sector entities	233							
Local government and municipalities	234							
Sovereign (including central government and central bank)	235							
Banks	236							
Securities firms	237							
Retail exposure (total of items 239, 240, 242, 245 and 249)	238							
Residential mortgage advances	239							
Retail revolving credit	240							
of which: credit cards	241							
SME retail (total of items 243 and 244)	242							
Secured lending	243							
Unsecured lending	244							
Retail – other	245							
of which: vehicle and asset finance	246							
unsecured lending ≤ R30 000 (see item 152 description)	247							
unsecured lending > R30 000 (see item 153 description)	248							
Purchased receivables - retail	249							
Securitisation and resecuritisation exposure	250							
Total credit exposure (EAD) (total of items 224, 233 to 238 and 250)	251							

1. Refer to definition of default specified in regulation 67.

(All amounts to be rounded off to the nearest R'000)

IRB approach: Counterparty credit risk ¹	Current exposure method														Standardised method			
	Line no.	OTC derivative instruments						SFT ²				OTC derivative instruments				Net absolute risk position after the application of CCFs		
		Total notional principal amount	Gross replacement cost	Net replacement cost	Gross potential future exposure add-on	Net potential future exposure add-on	Collateral value after haircut	Credit exposure value	Collateral value	Netting benefits	Current market value of portfolio	Current market value of collateral	Risk position for transaction	Risk position from collateral				
1	2	3	4	5	6	7	8	9	10	11	12	13	14					
Performing (total of items 253 to 278)																		
00																		
01																		
02																		
03																		
04																		
05																		
06																		
07																		
08																		
09																		
10																		
11																		
12																		
13																		
14																		
15																		
16																		
17																		
18																		
19																		
20																		
21																		
22																		
23																		
24																		
25																		
Default																		
Total counterparty credit risk (total of items 252 and 279)																		
Memorandum items: Maximum counterparty credit exposure during the month																		
280																		
281																		

1. Refer to regulations 23(15) to 23(19) for the relevant directives related to the measurement of a bank's exposure to counterparty credit risk.
 2. Means Securities Financing Transactions. In accordance with the relevant requirements specified in regulation 23(15), a bank that did not obtain the approval of the Registrar to adopt the Internal Model Method, shall calculate its exposure to credit risk arising from securities financing transactions in accordance with the relevant requirements specified in regulations 23(8) and 23(9).

(All amounts to be rounded off to the nearest R'000)

IRB approach: Counterparty credit risk ¹ Analysis of OTC derivative instruments and SFT ² Based on prescribed PD bands	Line no.	Standardised method			Internal model ³			Aggregate total across all relevant approaches						
		SFT ²		Netting benefit	OTC derivative instruments		SFT ²		Adjusted exposure amount		Risk weighted exposure			
		Credit exposure value	Collateral value		Effective expected positive exposure	Stressed effective expected positive exposure	Effective expected positive exposure	Stressed effective expected positive exposure	OTC derivative instruments	SFT ²	Default risk ⁴ OTC derivative instruments	SFT ²	Standard disised	Advanced
15	16	17	18	19	20	21	22	23	24	25	26	27	28	
Performing (total of items 253 to 278)														
00														
01														
02														
03														
04														
05														
06														
07														
08														
09														
10														
11														
12														
13														
14														
15														
16														
17														
18														
19														
20														
21														
22														
23														
24														
25														
Default														
Total counterparty credit risk (total of items 252 and 279)														
Memorandum items:														
Maximum counterparty credit exposure during the month														
281														

1. Refer to regulations 23(15) to 23(19) for the relevant directives related to the measurement of a bank's exposure to counterparty credit risk.
 2. Means Securities Financing Transactions. In accordance with the relevant requirements specified in regulation 23(15), a bank that did not obtain the approval of the Registrar to adopt the Internal Model Method, shall calculate its exposure to credit risk arising from securities financing transactions in accordance with the relevant requirements specified in regulations 23(8) and 23(9).
 3. In the case of cross-product netting, a bank shall report the relevant exposure under SFT.
 4. After the application of the scaling factor of 1.06.
 5. Means credit valuation adjustment.
 6. When the majority of the bank's credit exposure is subject to the standardised approach the bank shall complete the relevant required information specified in items 80 to 86 of the form BA 200 and leave open the relevant column under the IRB approach.

(All amounts to be rounded off to the nearest R'000)

Counterparty credit risk	Line no.	ISDA	ISMA	Netting in terms of relevant requirements specified in regulation 23	Other ²	Total (col. 1 to 4)
Analysis of netting		1	2	3	4	5
OTC derivative instruments	282					
Replacement cost	283					
Potential future exposure add-on	284					
SFT ¹	285					
Cross-product netting						

1. Means Securities Financing Transactions. In accordance with the relevant requirements specified in regulation 23(15), a bank that did not obtain the approval of the Registrar to adopt the Internal Model Method, shall calculate its exposure to credit risk arising from securities financing transactions in accordance with the relevant requirements specified in regulations 23(8) and 23(9).
2. Please provide relevant details separately.

Counterparty credit risk

Line no.	Alpha value
286	1

1. Relates to internal model method only.

(All amounts to be rounded off to the nearest R'000)

Analysis of standardised CVA ¹ risk weighted exposure	Line no	Weight	EAD	Hedging		Standardised CVA ¹ risk weighted exposure ²
				Single name CDS	Index CDS	
Ratings		1	2	3	4	5
AAA	287	0.70%				
AA	288	0.70%				
A	289	0.80%				
BBB	290	1.00%				
BB	291	2.00%				
B	292	3.00%				
CCC	293	10.00%				
Total (of items 287 to 293)	294					

1. Means credit valuation adjustment.
2. Total standardised CVA risk weighted exposure may not be equal to the sum of individual requirements calculated, due to, among other things, diversification benefits.

(All amounts to be rounded off to the nearest R'000)

Analysis of central counterparty trade exposure	Line no	Trade exposure	Risk weight	Risk weighted exposure	of which: calculated in terms of the standardised approach
		1	2	3	4
Exposures eligible for a 2% risk weight	295		2%		
Exposures eligible for a 4% risk weight	296		4%		
Exposures eligible for a bilateral risk weight	297				
Total central counterparty exposures (total of items 295 to 297)	298				

(All amounts to be rounded off to the nearest R'000)

Qualifying central counterparty default fund guarantees	Line no	Initial margin collateral posted with the CCP	Prefunded default fund contribution	Trade exposure	Risk weighted exposure
		1	2	3	4
Total	299				
(Specify)	300				

(All amounts to be rounded off to the nearest R'000)

Non-qualifying central counterparty default fund guarantees	Line no	Prefunded default fund contribution	Unfunded default fund contribution	Trade exposure	Risk weighted exposure
		1	2	3	4
Total	301				
(Specify)	302				

(All amounts to be rounded off to the nearest R'000)

IRB approach:	Line no.	Total exposure				New business during the current reporting month					
		On-balance sheet exposure	Off-balance sheet exposure	Total gross credit exposure	EAD	Risk weighted exposure ³	On-balance sheet exposure	Off-balance sheet exposure	Total gross credit exposure	EAD	Risk weighted exposure ³
Residential mortgage exposure	303	1	2	3	4	5	6	7	8	9	10
Analysed per specified loan-to-value (LTV) ratio ^{1,2}											
Total (of items 304 to 306)	303										
LTV ratio ≤ 80%	304										
80% < LTV ratio < 100%	305										
LTV ratio ≥ 100%	306										

1. Calculated based on the amount envisaged in regulation 23(6)(c).
 2. An exposure shall be reported in only one of the relevant specified LTV-ratio buckets.
 3. After the application of a scaling factor of 1.06.

(All amounts to be rounded off to the nearest R'000)

IRB approach:	Line no.	Specified LGD band ¹		Asset class										Sovereign ¹ (including central government and central banks)	
		Lower bound (%)	Upper bound (%)	Corporate exposure ¹											
				Corporate			Specialised lending				Total corporate exposure				Local government and municipalities
Analysis of total credit exposure, that is, EAD, analysed by LGD band		high volatility commercial real estate (property development)	income producing real estate	object finance	commodity finance	project finance	SME corporate	Purchased corporate receivables	Total corporate exposure (total of col. 3 to 10)	Local government and municipalities	Public sector entities ¹	Sovereign ¹ (including central government and central banks)			
Specified LGD band ¹		1	2	3	4	5	6	7	8	9	10	11	12	13	14
00	307		10.0000												
01	308	10.0001	20.0000												
02	309	20.0001	30.0000												
03	310	30.0001	40.0000												
04	311	40.0001	50.0000												
05	312	50.0001	60.0000												
06	313	60.0001	70.0000												
07	314	70.0001	80.0000												
08	315	80.0001	90.0000												
09	316	90.0001	100.0000												
10	317	100.0001	and more												

1. In respect of the relevant specified LGD bands and asset classes, a bank shall report the aggregate amount of its total credit exposure, that is, the relevant EAD amount, calculated in accordance with the relevant requirements specified in these Regulations.

(All amounts to be rounded off to the nearest R'000)

IRB approach:	Line no.	Asset class										Total credit exposure (EAD) (total of col 11 to 17)				
		Banks ¹	Securities firms ¹	Retail exposure												
				Total retail exposure (total of col 18, 19, 21, 24 and 28)	Residential mortgage advances	Retail revolving credit	SME retail		Retail other		Purchased retail receivables					
Analysis of total credit exposure, that is, EAD, analysed by LGD band		Total	of which: credit cards	Total (of col 22 and 23)	of which: secured lending	of which: unsecured lending	Total	of which: vehicle and asset finance	of which: unsecured lending > R30 000	Purchased retail receivables	Total credit exposure (EAD) (total of col 11 to 17)					
Specified LGD band ¹		15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
00	307															
01	308															
02	309															
03	310															
04	311															
05	312															
06	313															
07	314															
08	315															
09	316															
10	317															

1. In respect of the relevant specified LGD bands and asset classes, a bank shall report the aggregate amount of its total credit exposure, that is, the relevant EAD amount, calculated in accordance with the relevant requirements specified in these Regulations.

(All amounts to be rounded off to the nearest R'000)

Advanced IRB approach:	Line no.	Specified maturity band ¹		Corporate exposure ³										Local government and municipalities ³	Sovereign (including central government and central banks)
		Specified maturity band ¹		Specialised lending					Corporate exposure ³						
		Lower bound (years) ²	Upper bound (years) ²	Corporate	high volatility commercial real estate (property development)	income producing real estate	object finance	commodity finance	project finance	SME corporate	Purchased corporate receivables	Total corporate exposure (total of col. 3 to 10)	Public sector entities ³		
Specified maturity band ¹		1	2	3	4	5	6	7	8	9	10	11	12	13	14
00	318		0.5000												
01	319		1.0000												
02	320		1.5000												
03	321		2.0000												
04	322		2.5000												
05	323		3.0000												
06	324		3.5000												
07	325		4.0000												
08	326		4.5000												
09	327		5.0000												
10	328		5.0001 and longer												
Total EAD weighted average effective maturity - without the 1 year regulatory floor and the 5 year maximum ²	329														
- with the 1 year regulatory floor and the 5 year maximum ^{4, 5}	330														

1. In respect of the relevant specified maturity bands and asset classes, a bank shall report the aggregate amount of its total credit exposure, that is, the relevant EAD amount, calculated in accordance with the relevant requirements specified in these Regulations, including the relevant principles contained in regulation 23(13)(d)(ii)(B).
2. The 1 year regulatory floor and the 5 year specified maximum effective maturity used for the calculation of minimum required capital and reserve funds shall be disregarded for purposes of the completion of line items 318 to 329.
3. Based on the same method used for the calculation of minimum required capital and reserve funds, such as the cash-flow formula or maximum remaining time, without taking into consideration the relevant specified 1 year regulatory floor and 5 year maximum effective maturity limit.
4. Means the EAD weighted effective maturity of the relevant asset class calculated in accordance with the relevant requirements specified in regulation 23(13)(d)(ii)(B), which average effective maturity shall be expressed in years and rounded to two decimal place.
5. The total EAD weighted effective maturity reported in column 29 shall include all relevant retail exposures.

23. Credit risk - Directives and interpretations for completion of monthly return concerning credit risk (Form BA 200)

- (1) The content of the return is confidential and not available for inspection by the public.
- (2) The purpose of form BA 200, amongst other things-
 - (a) is to provide an executive summary and overview of the reporting bank's exposure to and capital requirement in respect of credit risk;
 - (b) is to provide a detailed analysis of the reporting bank's exposure to credit risk, including information in respect of key credit risk parameters, counterparty credit risk and credit impairments;
 - (c) in the case of a bank that adopted the IRB approach for the measurement of its exposure to credit risk, is to provide an analysis in respect of expected loss and credit impairments, including information in respect of any related impact on qualifying capital and reserve funds;
 - (d) is to provide an analysis of any relevant exposure in respect of specialised lending, which exposure is subject to specified risk weights and specified risk grades;
 - (e) is to provide an analysis of any other assets and their relevant capital requirements.
- (3) For the measurement of a bank's exposure to credit risk the bank shall at the discretion of the bank use one of the alternative methodologies specified below:
 - (a) The standardised approach, using one of the alternative frameworks prescribed in subregulation (5) read with the relevant provisions specified in subregulations (6) to (9);
 - (b) Subject to the prior written approval of the Registrar and such conditions as may be specified in writing by the Registrar, the IRB approach, using one of the alternative frameworks prescribed in subregulation (10) read with the relevant provisions specified in subregulations (11) to (14);
 - (c) Subject to the prior written approval of the Registrar and such conditions as may be specified in writing by the Registrar, a combination of the approaches envisaged in paragraphs (a) and (b) above;

Provided that:

- (i) when a bank is unable, unwilling or unprepared to comply with the relevant qualifying criteria specified in respect of the foundation or advanced IRB approach for the measurement of the bank's exposure to credit risk, the Registrar may in writing direct the bank to apply a specified method, subject to such conditions as may be specified in writing by the Registrar;
- (ii) unless specifically otherwise provided in these Regulations or specified in writing by the Registrar, a bank shall in all cases other than the items specified below complete the form BA 200 based on the outstanding amount at the end of the reporting month, provided that in respect of the items specified below and any related eligible credit risk mitigation in respect of that specified item, instead of the outstanding amount at the end of the reporting month, the bank shall report the average daily balance of the said specified item and the average daily balance related to any eligible credit risk mitigation in respect of that specified item in respect of the reporting month.
 - (A) Any credit card or overdraft facility.
 - (B) Any corporate exposure related to working capital or an overdraft facility.
 - (C) Any SME working capital facility or overdraft.
 - (D) Any money market exposure to a financial institution.
 - (E) Any call or overnight loan.

(4) In order to facilitate reporting on the form BA 200 and ongoing review by the Registrar of the reporting bank's exposure to credit risk, including any relevant peer group comparison, a bank that adopted the IRB approach for the measurement of the bank's exposure to credit risk-

- (a) shall in a mutually exclusive and jointly exhaustive manner map its internal master rating scale to the relevant rating scale and PD bands specified in the form BA 200;
- (b) shall duly document its mapping process, including any relevant definitions applied in its mapping process.

(5) *Calculation of credit risk exposure: standardised approach*

Subject to the relevant provisions of regulation 38(2) and subregulation (20), a bank that adopted the standardised approach for the measurement of the bank's exposure to credit risk-

- (a) shall calculate its exposure to credit risk, at the discretion of the bank, either in accordance with Method 1, as set out in subregulations (6) and (7), or Method 2, as set out in subregulations (8) and (9);

- (b) shall in a consistent manner, in accordance with the relevant requirements specified below, and in terms of the bank's internal risk management process, apply the ratings or assessments issued by an eligible external credit assessment institution of the bank's choice, or export credit agency, to calculate the bank's risk exposure in terms of the relevant provisions contained in these Regulations, that is, the bank shall not "cherry pick" ratings or assessments issued by different external credit assessment institutions, arbitrarily change the use of eligible external credit assessment institutions or apply ratings or assessments for purposes of these Regulations differently from the bank's internal risk management process.

(i) *Multiple assessments*

When a bank has a choice between-

- (A) two assessments issued by eligible external credit assessment institutions, which assessments relate to different risk weighting categories, the higher of the two risk weights shall apply;
- (B) three or more assessments issued by eligible external credit assessment institutions, which assessments relate to different risk weighting categories, the higher of the lowest two risk weights shall apply.

(ii) *Issuer versus issue assessment*

(A) When a bank invests in-

- (i) an instrument with an issue-specific assessment, the risk weighting of the instrument shall be based on the said specific assessment;
- (ii) an unrated instrument issued by an obligor, which obligor is assigned-

(aa) a high-quality credit assessment, that is, an assessment that results in a lower risk weight than the risk weight normally applied to an unrated position, the bank may assign the lower risk weight to the said unrated position, provided that-

- (i) the claim in respect of that unrated position shall rank *pari passu* or senior to the claims to which the issuer assessment relates;

(ii) when the unrated position ranks junior to the claims to which the issuer assessment relates, the bank shall assign to the said position a risk weight relating to unrated positions.

(bb) a low-quality assessment, that is, an assessment that results in a higher risk weight than the risk weight normally applied to an unrated position, the bank shall assign to the said unrated position the said higher risk weight if that unrated instrument ranks *pari passu* or is subordinated to either the relevant senior unsecured issuer assessment or exposure assessment.

Provided that in all cases, irrespective whether the bank relies on an issuer or issue-specific assessment, the bank shall ensure that the relevant assessment takes into account and reflects the aggregate amount of credit exposure in respect of all amounts due, that is, the relevant principal amount and any related interest.

(B) A bank shall in no case use an external assessment relating to a particular entity within a corporate group to risk weight other entities within the same group.

(iii) *Foreign currency and domestic currency assessments*

When a bank assigns a risk weight to an unrated position based on the rating of an equivalent exposure to that borrower to which an issuer rating is assigned, the bank-

(A) shall use that borrower's foreign-currency rating in respect of exposure denominated in foreign currency;

(B) shall use that borrower's domestic-currency rating in respect of exposure denominated in domestic currency.

(iv) *Short term versus long term assessments*

(A) Unless specifically otherwise provided in these Regulations, for the measurement of a bank's exposure to credit risk, a short-term credit assessment-

(i) shall be deemed to be issue-specific, that is, the assessment shall be used only to derive risk weights for claims arising from a rated facility. For example, when a short-term rated facility is assigned a risk weight of 50 per cent, an unrated short-term claim can not be assigned a risk weight lower than 100 per cent;

- (ii) shall in no event be used to support a risk weight for an unrated long-term claim;
- (iii) shall only be used for short-term claims relating to banks and corporate institutions, such as a particular issuance of commercial paper.

(B) Subject to the provisions of subregulation (6) or (8) below, when a short-term facility of a particular issuer is assigned a risk weight of 150 per cent based on the facility's credit assessment, all unrated claims of the said issuer, whether long-term or short-term, shall be assigned a risk weight of 150 per cent.

(v) *Unsolicited ratings*

A bank shall not without the prior written approval of the Registrar or otherwise than in accordance with conditions approved in writing by the Registrar make use of unsolicited ratings issued by an external credit assessment institution.

- (c) shall duly assess all relevant credit exposures, regardless of whether the said exposures are rated or unrated, to determine whether the risk weights applied to the said exposures in terms of the provisions of subregulations (6) to (9) are appropriate, based on the respective exposures' inherent risk, provided that, when the bank determines that the inherent risk of an exposure, particularly if the exposure is unrated, is significantly higher than that implied by the risk weight to which it is assigned, the bank shall consider the higher degree of credit risk in the evaluation of its overall capital adequacy;
- (d) shall comply with the relevant requirements specified in subregulations (6) to (9) below.

(6) *Method 1: Calculation of credit risk exposure in terms of the simplified standardised approach*

Unless specifically otherwise provided in these Regulations, a bank that adopted the simplified standardised approach for the measurement of the bank's exposure to credit risk arising from positions held in its banking book shall risk weight its relevant exposure, net of any credit impairment, in accordance with the relevant requirements specified below:

- (a) In the case of exposure to sovereigns, central banks, public-sector entities, banks, securities firms and corporate institutions, in accordance with the provisions of table 1 below.

Table 1

Claim in respect of-	Export Credit Agencies: risk scores relating to sovereign ¹				
	0-1	2	3	4 to 6	7
Sovereigns (including the Central Bank of that country)	0%	20%	50%	100%	150%
Public-sector entities	20%	50%	100%	100%	150%
Banks^{2,3}	20%	50%	100%	100%	150%
Securities firms^{2,3,5}	20%	50%	100%	100%	150%
Banks: short-term claims⁴	20%	20%	20%	50%	150%
Securities firms: short-term claims^{4,5}	20%	20%	20%	50%	150%
Corporate entities	Any corporate exposure, including claims on insurance companies				
	100%				

1. Relates to the consensus country risk scores of export credit agencies participating in the "Arrangement on Officially Supported Export Credits". The consensus country risk classification is available on the OECD website, at www.oecd.org, in the Export Credit arrangement web-page of the Trade Directorate.

2. Based on the sovereign rating.

3. No claim on an unrated bank or securities firm shall be assigned a risk weight lower than the risk weight assigned to a claim on the central government of the country in which the bank or securities firm is incorporated.

4. Claims with an original maturity of three months or less, excluding a claim which is renewed or rolled resulting in an effective maturity of more than three months.

5. Provided that such firms are subject to supervisory and regulatory arrangements comparable to banks in the Republic, including, in particular, risk-based capital requirements and regulation and supervision on a consolidated basis. Otherwise a securities firm shall be regarded as a corporate entity.

(b) In the case of an exposure that meets the criteria specified below, which exposure shall be regarded as forming part of the bank's retail portfolio, excluding any exposure that is overdue, at a risk weight of 75 per cent.

(i) Criteria relating to orientation

The exposure shall relate to an individual person or persons or to a small business.

(ii) Criteria relating to the product

The exposure shall be in the form of-

(A) a revolving credit exposure or line of credit, including exposures relating to credit cards and overdraft facilities;

(B) a personal term loan or lease, including instalment loans, vehicle finance and leases, student and educational loans and personal finance; or

(C) a small business facility or commitment,

provided that the exposures specified below shall at no stage form part of a bank's retail portfolio.

(i) Securities such as bonds and equities, whether listed or not.

(ii) Mortgage loans that qualify for inclusion in the category of claims secured by residential property.

(iii) Criteria relating to granularity

In order to ensure that the retail portfolio of the reporting bank is sufficiently diversified, no aggregate exposure to a counterparty shall exceed 0.2% of the aggregate amount relating to the bank's retail portfolio.

For the purposes of this subparagraph (iii)-

(A) aggregate exposure means the gross amount of all forms of debt included in the retail portfolio before any form of credit risk mitigation is taken into consideration;

(B) counterparty means one or more persons or entities that may be considered a single beneficiary, including small businesses affiliated to each other; and

(C) all retail exposures that are overdue as envisaged in paragraph (e) below shall be excluded from the aggregate amount when the bank calculates the said granularity of the retail portfolio.

(iv) Low value of individual exposures

An exposure to an individual person or small business shall be included in the retail portfolio only when the aggregate amount of the said exposure after the application of the relevant credit conversion factors but before the effect of any risk mitigation is taken into consideration, is less than or equal to R7,5 million.

- (c) In the case of lending fully secured by mortgage on an occupied urban residential dwelling or occupied individual sectional title dwelling, when the exposure is not overdue for more than 90 days, and to the extent that the capital amount outstanding-
- (i) does not exceed 80 per cent of the current market value of the mortgaged property, at a risk weight of 35 per cent;
 - (ii) exceeds 80 per cent but is less than 100 per cent of the current market value of the mortgaged property, at a risk weight of 75 per cent;
 - (iii) is equal to or exceeds 100 per cent of the current market value of the mortgaged property, at a risk weight of 100 per cent,

For example, when a bank granted and paid out a loan of R1 050 000 to a borrower, which loan is fully secured by mortgage on an occupied urban residential dwelling, the current market value of which urban residential dwelling is equal to R1 million, the bank shall risk weight the loan as follows:

- (i) R800 000 at 35 per cent;
- (ii) R199 999 at 75 per cent; and
- (iii) R 50 001 at 100 per cent.

Occupied

For the purposes of this paragraph (c), only urban residential dwellings or individual sectional title dwellings that are occupied or intended to be occupied **as the principal place of residence** of either the borrower or, with the consent of the borrower, a person other than the borrower shall be regarded as adhering to the requirement of being "occupied". In this regard, although the intention of the borrower may be an important indicator, the purpose for which the dwelling is/will be utilised shall be determined with reference to objective factors and reasonability. For example, the fact that the residence may be unoccupied for short periods of time, such as when the resident is on vacation, does not change the classification. On the other hand, a residence used mainly for purposes of vacation or to conduct business activities can clearly not be regarded as **the principal place of residence**.

Urban

For the purposes of this paragraph (c), urban area means an area inside the boundaries of any local government area fixed by law.

Dwelling

For the purposes of this paragraph (c), dwelling means any building that-

- (i) after its construction contains or will contain living rooms with a kitchen and the usual appurtenances and permanent provision for lighting, water supply, drainage and sewerage, whether such building is or is to be constructed as a detached or semi-detached building or is or is to be contained in a block of buildings;
- (ii) is designed and utilised or meant to be utilised for residential purposes; and
- (iii) is located in an area-
 - (A) in which the majority of the premises are residential premises; or
 - (B) comprising at least 100 residential premises and which is defined for this purpose by means of cadastral boundaries, as shown on the compilation maps of the Surveyor General.
- (d) In the case of lending fully secured by mortgage on commercial real estate, at a risk weight of 100 per cent.
- (e) In the case of an exposure, other than an exposure secured by a mortgage bond on residential property as envisaged in paragraph (c), which exposure is overdue for more than 90 days-
 - (i) the unsecured portion of the exposure shall be risk weighted as follows:
 - (A) 150 per cent when the specific credit impairment in respect of the outstanding amount of the exposure is less than 20 per cent;
 - (B) 100 per cent when the specific credit impairment in respect of the outstanding amount of the exposure is equal to or more than 20 per cent;

- (C) 50 per cent when the specific credit impairment in respect of the outstanding amount of the exposure is equal to or more than 50 per cent.
 - (ii) the secured portion of the exposure shall be risk weighted at 100 per cent, provided that the bank obtained adequate eligible collateral and raised a specific credit impairment equal to or higher than 15 per cent of the outstanding exposure.
- (f) In the case of a loan that is fully secured by a mortgage bond on an occupied urban residential dwelling or occupied individual sectional title dwelling as envisaged in paragraph (c), which loan is overdue for more than 90 days,
 - (i) at a risk weight of 100 per cent when the specific credit impairment in respect of the loan is less than 20 per cent of the outstanding amount;
 - (ii) at a risk weight of 50 per cent when the specific credit impairment in respect of the loan is equal to or higher than 20 per cent of the outstanding amount.
- (g) In the case of off-balance-sheet exposure other than unsettled securities or derivative contracts subject to counterparty risk as envisaged in subregulations (15) to (19), or securitisation or resecuritisation exposure as envisaged in paragraph (h) below, the bank shall convert the off-balance-sheet exposure to a credit equivalent amount by multiplying the said exposure with the credit-conversion factors specified in table 2 below:

Table 2

Description	Credit conversion factor
Any solicitation limit, that is, a facility not yet contracted	0 per cent
Any revocable commitment ¹	0 per cent
Drawn self-liquidating trade letters of credit arising from the movement of goods, that is, documentary credits collateralised by the underlying shipment, with an original maturity of up to one year, which credit conversion factor shall apply to both issuing and confirming banks	20 per cent ²
Irrevocable commitments with an original maturity of up to one year, excluding any commitment which is renewed or rolled resulting in an effective maturity of more than one year	20 per cent
Drawn self-liquidating trade letters of credit arising from the movement of goods, that is, documentary credits collateralised by the underlying shipment, with an original maturity of more than one year	50 per cent
Irrevocable commitments with an original maturity of more than one year and commitment which is renewed or rolled resulting in an effective maturity of more than one year	50 per cent
Performance related guarantees	50 per cent
Irrevocable note issuance facilities and irrevocable revolving underwriting facilities	50 per cent
Any exposure arising from a securities lending/borrowing transaction	100 per cent
Direct credit substitutes such as general guarantees of indebtedness, including standby letters of credit serving as financial guarantees, and acceptances	100 per cent
Any relevant off-balance-sheet exposure rated by an eligible external credit assessment institution	100 per cent
Off-balance-sheet exposures other than the exposures specified above	100 per cent

1. Revocable commitment includes an obligation of the reporting bank which may be cancelled at the discretion of the bank without prior notice or which provide for automatic cancellation due to deterioration in the creditworthiness of the obligor. Refer to the relevant definition contained in regulation 67.

2. Relates to issuing and confirming banks.

- (h) In the case of a securitisation or resecuritisation exposure, in accordance with the relevant requirements specified below:
- (i) In the case of investment in senior commercial paper, that is, on-balance-sheet positions, the bank shall multiply the relevant position with the risk weights specified in table 3 below:

Table 3

Long-term rating category¹					
External credit assessment	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-^{2,3}	B+ and below or unrated^{3,4,5,6}
Securitisation exposure					
Risk weight	20%	50%	100%	350%	1250% ^{3,4,5}
Resecuritisation exposure					
Risk weight	40%	100%	225%	650%	1250% ^{3,4,5}
Short-term rating category¹					
External credit assessment	A-1/P-1	A-2/P-2	A-3/P-3	All other ratings or unrated	
Securitisation exposure					
Risk weight	20%	50%	100%	1250% ³	
Resecuritisation exposure					
Risk weight	40%	100%	225%	1250% ³	

1. The notations used in this table relate to the ratings used by a particular credit assessment institution. The use of the rating scale of a particular credit assessment institution does not mean that any preference is given to a particular credit assessment institution. The assessments/ rating scales of other external credit assessment institutions, recognised as eligible institutions in South Africa, may have been used instead.
2. Relates to investors in a securitisation scheme other than an institution that acts as an originator.
3. Or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds.
4. Subject to the provisions of subparagraphs (iii) to (v) below, senior commercial paper rated B+ or below, or the equivalent thereof, and unrated tranches in a rated structure shall for purposes of calculating a bank's prescribed required amount of capital and reserve funds be regarded as a first-loss credit-enhancement facility: Provided that the Registrar may in the Registrar's sole discretion and subject to such conditions as may be determined by the Registrar allow a bank to assign a specified risk weight to an unrated tranche in a rated structure, instead of treating the said unrated tranche as a first-loss credit-enhancement facility.
5. Excluding a second loss position that complies with the relevant conditions specified in subparagraph (vi) below.
6. Excluding a liquidity facility that complies with the relevant conditions specified in subparagraph (vii) below.

- (ii) In the case of an off-balance-sheet position, unless specifically otherwise provided in this paragraph (h), the bank shall convert the off-balance-sheet exposure to a credit equivalent amount by multiplying the said exposure with the credit-conversion factors specified in table 4 below, before the bank risk weights the relevant exposure in accordance with the provisions of this paragraph (h).

Table 4

Nature of exposure	Credit conversion factor
Most senior position in an unrated structure	Refer to subparagraph (iii) below
Any unrated second loss position provided by a bank that acts as a sponsor in respect of an ABCP programme	Refer to subparagraph (iv) below
First-loss credit enhancement facilities	Refer to subparagraph (v) below
Second-loss credit enhancement facilities	Refer to subparagraph (vi) below
Eligible liquidity facilities	Refer to subparagraph (vii) below
Eligible servicer cash advance facilities	Refer to subparagraph (viii) below
Facilities that overlap	Refer to subparagraph (ix) below
Securitisation of revolving facilities with early amortisation features	Refer to subparagraph (xi) below
Any other rated exposure	100 per cent
Other exposures	100 per cent

- (iii) In the case of the most senior securitisation exposure, which most senior securitisation exposure is unrated, the bank shall determine its risk-weighted exposure in accordance with the relevant requirements specified below:
- (A) When a bank invests in or guarantees the most senior position in a traditional or synthetic securitisation scheme, which most senior position is unrated, the bank shall, provided that the composition of the underlying or reference pool is known at all times, apply the "look-through" approach specified in item (B) below.
- (B) When purchased or guaranteed by a bank, the most senior unrated securitisation exposure shall be assigned the risk weight applicable to the assets transferred in terms of a traditional securitisation scheme or risk transferred in terms of a synthetic securitisation scheme regardless whether such bank is also acting in a primary role, provided that-
- (i) when the transferred assets or risks are subject to different risk weights, the unrated most senior securitisation exposure shall be assigned the average risk weight of the relevant assets or risk exposures;
- (ii) when the bank is unable to determine the risk weights assigned to the underlying assets or credit exposures, the bank shall assign to the relevant amount related to the said unrated most senior position a risk weight of 1250 per cent, or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds.

- (C) Any investment in or guarantee in respect of any other unrated securitisation exposure, other than the most senior unrated securitisation exposure in a traditional or synthetic securitisation scheme, shall for purposes of calculating the bank's prescribed required amount of capital and reserve funds be regarded as a first-loss credit enhancement facility.
- (iv) In the case of an exposure relating to an ABCP programme, which exposure constitutes a second loss position or better, a bank shall determine its risk-weighted exposure in accordance with the relevant requirements specified below:
- When the bank grants an unrated facility to an ABCP programme, which bank acts as a sponsor in respect of the said ABCP programme, the bank shall assign to the unrated facility a risk weight equal to the higher of-
- (A) 100 per cent; or
- (B) the highest risk weight assigned to any of the underlying exposures covered by the facility,
- provided that-
- (i) economically, the bank's exposure shall be in a second loss position, or better;
- (ii) the first loss position shall provide significant credit protection to the second loss position;
- (iii) the credit risk associated with the exposure shall be equivalent to investment grade, or better;
- (iv) the bank that acts as a sponsor and that holds the unrated position shall not provide any first loss protection to the relevant securitisation scheme.
- (v) In the case of a first-loss credit enhancement facility the bank shall risk weight the relevant exposure amount in accordance with the relevant requirements specified in paragraph (j) below;

- (vi) In the case of a second-loss credit enhancement facility other than a second loss position in an ABCP programme provided by a bank that acts as a sponsor, the bank shall treat the second-loss credit enhancement facility as a direct credit substitute and assign to the said facility a risk weight of 100 per cent, provided that-
- (A) the associated credit risk of the second-loss credit enhancement facility shall be the equivalent to investment grade, that is, a rating of BBB- or an equivalent rating, or better;
 - (B) a second-loss credit enhancement facility that does not meet the aforesaid criteria shall for purpose of calculating the bank's required amount of capital and reserve funds be risk weighted in accordance with the relevant requirements specified in subparagraph (v) above;
 - (C) the aggregate amount of capital maintained by a bank in terms of subparagraphs (v) and (vi) shall be limited to the amount of capital that the bank would have been required to maintain in respect of all the assets or credit risk inherent in the assets transferred had it not been for the securitisation scheme.
- (vii) In the case of eligible liquidity facilities the bank shall determine its risk-weighted exposure in accordance with the relevant requirements specified below, provided that a bank that acts as an originator shall in no case provide any liquidity facility in respect of the securitisation scheme in respect of which that bank acts as such an originator.
- (A) When a bank or another institution within a banking group of which such a bank is a member, acting as a servicing agent, a repackager or a sponsor in respect of a securitisation scheme or resecuritisation exposure, provides an eligible liquidity facility in respect of such a securitisation scheme, that is, a facility that complies with the conditions specified in paragraph 7 of the exemption notice relating to securitisation schemes, the said bank or institution shall in the case of-
 - (i) a facility with an external rating apply to the said position a credit-conversion factor of 100 per cent and the risk weight relating to the specific rating, as specified in subparagraph (i) above;

(ii) a facility other than a facility with an external rating, irrespective of the maturity of the facility, apply a credit-conversion factor of 50 per cent in respect of the said eligible liquidity facility, which credit-conversion factor shall be applied to the highest risk weight assigned to any of the senior commercial paper covered by the liquidity facility.

(B) When a bank that provides a liquidity facility in respect of a traditional or synthetic securitisation scheme does not comply with the conditions specified in this subparagraph (vii) and the conditions specified in paragraph 7 of the exemption notice relating to securitisation schemes, the liquidity facility concerned-

(i) shall be regarded as a first-loss credit-enhancement facility provided to the scheme by the aforementioned bank; and

(ii) shall be risk weighted in accordance with the relevant requirements specified in subparagraph (v) above,

provided that the aggregate amount of capital maintained by the said bank in terms of this item (B) shall be limited to the amount of capital that the bank would have been required to maintain in respect of all the assets or credit risk inherent in the assets transferred to the special-purpose institution in terms of the securitisation scheme if the said assets or credit risk inherent in the assets were actually held on the balance sheet of the bank that provided the said liquidity facility.

(viii) In the case of eligible servicer cash advance facilities the bank shall determine its risk-weighted exposure in accordance with the relevant requirements specified below, provided that a bank that acts as an originator shall in no case provide any servicer cash advance facility in respect of the securitisation scheme in respect of which that bank acts as such an originator.

When a bank or another institution within a banking group of which such a bank is a member, acting as a servicing agent, provides an eligible servicer cash advance facility in respect of a securitisation scheme, that is, a facility that, among other things, complies with the conditions specified in paragraphs 7 and 9 of the exemption notice relating to securitisation schemes, the said bank or institution may in the case of any undrawn servicer cash advance facility that is unconditionally cancellable by the said bank or institution without prior notice, apply a credit-conversion factor of nil per cent in respect of the said undrawn facility, provided that-

- (A) the said facility shall duly state that the servicing agent is under no obligation to advance funds to investors or the special-purpose institution in terms of the servicer cash advance facility;
 - (B) any cash advance made by the servicing agent shall be at the servicing agent's sole discretion and solely to cover an unexpected temporary shortfall that arose from delayed payments;
 - (C) the servicing agent's rights for reimbursement in terms of the said cash advance facility shall be senior to any other claim on cash flows arising from underlying exposures or collateral held in respect of the securitisation scheme.
- (ix) In the case of facilities or exposures that overlap the bank shall determine its risk-weighted exposure in accordance with the relevant requirements specified below:

When a bank or another institution within a banking group of which such a bank is a member provides several types of facilities to a special-purpose institution, which facilities overlap in the sense that the utilisation of one facility may preclude any utilisation of the other facility, and which facilities may be drawn under various conditions, the bank or said institution shall not be required to calculate and maintain a capital requirement in respect of the said overlap in facilities, provided that-

- (A) when the facilities are subject to different credit-conversion factors, the bank shall assign to the portion of the facilities that overlaps the highest relevant credit-conversion factor;
 - (B) when the various facilities are provided by different banks, each bank shall calculate and maintain a capital requirement in respect of the full amount granted in terms of the relevant facility.
- (x) In the case of a securitisation exposure in respect of which protection is obtained or provided, the bank shall determine its risk-weighted exposure in accordance with the relevant requirements specified in subregulation (7)(e) below.
- (xi) In the case of a securitisation scheme with early amortisation features the bank shall determine its risk-weighted exposure in accordance with the relevant requirements specified below:

When a bank that acts as an originator transfers assets or risk exposures to a special-purpose institution in terms of a transaction that contains an early amortisation mechanism, which assets or exposures are of a revolving nature, the bank shall calculate and maintain capital in respect of the originator's interest and the investors' interest, provided that-

- (A) the bank's aggregate capital requirement shall duly reflect the type of mechanism through which the early amortisation is triggered;
- (B) the bank shall not be required to calculate and maintain a capital requirement relating to early amortisation in the case of-
 - (i) a replenishment structure, in terms of which structure the underlying exposures are not of a revolving nature and the early amortisation terminates the ability of the bank to transfer any further exposures;
 - (ii) a transaction in respect of revolving assets, which transaction contains early amortisation features that mimic a term structure, that is, the risk relating to the underlying facilities does not return to the originator;
 - (iii) a structure in terms of which-
 - (aa) the bank securitised one or more credit lines but the investors remain fully exposed to any future draws by the borrowers, even after an early amortisation event has occurred;
 - (bb) the early amortisation clause is solely triggered by events unrelated to the performance of the securitised assets or the bank that transferred the assets, such as material changes in tax laws or regulations.
- (C) when the underlying pool of exposures comprises revolving and term exposures, the bank shall apply the relevant early amortisation requirements specified in this subparagraph (xi) to the portion of the underlying pool that contains revolving exposures;
- (D) the capital requirement to be maintained by the originating bank in respect of the investors' interest shall be equal to-
 - (i) the investors' interest, **multiplied by**
 - (ii) the appropriate credit-conversion factor specified in item (E) below, which credit-conversion factor shall depend upon-

- (aa) the nature of the early amortisation mechanism, that is, based on the requirements specified in paragraph 13(2) of the exemption notice relating to securitisation schemes, whether the early amortisation mechanism is regarded as a controlled mechanism or an uncontrolled mechanism;
- (bb) the nature of the exposure, that is, whether the exposures that were transferred in terms of the securitisation scheme consist of-
 - (i) uncommitted retail credit lines such as credit card receivables, that is, the credit facility is unconditional and may be cancelled without prior notice;
 - (ii) other credit lines such as revolving corporate facilities,

multiplied by

- (iii) the risk weight relating to the underlying exposure type;
- (E) when the early amortisation mechanism-
- (i) complies with the requirements specified in paragraph 13(2) of the exemption notice relating to securitisation schemes, which requirements relate to a controlled early amortisation mechanism, and the underlying revolving exposure is in respect of-
 - (aa) an uncommitted retail credit facility such as credit card receivables, the bank-
 - (i) shall compare the three-month average excess spread to the point at which the bank is required to trap excess spread, that is, the excess spread trapping point specified in the structure, provided that when the transaction does not require excess spread to be trapped the trapping point shall be deemed to be equal to 4,5 percentage points;
 - (ii) shall divide the excess spread level by the transaction's excess spread trapping point in order to determine the appropriate segments;

- (iii) shall apply to the investors' interest the relevant credit-conversion factors specified in table 5 below:

Table 5

Controlled mechanism in respect of uncommitted retail credit facilities	
Segment based on 3-month average excess spread	Credit conversion factor
133.33% or more of trapping point	0%
less than 133.33% to 100% of trapping point	1%
less than 100% to 75% of trapping point	2%
less than 75% to 50% of trapping point	10%
less than 50% to 25% of trapping point	20%
less than 25%	40%

- (bb) committed facilities or revolving exposures other than retail exposures, the bank shall apply to the relevant off-balance-sheet exposure a credit-conversion factor of 90 per cent.
- (ii) does not comply with the relevant requirements specified in paragraph 13(2) of the exemption notice relating to securitisation schemes, which requirements relate to a controlled early amortisation mechanism, and the underlying revolving exposures is in respect of-
- (aa) an uncommitted retail credit facility such as credit card receivables, the bank-
- (i) shall compare the three-month average excess spread to the point at which the bank is required to trap excess spread, that is, the excess spread trapping point specified in the structure, provided that when the transaction does not require excess spread to be trapped the trapping point shall be deemed to be equal to 4,5 percentage points;
- (ii) shall divide the excess spread level by the transaction's excess spread trapping point in order to determine the appropriate segments;

- (iii) shall apply to the investors' interest the relevant credit-conversion factors specified in table 6 below:

Table 6

Uncontrolled mechanism in respect of uncommitted retail credit facilities	
Segment based on 3-month average excess spread	Credit conversion factor
133.33% or more of trapping point	0%
less than 133.33% to 100% of trapping point	5%
less than 100% to 75% of trapping point	15%
less than 75% to 50% of trapping point	50%
less than 50% of trapping point	100%

- (bb) committed facilities or revolving exposures other than retail exposures, the bank shall apply to the relevant off-balance-sheet exposure a credit-conversion factor of 100 per cent.

- (F) the aggregate amount of capital maintained by the originating bank shall be equal to the higher of-

- (i) the capital requirement in respect of any retained exposures; or
- (ii) the amount of capital that the bank would have been required to maintain in respect of all the assets or credit risk inherent in the assets transferred had it not been for the securitisation scheme,

provided that the originating bank shall deduct from its common equity tier 1 capital and reserve funds the entire amount relating to any gain-on-sale included in the bank's common equity tier 1 capital and reserve funds and any credit enhancing interest-only strip that arose from the securitisation transaction.

- (G) for the purposes of this subparagraph (xi), retail exposure means any exposure to a person of less than R7,5 million.

- (i) In the case of all unsettled securities or derivative contracts subject to counterparty risk, in accordance with the relevant provisions specified in subregulations (15) to (19) below.

- (j) In the case of all other exposures, in accordance with the relevant requirements specified in table 7 below:

Table 7

Risk weight	Transactions with the following counterparties, including assets
0%	<p>Transactions with the following counterparties</p> <p>Central government of the RSA, provided that the relevant exposure is repayable and funded in Rand</p> <p>Reserve Bank, provided that the relevant exposure is repayable and funded in Rand</p> <p>Corporation for Public Deposits, provided that the relevant exposure is repayable and funded in Rand</p> <p>Bank for International Settlements (BIS)</p> <p>International Monetary Fund (IMF)</p> <p>European Central Bank (ECB)</p> <p>World Bank Group, including the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC)</p> <p>Asian Development Bank (ADB)</p> <p>African Development Bank (AfDB)</p> <p>European Bank for Reconstruction and Development (EBRD)</p> <p>Inter-American Development Bank (IADB)</p> <p>European Investment Bank (EIB)</p> <p>European Investment Fund (EIF)</p> <p>Nordic Investment Bank (NIB)</p> <p>Caribbean Development Bank (CDB)</p> <p>Islamic Development Bank (IDB)</p> <p>Council of Europe Development Bank (CEDB)</p> <p>Intragroup bank balances¹</p> <p>Intragroup balances with other formally regulated financial entities with capital requirements similar to these Regulations¹</p> <p>Intragroup balances with branches of foreign banks</p> <p>Assets</p> <p>Cash and cash equivalents such as gold bullion</p>

1. Provided that-

- (a) the relevant entity is managed as an integrated part of the relevant banking group;
- (b) the relevant entity is consolidated in accordance with the relevant requirements specified in regulation 36;
- (c) capital resources are freely transferable between the relevant entity and the relevant parent bank or controlling company.

Risk weight	<u>Transactions with the following counterparties, including assets</u>
20%	<p><u>Transactions with the following counterparties</u></p> <p>RSA public-sector bodies, excluding exposures to the central government, SA Reserve Bank and the Corporation for Public Deposits when the said exposure is repayable and funded in Rand</p> <p>Banks in the RSA, provided that the claim on the bank has an original maturity of three months or less, excluding any claim on a RSA bank that is renewed or rolled resulting in an effective maturity of more than three months</p> <p>A securities firm in the RSA, provided that such a firm is subject to comparable supervisory and regulatory arrangements than banks in the RSA, including, in particular, risk-based capital requirements and regulation and supervision on a consolidated basis and the claim on the securities firm has an original maturity of three months or less, excluding any claim on a securities firm in the RSA that is renewed or rolled resulting in an effective maturity of more than three months</p> <p><u>Assets</u></p> <p>Cash items in process of collection</p>
100%	<p><u>Transactions with the following counterparties or assets</u></p> <p>An investment in a significant minority or majority owned or controlled commercial entity, which investment amounts to less than 15 per cent of the issued common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the reporting bank, as reported in items 41, 65 and 78 of form BA 700</p> <p>All other counterparties or assets not covered elsewhere in this paragraph (j)</p>
150%	<p><u>Assets</u></p> <p>Venture capital</p> <p>Private equity</p>

Risk weight	<u>Transactions with the following counterparties, including assets</u>
1250¹%	<p>A first-loss position, including a credit enhancement facility in respect of a securitisation or resecuritisation scheme</p> <p>A materiality threshold specified in a guarantee or credit-derivative contract, which materiality threshold either reduces the amount of payment or requires a given amount of loss to occur for the account of the protection buyer before the protection seller is obliged to make payment to the said protection buyer</p> <p>The excess amount relating to a significant investment, that is, a shareholding of 20 per cent or more, in a commercial entity, which investment is equal to or exceeds 15 per cent of the issued common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the reporting bank, as reported in items 41, 65 and 78 of the form BA 700</p> <p>The relevant excess amount when the aggregate amount of significant investments, that is, a shareholding of 20 per cent or more, in commercial entities, exceeds 60 per cent of the sum of the issued common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the reporting bank, as reported in items 41, 65 and 78 of the form BA 700</p> <p>Credit protection provided, which credit protection has a long-term rating of B+ or below or a short-term rating other than A-1/P-1, A-2/P-2 or A-3/P-3</p> <p>Any unrated position in a rated structure relating to credit protection provided in terms of a credit-derivative instrument</p> <p>In the case of a synthetic securitisation scheme, any retained position that is unrated or rated below investment grade</p> <p>The net amount, that is, the amount after any specific credit impairment or provision, and any deduction directly against common equity tier 1 or additional tier 1 capital and reserve funds, have been taken into account, in respect of any credit enhancing interest-only strip relating to a securitisation transaction</p>

1. Or such imputed percentage that effectively results in a risk weighted exposure amount equivalent to a deduction against capital and reserve funds.

(7) *Credit risk mitigation: simplified standardised approach*

Credit risk mitigation relates to the reduction of a bank's credit risk exposure by obtaining, for example, eligible collateral or guarantees or entering into a netting agreement with a client that maintains both debit and credit balances with the reporting bank.

When a bank that adopted the simplified standardised approach for the calculation of the bank's credit exposure in its banking book obtains eligible collateral or guarantees, a reduction in the credit risk exposure of the reporting bank shall be allowed to the extent that the bank achieves an effective and verifiable transfer of risk.

No transaction in respect of which the reporting bank obtained credit protection shall be assigned a risk weight higher than the risk weight that applies to a similar transaction in respect of which no credit protection was obtained.

(a) *On-balance-sheet netting*

When a client maintains both debit and credit balances with a bank and the bank enters into a netting agreement in respect of the relevant loans and deposits with the said counterparty, the bank may in the calculation of the bank's risk exposure regard the exposure as a collateralised exposure in accordance with the provisions of paragraph (b) below, provided that the bank-

- (i) shall have a well-founded legal basis for concluding that the netting or offsetting agreement is enforceable in each relevant jurisdiction, regardless whether the counterparty is insolvent or bankrupt;
- (ii) shall at any time be able to determine the loans and deposits with the same counterparty that are subject to the netting agreement;
- (iii) shall monitor and control any potential roll-off risk in respect of the said debit and credit balances;
- (iv) shall monitor and control the relevant exposures on a net basis.

(b) *Collateral*

- (i) When-
 - (A) a bank's exposure or potential exposure to credit risk is secured by the pledge of eligible collateral; and

- (B) the bank meets the minimum requirements set out in subparagraph (iii) below,

the bank may in the calculation of its required amount of capital and reserve funds in terms of the provisions of subregulation (6) recognise the effect of such collateral in accordance with the relevant provisions of this paragraph (b).

(ii) *Eligible collateral*

The collateral instruments specified below shall constitute eligible collateral for risk mitigation purposes in terms of the simplified standardised approach, provided that, irrespective of its credit rating, a securitisation instrument shall in no case constitute an eligible instrument for risk mitigation purposes in terms of these Regulations.

- (A) Cash on deposit with the reporting bank;
- (B) Certificates of deposit or comparable instruments issued by the reporting bank;
- (C) Credit-linked notes issued by the reporting bank in order to protect an exposure in the banking book;
- (D) Gold;
- (E) Securities issued by a sovereign, which sovereign is assigned a rating equal to or better than category 4 of table 1 above;
- (F) Securities issued by public-sector bodies that are treated as sovereigns in their country of incorporation with a rating equal to or better than category 4 of table 1 above;
- (G) Securities issued by the Central Government of the RSA, provided that the reporting bank's exposure and the said securities are denominated in Rand;
- (H) Securities issued by the Reserve Bank, provided that the reporting bank's exposure and the said securities are denominated in Rand.

(iii) *Minimum requirements relating to collateral*

(A) *General requirements*

A reduction in the risk exposure of a bank shall be allowed to the extent-

- (i) that such collateral was not already taken into account in the calculation of the reporting bank's risk exposure. For example, no reduction in the risk exposure of the reporting bank shall be allowed in respect of an exposure for which an issue specific rating was issued, which rating already reflects the effect of the risk mitigation;
- (ii) that the bank complies with the relevant requirements relating to disclosure, prescribed in regulation 43;
- (iii) that the bank is able to establish title to the collateral in order to liquidate it;
- (iv) that such collateral can be realised by the reporting bank under normal market conditions, that is, the value at which the collateral can be realised in the market does not materially differ from its book value, provided that a bank shall maintain an appropriate margin of collateral in excess of the amount in respect of which a reduction in the risk exposure is allowed in order to provide for fluctuations in the market value of the relevant collateral.

(B) *Specific requirements*

(i) *Legal certainty*

Collateral is effective only when the legal process by which collateral is given is robust and ensures that the reporting bank has clear rights over the collateral, and may liquidate or retain it in the event of a default, insolvency or bankruptcy (or an otherwise defined credit event set out in the transaction documentation) of the obligor and, where applicable, the custodian holding the collateral.

A bank shall take all steps necessary to fulfil contractual requirements in respect of the enforceability of security interest, for example, by registering a security interest with an issuer or a registrar. When the collateral is held by a custodian, the bank shall seek to ensure that the custodian ensures adequate segregation of the collateral instruments and the custodian's own assets.

In cases of uncertainty, a bank shall obtain legal certainty by way of legal opinions confirming the enforceability of the collateral arrangements in all relevant jurisdictions, and that the bank's rights are legally well founded.

Legal opinions shall be updated at appropriate intervals in order to ensure continued enforceability.

(ii) *Documentation*

The collateral arrangements shall be duly documented with a clear and robust procedure in place for the timely liquidation of collateral. A bank's procedures shall be sufficiently robust to ensure that any legal conditions required for declaring the default of the client and liquidating the collateral are observed.

(iii) *Low correlation with exposure*

In order for collateral to provide effective protection, the credit quality of the obligor and the value of the collateral shall not have a material positive correlation.

(iv) *Mismatches*

No currency mismatch shall exist between the underlying exposure and the collateral.

Collateral obtained by the bank as security against an exposure of the bank shall be pledged as security for the full duration of the bank's exposure.

(v) *Rating*

The rating issued in respect of the collateral instrument shall not relate only to the principal amount.

(vi) *Robust risk-management process*

While collateral reduces credit risk, it simultaneously increases other risks to which a bank is exposed, such as legal risk, operational risk, liquidity risk and market risk. Therefore, a bank shall employ robust procedures and processes to control all material risks.

As a minimum, a robust risk-management process relating to collateral management shall include the fundamental elements specified below:

(aa) *Strategy*

A duly articulated strategy for the use of collateral shall form an intrinsic part of a bank's general credit strategy and overall liquidity strategy.

(bb) *Focus on underlying credit*

A bank shall continue to assess a collateralised exposure on the basis of the borrower's creditworthiness. A bank shall obtain and analyse sufficient financial information to determine the obligor's risk profile and its risk-management and operational capabilities.

(cc) *Valuation*

A bank shall mark its collateral to market and revalue its collateral at regular intervals but not less frequently than once every six months.

(dd) *Policies and procedures*

Clear policies and procedures shall be established and maintained in respect of collateral management, including:

- (i) the terms of collateral agreements, types of collateral and enforcement of collateral terms (for example, waivers of posting deadlines);
- (ii) the management of legal risks;

- (iii) the administration of agreements; and
- (iv) the prompt resolution of disputes, such as valuation of collateral or positions, acceptability of collateral, fulfilment of legal obligations and the interpretation of contract terms.

A bank shall regularly review its policies and procedures in order to ensure that the said policies and procedures remain appropriate and effective.

(ee) Systems

A bank's policies and procedures shall be supported by collateral management systems capable of tracking the location and status of posted collateral.

(ff) Concentration risk

A bank shall have in place a duly defined policy with respect to the amount of concentration risk that it is prepared to accept, that is, a policy in respect of the taking as collateral of large quantities of instruments issued by the same obligor.

A bank shall take into account collateral and purchased credit protection when it assesses the potential concentrations in its credit portfolio, including when determining its concentration risk in terms of section 73 of the Act.

(iv) Proportional cover

When a bank obtains collateral of which the value is less than the amount of the bank's exposure to credit risk, the bank shall recognise the credit protection on a proportional basis, that is, the protected portion of the exposure shall be risk weighted in accordance with the relevant provisions of this paragraph (b) and the remainder of the credit exposure shall be regarded as unsecured.

(v) *Risk weighting*

For the protected portion of a credit exposure, a bank may substitute the risk weight relating to the collateral for the risk weight of the counterparty or underlying exposure subject to a minimum risk weight of 20 per cent, except in the cases specified below when a lower risk weight may apply.

A bank shall apply the said lower risk weight relating to collateral to the outstanding amount of the relevant protected exposure.

(vi) *Exceptions to the risk weighting floor of 20 per cent*

A bank may assign a risk weight of zero per cent, or such other percentage as may be specified below, to the protected portion of a credit exposure or potential credit exposure, provided that-

- (A) the exposure and the collateral shall be denominated in the same currency and the collateral shall consist of cash on deposit with the reporting bank;
- (B) the exposure and the collateral shall be denominated in the same currency and the collateral shall consist of securities issued by a sovereign or central bank eligible for a risk weight of zero per cent, when the market value of the security has been reduced by 20 per cent;
- (C) the transaction shall be an OTC derivative transaction subject to daily mark-to-market requirements, collateralised by cash, with no currency mismatch.

When the transaction is collateralised by a security issued by a sovereign or public sector entity that qualifies for a risk weight of zero per cent in terms of the standardised approach, instead of cash, the bank shall risk weight the protected portion of the exposure at 10 per cent;

- (D) the collateral shall form part of a repurchase or resale agreement, which agreement shall comply with the conditions specified below:
 - (i) Both the exposure and the collateral shall consist of cash or a sovereign security or public-sector security qualifying for a zero per cent risk weight in terms of the simplified standardised approach.

- (ii) Both the exposure and the collateral shall be denominated in the same currency.
- (iii) The transaction shall be overnight or both the exposure and the collateral shall be marked to market on a daily basis and shall be subject to daily remargining.
- (iv) Following the failure of a counterparty to remargin, the time that is required from the last mark-to-market adjustment, before the failure to remargin occurred, and the liquidation of the collateral, shall be no more than four business days.
- (v) The transaction shall be settled across a settlement system proven for the relevant type of transaction.
- (vi) The documentation covering the agreement shall be standard market documentation for the said transactions.
- (vii) The transaction shall be governed by documentation that specifies that when the counterparty fails to satisfy an obligation to deliver cash or securities or to deliver margin, or otherwise defaults, the transaction shall be immediately terminable.
- (viii) Upon any default event, regardless of whether the counterparty is insolvent or bankrupt, the bank shall have the unfettered legally enforceable right to immediately seize and liquidate the collateral for the bank's benefit.
- (ix) The agreement shall be concluded with-
 - (aa) a sovereign;
 - (bb) a central bank;
 - (cc) a public-sector entity;
 - (dd) a bank or securities firm, provided that in the case of a securities firm the firm shall be subject to supervisory and regulatory arrangements comparable to banks in the Republic, including, in particular, risk-based capital requirements and regulation and supervision on a consolidated basis;

- (ee) another financial institution, including an insurance company, eligible for a risk weighting of 20 per cent in terms of the simplified standardised approach;
- (ff) regulated mutual funds that are subject to capital or leverage requirements;
- (gg) regulated pension funds;
- (hh) any clearing institution approved in writing by the Registrar.

When a bank complies with all of the requirements specified above but the repurchase or resale agreement was concluded with a counterparty other than the counterparties specified above, the bank may assign a risk weighting of ten per cent to the protected portion of a credit exposure or potential credit exposure.

(c) *Guarantees*

(i) *Risk weighting*

When a bank obtains protection against loss relating to an exposure or potential exposure to credit risk in the form of an eligible guarantee, the risk weight applicable to the guaranteed transaction or guaranteed exposure may be reduced to the risk weight applicable to the guarantor in accordance with the provisions of this paragraph (c).

The lower risk weight of the guarantor shall apply to the outstanding amount of the exposure protected by the guarantee, provided that all the requirements set out in this paragraph (c) are met.

(ii) *Proportional cover*

When a bank obtains a guarantee for less than the amount of the bank's exposure to credit risk, the bank shall recognise the credit protection on a proportional basis, that is, the protected portion of the exposure shall be risk weighted in accordance with the relevant provisions of this paragraph (c) and the remainder of the credit exposure shall be regarded as unsecured.

(iii) *Eligible guarantors*

Guarantors qualifying for a risk weight of 20 per cent or better, and a risk weight lower than the protected credit exposure, shall be recognised for risk mitigation purposes in terms of the simplified standardised method, provided that for purposes of calculating the minimum required amount of capital and reserve funds of a branch in terms of the provisions of the Banks Act, 1990, read with these Regulations, no guarantee received from the parent foreign institution or any other branch of the parent foreign institution in respect of an exposure incurred by the branch in the Republic shall be regarded as an eligible guarantee.

(iv) *Minimum requirements relating to guarantees*

(A) *General requirements*

A reduction in the risk weight of a bank's exposure to the risk weight applicable to the relevant guarantor shall be allowed only to the extent-

- (i) that such guarantee was not already taken into account in the calculation of the reporting bank's risk exposure. For example, no reduction in the risk exposure of the reporting bank shall be allowed in respect of an exposure for which an issue specific rating was issued, which rating already reflects the effect of the guarantee;
- (ii) that such guarantee may be realised by the reporting bank under normal market conditions;

(B) *Specific requirements*

- (i) The guarantee shall be an explicitly documented obligation assumed by the guarantor.
- (ii) The guarantee shall be legally enforceable in all relevant jurisdictions and the bank's rights in terms of the guarantee shall be legally well founded.

Legal opinions shall be updated at appropriate intervals in order to ensure continued enforceability of the bank's rights in terms of the guarantee.

(iii) *Direct*

The guarantee shall constitute a **direct claim** on the guarantor.

When a qualifying default or non-payment by the obligor occurs, the reporting bank shall pursue the guarantor for amounts outstanding under the loan, rather than having to continue to pursue the obligor.

When the guarantee provides only for the payment of principal amounts, any interest amount and other unprotected payments shall be regarded as unsecured amounts.

Payment by the guarantor in terms of the guarantee may grant the guarantor the right to pursue the obligor for amounts outstanding under the loan.

(iv) *Explicit*

The guarantee shall be linked to specific exposures, so that the extent of the cover is duly defined and incontrovertible.

(v) *Irrevocable*

Other than the reporting bank's non-payment of money due in respect of the guarantee, there shall be no clause in the contract that would allow the guarantor unilaterally to cancel the guarantee or increase the effective cost of the protection as a result of deterioration in the credit quality of the protected exposure.

(vi) *Unconditional*

There shall be no clause in the guarantee that could prevent the guarantor from being obliged to pay out, in a timely manner, in the event of the original obligor failing to make the payment(s) due.

(vii) *Robust risk-management process*

While guarantees reduce credit risk, they simultaneously increase other risks to which a bank is exposed, such as legal and operational risks.

Therefore a bank shall employ robust procedures and processes to control the aforesaid risks.

As a minimum, a robust risk-management process relating to guarantees shall include the fundamental elements specified below:

(aa) Strategy

A duly articulated strategy for guarantees shall form an intrinsic part of a bank's general credit strategy and overall liquidity strategy.

(bb) Focus on underlying credit

A bank shall continue to assess a guaranteed exposure on the basis of the borrower's creditworthiness. A bank shall obtain and analyse sufficient financial information to determine the obligor's risk profile and its risk-management and operational capabilities.

(cc) Systems

A bank's policies and procedures shall be supported by management systems capable of tracking the location and status of guarantees.

A bank shall regularly review its policies and procedures in order to ensure that the said policies and procedures remain appropriate and effective.

(dd) Concentration risk

A bank shall have in place a duly defined policy with respect to the amount of concentration risk that it is prepared to accept.

A bank shall take guaranteed positions into account when assessing the potential concentrations in its credit portfolio, including when determining its concentration risk in terms of section 73 of the Act.

In order to mitigate its concentration risk a bank shall monitor general trends affecting relevant guarantors.

(ee) *Roll-off risks*

When a bank obtains guarantees that differ in maturity from the underlying credit exposure, the bank shall monitor and control its roll-off risks, that is, the fact that the bank will be exposed to the full amount of the credit exposure when the guarantee expires.

The bank may be unable to obtain further guarantees or to maintain its capital adequacy when the guarantee expires.

(d) *Treatment of pools of risk mitigation instruments*

(i) When a bank obtains-

(A) multiple risk mitigation instruments that protect a single exposure, that is, the bank has obtained both collateral and guarantees partially protecting an exposure; or

(B) protection with differing maturities,

the bank shall subdivide the exposure into portions covered by the relevant types of risk mitigation instruments.

(ii) A bank shall separately calculate its risk-weighted exposure relating to each relevant portion in accordance with the relevant provisions of subregulation (6) read with this subregulation (7).

(e) *Treatment of risk mitigation in respect of securitisation exposure*

When-

(i) a bank obtains protection in the form of on-balance-sheet netting, collateral, guarantees or credit-derivative instruments in order to protect an exposure that arose from a transaction relating to a securitisation scheme, the bank shall recognise such protection in accordance with the relevant requirements specified below:

In the case of-

(A) collateral, only instruments that qualify as eligible collateral in terms of the provisions of subregulation (9)(b) below shall qualify as eligible collateral in respect of the relevant securitisation exposure;

- (B) guarantees and credit-derivative instruments, protection obtained from eligible protection providers specified in subregulations (9)(c) and (9)(d) shall qualify as eligible protection providers in respect of the relevant securitisation exposure, provided that-
 - (i) the said guarantee or credit-derivative instrument shall comply with the relevant minimum requirements specified in subregulations (9)(c) and (9)(d) below;
 - (ii) no special-purpose institution involved in a securitisation scheme shall qualify as an eligible protection provider;
 - (iii) the bank shall calculate and maintain capital requirements in respect of the protected and the unprotected portion of the relevant exposure in accordance with the relevant requirements specified in subregulations (9)(c) and (9)(d) below;
 - (C) a maturity mismatch, the bank shall calculate and maintain a capital requirement in respect of the protected portion of the relevant exposure in accordance with the relevant requirements specified in subregulation (9)(e), provided that when the securitisation exposures in respect of which protection is obtained have different maturities, the bank shall base the relevant capital requirement on the exposure with the longest time to maturity.
- (ii) a bank other than a bank that acts as an originator provides protection in respect of a securitisation exposure, the bank shall calculate and maintain a capital requirement in respect of the relevant exposure in accordance with the relevant requirements specified in subregulation (9), provided that when the bank provides protection relating to an unrated credit-enhancement facility, the bank shall treat the exposure as if the bank directly provided an unrated credit-enhancement facility in respect of the relevant securitisation scheme.

(8) Method 2: Calculation of credit risk exposure in terms of the standardised approach

Unless specifically otherwise provided, a bank that adopted the standardised approach for the measurement of the bank's exposure to credit risk in respect of positions held in the bank's banking book shall risk weight its exposures, net of any relevant credit impairment, in accordance with the relevant requirements specified below:

- (a) In the case of exposures to sovereigns, central banks, public-sector entities, banks, securities firms and corporate exposures, in accordance with the relevant provisions of table 8 below:

Table 8

Claim in respect of-	Credit assessment issued by eligible institutions ¹					
	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Sovereigns (including the Central Bank of that particular country)	Export Credit Agencies: risk scores ¹					
	0-1	2	3	4 to 6	7	
	0%	20%	50%	100%	150%	100%
Public-sector entities	20%	50%	50%	100%	150%	50%
Banks ^{2, 4}	20%	50%	50%	100%	150%	50%
Securities firms ^{2, 4, 5}	20%	50%	50%	100%	150%	50%
Banks: short-term claims ^{3, 4}	20%	20%	20%	50%	150%	20%
Securities firms: short-term claims ^{3, 4, 5}	20%	20%	20%	50%	150%	20%
Corporate entities ^{6, 7, 8}	AAA to AA-	A+ to A-	BBB+ to BB-	Below BB-		
	20%	50%	100%	150%		100%
Banks and corporate entities	Short-term credit assessment ^{1, 4, 9}					
	A-1/P-1		A-2/P-2		A-3/P-3	Other
	20%		50%		100%	150%

1. The notations used in this table relate to the ratings used by a particular credit assessment institution. The use of the rating scale of a particular credit assessment institution does not mean that any preference is given to a particular credit assessment institution. The assessments/ rating scales of other external credit assessment institutions or, in certain cases, Export Credit Agencies ("ECAs"), recognised as eligible institutions in South Africa, may have been used instead.
2. With the exception of short-term self-liquidating letters of credit, no claim on an unrated bank shall be assigned a risk weighting lower than the risk weighting assigned to a claim on the central government of the country in which the bank is incorporated.
3. Claims with an original maturity of three months or less, excluding a claim which is renewed or rolled, resulting in an effective maturity of more than three months.
4. Refer to subregulation (5)(b)(iv). Only relates to exposures when no specific short-term assessment was issued.
5. Provided that such a firm is subject to comparable supervisory and regulatory arrangements than banks in the RSA, including, in particular, risk-based capital requirements and regulation and supervision on a consolidated basis. Otherwise a securities firm shall be regarded as a corporate entity.
6. Including entities conducting insurance business.
7. No claim in respect of an unrated corporate exposure shall be assigned a risk weight lower than the risk weight assigned to a claim on the central government of the country in which the corporate entity is incorporated.
8. Provided that no significant investment in a minority or majority owned or controlled commercial entity, which investment amounts to less than 15 per cent of the sum of a bank's issued tier 1 and tier 2 capital and reserve funds, as reported in items 41, 65 and 78 of the form BA 700, shall be assigned a risk weight of less than 100 per cent.
9. Refer to subregulation (5)(b)(iv). Only relates to claims against banks and corporate entities.

- (b) In the case of an exposure that meets the criteria specified in subregulation (6)(b), which exposure shall be regarded as forming part of the bank's retail portfolio, excluding any exposure that is overdue, at a risk weight of 75 per cent.
- (c) In the case of lending fully secured by mortgage on an occupied urban residential dwelling or occupied individual sectional title dwelling, when the exposure is not overdue and to the extent that the capital amount outstanding-
 - (i) does not exceed 80 per cent of the current market value of the mortgaged property, at a risk weight of 35 per cent;
 - (ii) exceeds 80 per cent but is less than 100 per cent of the current market value of the mortgaged property, at a risk weight of 75 per cent;
 - (iii) is equal to or exceeds 100 per cent of the current market value of the mortgaged property, at a risk weight of 100 per cent,

For example, when a bank granted and paid out a loan of R1 050 000 to a borrower, which loan is fully secured by mortgage on an occupied urban residential dwelling, the current market value of which urban residential dwelling is equal to R1 million, the bank shall risk weight the loan as follows:

- (i) R800 000 at 35 per cent;
- (ii) R199 999 at 75 per cent; and
- (iii) R 50 001 at 100 per cent.

For the purposes of this paragraph (c), the terms occupied, urban and dwelling shall have the same meaning as set out in subregulation (6)(c) above.

- (d) In the case of lending fully secured by mortgage on commercial real estate, at a risk weight of 100 per cent;
- (e) In the case of exposures, other than exposures secured by a mortgage bond on residential property as envisaged in paragraph (c), which exposures are overdue for more than 90 days-

- (i) the unsecured portion of the exposure shall be risk weighted as follows:
 - (A) 150 per cent when the specific credit impairment in respect of the outstanding amount of the exposure is less than 20 per cent;
 - (B) 100 per cent when the specific credit impairment in respect of the outstanding amount of the exposure is equal to or more than 20 per cent;
 - (C) 50 per cent when the specific credit impairment in respect of the outstanding amount of the exposure is equal to or more than 50 per cent.
 - (ii) the secured portion of the exposure shall be risk weighted at 100 per cent, provided that the bank obtained adequate eligible collateral and raised a credit impairment equal to or higher than 15 per cent of the outstanding exposure.
- (f) In the case of a loan that is fully secured by a mortgage bond on an occupied urban residential dwelling or occupied individual sectional title dwelling, as envisaged in paragraph (c), when the exposure is overdue for more than 90 days-
- (i) at a risk weight of 100 per cent when the specific credit impairment in respect of the loan is less than 20 per cent of the outstanding amount;
 - (ii) at a risk weight of 50 per cent when the specific credit impairment in respect of the loan is equal to or higher than 20 per cent of the outstanding amount.
- (g) Unless specifically otherwise provided, all off-balance-sheet exposures in accordance with the provisions of subregulation (6)(g) above.
- (h) In the case of any securitisation or resecuritisation exposure, in accordance with the relevant requirements specified in subregulation (6)(h) above;
- (i) In the case of all unsettled securities or derivative contracts subject to counterparty risk, in accordance with the relevant requirements specified in subregulations (15) to (19).
- (j) Unless specifically otherwise provided in this subregulation (8), in the case of all other relevant exposures, in accordance with the relevant provisions of subregulation (6)(j).

(9) *Credit-risk mitigation: standardised approach*

When a bank that adopted the standardised approach for the measurement of its exposure to credit risk in its banking book obtains eligible collateral, guarantees or credit-derivative instruments, or enters into a netting agreement with a client that maintains both debit and credit balances with the reporting bank, a reduction in the credit risk exposure of the reporting bank shall be allowed to the extent that the bank achieves an effective and verifiable transfer of risk.

No transaction in respect of which the reporting bank obtained credit protection shall be assigned a risk weight higher than the risk weight that applies to a similar transaction in respect of which no credit protection was obtained.

(a) *On-balance-sheet netting*

When a bank entered into a netting agreement in respect of loans and deposits as envisaged in subregulation (7)(a) above, the bank-

- (i) may in the case of loans and deposits with no maturity or currency mismatches calculate its exposure to credit risk in accordance with the relevant provisions of the simple approach specified in this subregulation (9);
- (ii) shall in all other cases calculate its risk exposure in accordance with the relevant provisions of the comprehensive approach specified in this subregulation (9),

provided that the bank shall at all times comply with the relevant conditions specified in subregulation (7)(a) above.

(b) *Collateral*

- (i) When a bank's exposure or potential exposure to credit risk is secured by the pledge of eligible financial collateral, the bank may recognise the effect of such collateral-
 - (A) in the case of exposures held in the banking book, in accordance with either the simple approach or comprehensive approach, but not both approaches;

- (B) in the case of OTC derivative transactions, in accordance with the comprehensive approach specified in this subregulation (9);
- (C) in the case of exposures held in the bank's trading book, in accordance with the comprehensive approach specified in this subregulation (9),

provided that-

- (i) the bank shall comply with the relevant minimum requirements specified below;
- (ii) when the bank wishes to adopt the comprehensive approach the bank shall in writing inform the Registrar of its decision, and comply with such further conditions as may be specified in writing by the Registrar.

(ii) *Minimum requirements: general*

A bank that adopted the standardised approach for the measurement of its exposure to credit risk shall in addition to the requirements specified in this subregulation (9), comply with all the relevant requirements and conditions relating to eligible collateral specified in subregulation (7)(b).

(iii) *Eligible financial collateral: simple approach*

For risk mitigation purposes, the instruments specified below shall be regarded as eligible collateral in terms of the simple approach, provided that, irrespective of its credit rating, a resecuritisation instrument shall in no case constitute an eligible instrument for risk mitigation purposes in terms of these Regulations.

- (A) Cash, including certificates of deposit or comparable instruments issued by the reporting bank, on deposit with the bank that is exposed to credit risk.

When cash on deposit, certificates of deposit or comparable instruments issued by the lending bank are held as collateral at a third-party bank in a non-custodial arrangement, the bank may assign the risk weight related to the third party bank to the exposure amount protected by the collateral provided that the cash/instruments are pledged/assigned to the lending bank, the pledge/assignment is unconditional and irrevocable, and the bank has applied the relevant haircut specified below in respect of currency risk.

- (B) Credit-linked notes issued by the reporting bank in order to protect an exposure in the banking book.
- (C) Gold.
- (D) Debt securities rated by an eligible external credit assessment institution, which debt securities have been assigned the ratings specified below:
 - (i) BB- or better when issued by sovereigns.
 - (ii) BBB- or better when issued by other institutions, including banks and securities firms.
 - (iii) A-3/P-3 or better in respect of short-term debt instruments.
- (E) Debt securities not rated by an eligible external credit assessment institution, which debt securities-
 - (i) were issued by a bank; and
 - (ii) are listed on a licensed exchange; and
 - (iii) are classified as senior debt,

including all senior instruments issued by a bank that is rated at least BBB- or A-3/P-3 and the reporting bank has no information that suggests a lower rating in respect of the said senior instrument.

Provided that when the Registrar is of the opinion that the instruments are no longer sufficiently liquid, the Registrar may determine that the aforesaid instruments no longer qualify as eligible collateral.
- (F) Equities, including convertible bonds, that are included in a main index.
- (G) Undertakings for collective investments in transferable securities ("UCITS") and mutual funds, provided that-
 - (i) a price for the units is publicly quoted on a daily basis; and
 - (ii) the UCITS/mutual fund may only invest in the instruments specified in this subparagraph (iii).

- (H) Securities issued by the Central Government of the RSA, provided that the reporting bank's exposure and the said securities are denominated in Rand.
 - (I) Securities issued by the Reserve Bank, provided that the reporting bank's exposure and the said securities are denominated in Rand.
- (iv) *Eligible financial collateral: comprehensive approach*
- (A) In addition to the instruments specified in subparagraph (iii) above, which instruments qualify as eligible collateral in terms of the simple approach, the instruments specified below shall be regarded as eligible collateral in terms of the comprehensive approach for the recognition of risk mitigation in respect of the bank's banking book exposures, provided that, irrespective of its credit rating, a resecuritisation instrument shall in no case constitute an eligible instrument for risk mitigation purposes in terms of these Regulations.
 - (i) Equities, including convertible bonds, which equities are not included in a main index but are listed on a licensed exchange.
 - (ii) UCITS/mutual funds which include the equities specified in sub-item (i) above.
 - (B) When a bank includes repurchase or resale agreements in the bank's trading book, any instrument obtained as collateral in respect of the bank's exposure to counterparty risk shall be regarded as eligible collateral, provided that-
 - (i) the said collateral instruments shall be included in and be managed as part of the bank's trading activities;
 - (ii) irrespective of its credit rating, a resecuritisation instrument shall in no case constitute an eligible instrument for risk mitigation purposes in terms of these Regulations;
 - (iii) in the case of a bank that applies-
 - (aa) the standardised haircuts specified in subparagraph (xi) below, the bank shall apply the haircuts relating to non-main index equities listed on a licensed exchange;
 - (bb) its own haircuts to collateral, the bank shall comply with the relevant minimum requirements relating to own estimates specified in subparagraphs (xii) and (xiii) below;

(cc) the VaR approach for the measurement of the bank's credit exposure to credit risk, the bank shall comply with the minimum requirements relating to VaR estimates specified in subparagraph (xvii) below,

in respect of all collateral instruments that do not otherwise than in accordance with this item (B) qualify as eligible collateral.

(v) *Proportional cover*

In respect of both the simple approach and the comprehensive approach for the recognition of risk mitigation, when a bank obtained collateral of which the value is less than the amount of the bank's exposure to credit risk, the bank shall recognise the credit protection on a proportional basis, that is, the protected portion of the exposure shall be risk weighted in accordance with the relevant provisions of this paragraph (b) and the remainder of the credit exposure shall be regarded as unsecured.

(vi) *Risk weighting: Simple approach*

A bank that adopted the simple approach relating to credit risk mitigation shall risk weight its exposures in accordance with, and comply with, the relevant requirements specified in subregulation (7)(b).

(vii) *Risk weighting: Comprehensive approach*

A bank that obtained eligible financial collateral and that adopted the comprehensive approach for the measurement of the bank's protected exposure-

(A) shall calculate an adjusted exposure in accordance with the relevant formulae set out in subparagraphs (viii) to (x) below;

(B) shall in the calculation of the bank's adjusted exposure-

(i) make use of the haircut percentage specified in table 9 in subparagraph (xi) below in order to adjust both the amount of the exposure and the value of the collateral; or

(ii) with the prior written approval of the Registrar and subject to the bank complying with the minimum quantitative and qualitative requirements specified in subparagraphs (xii) and (xiii) below, and such further conditions as may be specified in writing by the Registrar, rely on the bank's own estimates of market price volatility and foreign exchange volatility, provided that the bank-

- (aa) shall separately estimate the volatility of the collateral instrument or foreign exchange mismatch;
- (bb) shall not take into consideration any correlation between the unsecured exposure, the collateral or the exchange rates;
- (iii) in the case of transactions subject to further commitment, that is, repurchase or resale agreements-
 - (aa) apply a haircut of zero per cent, provided that the bank complies with the minimum conditions relating to a haircut of zero per cent specified in subparagraph (xv) below;
 - (bb) recognise the effects of bilateral master netting agreements, provided that the bank complies with the minimum conditions relating to bilateral master netting agreements specified in subparagraph (xvi) below; or
 - (cc) apply the results of a VaR model approach to reflect the price volatility of the exposure and the collateral, provided that the bank complies with the minimum conditions relating to the VaR model approach specified in subparagraph (xvii) below.

Notwithstanding the choice made between the standardised approach and the foundation IRB approach for the measurement of the bank's exposure to credit risk, a bank may choose to use the standard haircut percentages specified in table 9 in subparagraph (xi) below or the bank's own estimates of haircuts.

However, once a bank decided to use its own estimated haircuts, the bank shall apply its own haircuts to the full range of instrument types for which the bank obtained approval to use own estimates, except in the case of immaterial portfolios when the bank may use the standard haircuts prescribed in table 11 in subparagraph (xi) below.

- (C) shall calculate its risk weighted exposure by multiplying the adjusted exposure with the risk weight of the relevant counterparty.

(viii) *Comprehensive approach: formula for the calculation of a bank's adjusted exposure in the case of a collateralised transaction*

A bank-

- (A) shall in the case of a collateralised transaction, other than a collateralised OTC derivative transaction subject to the current exposure method, calculate its adjusted exposure through the application of the formula specified below, which formula is designed to recognise the effect of the collateral and any volatility in the amount relating to the exposure or collateral. The formula is expressed as:

$$E^* = \max \{0, [E \times (1 + H_e) - C \times (1 - H_c - H_{fx})]\}$$

where:

- E*** is the amount of the exposure after the effect of the collateral is taken into consideration, that is, the adjusted exposure
- E** is the current value of the exposure before the effect of the collateral is taken into consideration
- H_e** is the relevant haircut that relates to the exposure
- C** is the current value of the collateral obtained by the bank
- H_c** is the haircut that relates to the collateral
- H_{fx}** is the haircut that relates to any currency mismatch between the collateral and the exposure

The haircut that relates to currency risk shall be 8 per cent, based on a ten business day holding period and daily mark-to-market.

- (B) shall in the case of a collateralised OTC derivative transaction subject to the current exposure method, calculate its adjusted exposure in accordance with the relevant formula and requirements specified in subregulation (17).

- (ix) *Comprehensive approach: formula for the calculation of a bank's adjusted exposure when the effect of a master netting agreement is taken into consideration*

A bank that applies the standard haircuts specified in subparagraph (xi) below, or its own estimated haircuts, which bank wishes to recognise the effects of bilateral master netting agreements, shall calculate its adjusted exposure through the application of the formula specified below, provided that the bank shall comply with the minimum requirements relating to bilateral netting agreements specified in subparagraph (xvi) below. The formula is expressed as:

$$E^* = \max \{0, [(\sum(E) - \sum(C)) + \sum (E_s \times H_s) + \sum (E_{fx} \times H_{fx})]\}$$

where:

- E*** is the adjusted exposure after the effect of risk mitigation is taken into consideration
- E** is the relevant current value of the exposure
- C** is the value of the relevant collateral
- E_s** is the absolute value of the net position in a given instrument
- H_s** is the relevant haircut that relates to E_s, that is, the net long or short position of each instrument included in the netting agreement shall be multiplied with the appropriate haircut
- E_{fx}** is the absolute value of the net position in a currency that differs from the settlement currency
- H_{fx}** is the haircut in respect of the currency mismatch

The haircut that relates to currency risk shall be 8 per cent, based on a ten business day holding period and daily mark-to-market.

- (x) *Comprehensive approach: formula for the calculation of a bank's adjusted exposure based on a VaR model approach*

A bank that uses a VaR model approach to reflect the price volatility of the exposure and the collateral shall calculate its adjusted exposure through the application of the formula specified below:

$$E^* = \max \{0, [(\sum E - \sum C) + \text{VaR output from the internal model}]\}$$

where:

E* is the adjusted exposure after the effect of risk mitigation is taken into consideration

E is the relevant current value of the exposure

C is the relevant value of the collateral

VaR is the previous business day's VaR amount

(xi) *Comprehensive approach: standard haircuts*

Table 9: Standard haircut¹

Issue rating in respect of debt securities	Residual maturity	Sovereigns ²	Other issuers	Securitisation exposure
AAA to AA-/A-1	≤ 1 year	0.5	1	2
	> 1 year; ≤ 5 years	2	4	8
	> 5 years	4	8	16
A+ to BBB-/ A-2/ A-3/ P-3 and unrated bank securities qualifying as eligible collateral in terms of the simple approach	≤ 1 year	1	2	4
	> 1 year; ≤ 5 years	3	6	12
	> 5 years	6	12	24
BB+ to BB-	All	15		
Securities issued by the Central Government of the RSA or the Reserve Bank	≤ 1 year	1		
	> 1 year; ≤ 5 years	3		
	> 5 years	6		
Main index equities, including convertible bonds, and gold	15			
Other equities, including convertible bonds, recognised on a licensed exchange	25 ³			
UCITS/ Mutual funds	Highest haircut applicable to any security in which the fund may invest			
Cash in the same currency ⁴	0			

1. Based on daily mark-to-market adjustments, daily remargining and a ten business day holding period, expressed as a percentage.
2. Including multilateral development banks or public-sector entities that qualify for a risk weight of zero per cent.
3. Also relates to instruments that are not recognised as eligible collateral in respect of exposures included in the banking book but qualify as eligible collateral for repurchase or resale agreements included in the bank's trading book – refer to subparagraph (iv)(B) above.
4. Including cash collateral instruments qualifying as eligible collateral in terms of subparagraphs (ii)(A) and (ii)(B) above.

When a bank obtained collateral that consists of a basket of instruments, the haircut in respect of the basket of instruments shall be calculated in accordance with the formula specified below, which formula is designed to weight the collateral in the basket.

$$H = \sum a_i H_i$$

where:

a_i is the relevant weight of the asset, measured in terms of the relevant currency units, in the basket

H_i is the haircut applicable to the relevant asset

(xii) *Comprehensive approach: quantitative criteria relating to own estimates of haircuts*

As a minimum, a bank that wishes to calculate its own haircuts for purposes of calculating the bank's adjusted exposure-

- (A) shall use a 99th percentile, one-tailed confidence interval;
- (B) shall base its calculations on the relevant requirements specified in table 10 in subparagraph (xiv) below in respect of the type of transaction, the minimum holding period and the frequency of remargining and marking to market, provided that when a bank's own estimates of haircuts are based on shorter or longer holding periods than the minimum holding periods specified in table 10, the bank shall use the relevant square root of time formula to scale the relevant haircuts up or down to the appropriate minimum holding period;
- (C) shall take into account the lack of liquidity of lower quality assets, that is, the bank shall adjust the holding period upwards in cases where the holding period is regarded as inappropriate based on the liquidity of the collateral;
- (D) shall identify any situations in which historical data may understate potential volatility, such as in the case of a pegged currency, in which case the bank shall subject the data to stress tests;
- (E) shall apply a historical observation period for the calculation of haircuts of no less than one year.

When a bank uses a weighting scheme or other method for the historical observation period, the effective observation period shall be at least one year, that is, the weighted average time lag of the individual observations shall not be less than 6 months.

- (F) shall update its data sets at least once every three months;
- (G) shall reassess the data whenever market prices are subject to material change.

(xiii) Comprehensive approach: qualitative criteria relating to own estimates of haircuts

As a minimum, a bank that wishes to calculate its own haircuts for purposes of calculating the bank's adjusted exposure-

- (A) shall use the estimated volatility data, including the holding period, in the day-to-day risk management process of the bank;
- (B) shall have in place a robust process in order to ensure compliance with the bank's documented set of internal policies, controls and procedures relating to the operation of the risk measurement system;
- (C) shall use its risk measurement system in conjunction with internal exposure limits;
- (D) shall on a regular basis conduct an independent review of its risk measurement system as part of the bank's own internal auditing process;
- (E) shall at regular intervals, but not less frequently than once a year, conduct a comprehensive review of the bank's overall risk management process, which review, as a minimum, shall address-
 - (i) the integration of the bank's risk measures into its daily risk management process;
 - (ii) the validation of any significant change in the bank's risk measurement process;
 - (iii) the accuracy and completeness of any position data;
 - (iv) the verification of the consistency, timeliness and reliability of data sources used in the application of the bank's internal models, including the independence of such data sources;

- (v) the accuracy and appropriateness of assumptions relating to volatility.
- (xiv) *Comprehensive approach: requirements related to adjustments for different holding periods and non daily mark-to-market or remargining*
- (A) The framework for collateral haircuts applied in these Regulations in respect of the comprehensive approach-
- (i) distinguishes between-
- (aa) repo-style transactions, that is, transactions such as repurchase or resale agreements, and securities lending or borrowing transactions;
- (bb) other capital-market-driven transactions, that is, transactions such as OTC derivatives and margin lending; and
- (cc) secured lending;
- (ii) is summarised in table 10 below, also specifying the relevant respective minimum holding periods:

Table 10

Transaction type	Minimum holding period	Condition
Repo-style transaction	Five business days	Daily remargining
Other capital market transactions	Ten business days	Daily remargining
Secured lending	Twenty business days	Daily revaluation

- (B) When-
- (i) a bank entered into a transaction or has a netting set that meets the relevant criteria specified in subregulations (19)(e)(ii)(A) to (19)(e)(ii)(D), the relevant minimum holding period specified in table 10 shall be adjusted to be equivalent to the relevant margin period of risk envisaged in subregulation (19)(e)(ii);
- (ii) the frequency of remargining or revaluation is longer than the minimum period specified in table 10 above, the relevant percentage in respect of the relevant specified minimum haircut shall be scaled up depending on the actual number of business days between remargining or revaluation, using the square root of time formula specified below:

$$H = H_M \sqrt{\frac{N_R + (T_M - 1)}{T_M}}$$

where:

- H** is the relevant haircut
- H_M** is the relevant haircut in respect of the minimum holding period
- T_M** is the relevant minimum holding period for the type of transaction
- N_R** is the actual number of business days between remargining for capital market transactions or revaluation in respect of secured transactions

For example, when a bank calculates the volatility on a T_N day holding period which is different from the specified minimum holding period T_M, the bank shall calculate the relevant haircut H_M using the square root of time formula specified below:

$$H_M = H_N \sqrt{\frac{T_M}{T_N}}$$

where:

- H_M**= the adjusted haircut
- T_N**= holding period used by the bank for deriving H_N
- H_N**= haircut based on the holding period T_N

Similarly, when the frequency of remargining or revaluation is longer than the minimum period specified in table 10 above, the relevant percentage in respect of the minimum haircut shall be scaled up depending on the actual number of business days between remargining or revaluation, using the relevant square root of time formula.

For example, based on the relevant specified square root of time formula, a bank that uses the standard haircuts specified in table 9 in subparagraph (xi) above shall use the relevant ten business day haircut percentages specified in the table as a basis in scaling the said haircut percentages up or down depending on the type of transaction and the frequency of remargining or revaluation, as specified below:

$$H = H_{10} \sqrt{\frac{N_R + (T_M - 1)}{10}}$$

where:

H = adjusted haircut

H₁₀ = the ten business day standard haircut in respect of the instrument, specified in table 9 in subparagraph (xi) above

N_R = the actual number of business days between remargining for capital market transactions or revaluation for secured transactions

T_M = the minimum holding period for the type of transaction

(xv) *Comprehensive approach: Minimum conditions relating to a haircut of zero per cent in the case of repo-style transactions*

In the case of any repo-style transaction, a bank other than a bank that obtained the approval of the Registrar to apply its VaR model to reflect price volatility as envisaged in subparagraph (xvii) below may apply a haircut of zero per cent, provided that-

- (A) both the exposure and the collateral shall consist of cash or a sovereign security or public-sector security qualifying for a zero per cent risk weight in terms of the standardised approach;
- (B) both the exposure and the collateral shall be denominated in the same currency;
- (C) the transaction shall be overnight or both the exposure and the collateral shall be marked to market on a daily basis and shall be subject to daily remargining;
- (D) following the failure of the counterparty to remargin, the time that is required from the last mark-to-market adjustment, before the failure to remargin occurred, and the liquidation of the collateral, shall be no more than four business days;

- (E) the transaction shall be settled across a settlement system proven for the said type of transaction;
- (F) the documentation in respect of the agreement shall be standard market documentation for the said transactions;
- (G) the transaction shall be governed by documentation that specifies that when the counterparty fails to satisfy an obligation to deliver cash or securities or to deliver margin, or otherwise defaults, the transaction shall be immediately terminable;
- (H) upon any default event, regardless whether the counterparty is insolvent or bankrupt, the bank shall have the unfettered, legally enforceable right to immediately seize and liquidate the collateral for the bank's benefit;
- (I) the agreement shall be concluded with-
 - (i) a sovereign;
 - (ii) a central bank;
 - (iii) a public-sector entity;
 - (iv) a bank or securities firm provided that in the case of a securities firm the firm shall be subject to supervisory and regulatory arrangements comparable to banks in the Republic, including, in particular, risk-based capital requirements and regulation and supervision on a consolidated basis;
 - (v) other financial institutions, including an insurance company, eligible for a risk weight of 20 per cent in terms of the standardised approach;
 - (vi) a regulated mutual fund specified in writing by the Registrar provided that the said mutual fund shall be subject to capital or leverage requirements;
 - (vii) a regulated pension fund specified in writing by the Registrar;
 - (viii) a clearing institution specified in writing by the Registrar;
 - (ix) subject to such conditions as may be specified in writing by the Registrar, such other person or institution as may be determined by the Registrar.

(xvi) *Comprehensive approach: Minimum conditions relating to bilateral master netting agreements*

A bank-

(A) that concludes a repo-style agreement or transaction with a counterparty, which agreement or transaction is included in a bilateral master netting agreement, may recognise the effects of the bilateral master netting agreement, provided that the said netting agreement-

(i) shall be legally enforceable in each relevant jurisdiction upon the occurrence of an event of default, regardless whether the counterparty is insolvent or bankrupt.

In cases of legal uncertainty, the reporting bank shall obtain a legal opinion to the effect that its right to apply netting of gross claims is legally well founded and would be enforceable in the liquidation, default or bankruptcy of the counterparty or the bank;

(ii) shall provide the non-defaulting party upon an event of default, including in the event of insolvency or bankruptcy of the counterparty, the right to terminate and close-out, in a timely manner, all transactions included in the agreement;

(iii) shall make provision for-

(aa) the netting of gains and losses relating to all transactions included in the agreement, including the value of any collateral, which transactions were terminated and closed out, resulting in a single net amount which shall be owed by the one party to the other;

(bb) the prompt liquidation or set-off of collateral upon an event of default.

(B) may net positions held in its banking book against positions held in its trading book, provided that-

(i) all the relevant transactions shall be marked to market on a daily basis; and

(ii) the collateral instruments used in the relevant transactions shall constitute eligible financial collateral in the banking book.

(xvii) *Comprehensive approach: Minimum conditions relating to the use of VaR models*

As an alternative to the use of the standard haircuts specified in table 9 in subparagraph (xi) above, or the calculation of own estimated haircuts, a bank that obtained the prior written approval of the Registrar for the use of risk measures derived from the bank's internal risk-management model in respect of the bank's trading activities may use a VaR-model approach to reflect the price volatility of the exposure and the collateral in respect of repurchase or resale agreements, taking into account the effects of correlation between security positions, provided that-

- (A) subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, the bank may also apply the VaR approach to margin lending transactions and other transactions similar to repo-style transactions or securities financing transactions;
- (B) the VaR approach shall be applied-
 - (i) only to transactions covered by bilateral master netting agreements, that is, the VaR approach shall not be applied in respect of any repurchase agreement, resale agreement or margin lending transaction unless the relevant transaction is covered by a bilateral master netting agreement, which bilateral master netting agreement shall comply with the relevant requirements specified in subparagraph (xvi) above, and the relevant requirements specified in subregulations (17) to (19) below;
 - (ii) on a counterparty-by-counterparty basis;
- (C) the bank-
 - (i) shall at all times comply with the relevant model validation requirements and operational requirements specified in regulations 39(8) and in subregulation (19), and such further requirements as may be specified in writing by the Registrar;
 - (ii) may in the case of repurchase and resale agreements apply a minimum holding period of five business days unless a five business day holding period is inappropriate based on the liquidity of the instrument;
- (D) when the bank entered into a repo-style or similar transaction or has a netting set that meets the relevant criteria specified in subregulation (19)(e)(ii), the relevant minimum holding period shall be adjusted to be equivalent to the relevant margin period of risk envisaged in subregulation (19)(e)(ii).

(c) *Guarantees*

(i) *Minimum requirements*

As a minimum, a bank that adopted the standardised approach for risk mitigation relating to guarantees shall comply with-

- (A) the relevant minimum requirements specified in subregulation (7)(c) above; and
- (B) such further conditions as may be specified in writing by the Registrar.

(ii) *Eligible guarantees/guarantors*

For risk mitigation purposes in terms of these Regulations, credit protection obtained from guarantors that are assigned a risk weight lower than the protected exposure shall be recognised as eligible guarantees, including guarantees obtained from-

- (A) sovereigns;
- (B) central banks;
- (C) public-sector entities;
- (D) banks;
- (E) multilateral development banks;
- (F) securities firms;
- (G) other externally rated entities assigned a risk weight lower than the protected exposure,

Provided that-

- (i) when credit protection is provided in respect of a securitisation exposure, only entities that are externally rated BBB- or better at the end of the reporting month, and that were externally rated A- or better at the time that the credit protection was provided, shall constitute eligible protection for purposes of these Regulations, including any relevant credit protection provided by a parent institution, subsidiary or affiliate companies;

- (ii) for purposes of calculating the minimum required amount of capital and reserve funds of a branch in terms of the provisions of the Banks Act, 1990, read with these Regulations, no guarantee received from the parent foreign institution or any other branch of the parent foreign institution in respect of an exposure incurred by the branch in the Republic shall be regarded as an eligible guarantee.

(iii) *Risk weighting*

When a bank that adopted the standardised approach for risk mitigation obtains protection against loss in the form of an eligible guarantee in respect of the bank's exposure or potential exposure to credit risk, the risk weight applicable to the guaranteed transaction or guaranteed exposure may be reduced to the risk weight applicable to the relevant guarantor in accordance with the provisions of this paragraph (c).

The lower risk weight of the guarantor shall apply to the outstanding amount of the exposure protected by the guarantee, provided that the bank shall comply with the said relevant minimum requirements.

The unprotected portion of the exposure shall retain the risk weight relating to the relevant counterparty.

(iv) *Materiality thresholds*

For purposes of these Regulations, a materiality threshold below which no payment will be made in the event of a loss to the reporting bank or that reduces the amount of payment by the guarantor shall be regarded as equivalent to a retained first-loss position and shall be risk weighted in accordance with the relevant provisions of subregulation (6)(j) above.

(v) *Proportional cover*

When a bank obtains a guarantee for less than the amount of the bank's exposure to credit risk, the bank shall recognise the credit protection on a proportional basis, that is, the protected portion of the exposure shall be risk weighted in accordance with the relevant provisions of this paragraph (c) and the remainder of the credit exposure shall be regarded as unsecured.

(vi) *Currency mismatches*

When a bank obtains credit protection that is denominated in a currency that differs from the currency in which the exposure is denominated, the amount of the exposure deemed to be protected shall be reduced by the application of the formula specified below, which formula is designed to recognise the effect of the currency mismatch. The formula is expressed as:

$$G_A = G \times (1 - H_{FX})$$

where:

- G** is the relevant nominal amount of the credit protection obtained
- H_{FX}** is the haircut relating to the currency mismatch between the credit protection and the underlying obligation.

The haircut shall be based on a ten business day holding period and daily mark to market.

When a bank applies the standard haircuts, a haircut equal to 8 per cent shall apply.

A bank shall use the relevant square root of time formula specified in paragraph (b)(xiv) above to scale up a haircut percentage when the holding period or frequency of mark-to-market adjustment differs from the specified minimum requirements.

(d) *Credit-derivative instruments*

(i) *Risk weighting: Protection buyer (seller of credit risk)*

- (A) For the protected portion of a credit exposure, a bank that is a protection buyer shall substitute the risk weight relating to the eligible protection provider for the risk weight of the reference asset, reference entity or underlying asset.

The lower risk weight relating to the eligible protection provider shall apply to the outstanding amount of the transaction or exposure protected by the credit-derivative instrument, provided that all the relevant conditions specified in this paragraph (d) are met.

The unprotected portion of the exposure shall retain the risk weight relating to the relevant underlying exposure.

- (B) When a bank hedges the credit risk relating to an exposure included in the bank's banking book with a credit-derivative instrument included in the bank's trading book, the bank shall only recognise the credit protection to the extent that the bank transferred the relevant credit risk to an eligible third party protection provider.
- (C) In the case of-
- (i) a first-to-default structure, the protection buyer shall recognise the credit protection in respect of the exposure with the lowest risk-weighted amount provided that the notional amount of the relevant credit exposure shall be lower than or equal to the notional amount of the credit-derivative instrument;
 - (ii) a second to default structure, the protection buyer shall recognise the protection only when the protection buyer also obtained first-to-default protection, or when one of the assets in the basket already defaulted;
 - (iii) a proportional structure, the protection buyer may proportionally recognise protection in respect of all relevant reference assets, reference entities or underlying assets.
- (D) When a bank buys protection in the absence of an underlying exposure, or when bought protection is not eligible for recognition in the reporting bank's calculation of required capital in respect of an underlying exposure, the relevant credit-derivative instrument shall be ignored for purposes of calculating the reporting bank's capital requirements relating to banking activities.
- (E) A materiality threshold contained in a credit-derivative contract that requires a given amount of loss to occur to the protection buyer before the protection seller is obliged to make payment to the protection buyer or reduces the amount of payment to the protection buyer shall be regarded as equivalent to a first-loss credit-enhancement facility applied in asset securitisation and synthetic securitisation structures.

A bank that is a protection buyer shall risk weight such a materiality threshold in accordance with the relevant provisions specified in subregulation (6)(j) above. The capital requirement in respect of such bought protection shall be limited to the capital requirement relating to the underlying asset or reference asset when no protection is recognised.

(ii) *Risk weighting: Protection provider/seller (buyer of credit risk)*

(A) A bank that is a protection provider shall treat the position arising from the credit-derivative instrument as though the bank had a direct credit exposure to the reference asset, reference entity or underlying asset.

(B) When a protection provider-

(i) provides protection in the form of a funded credit-derivative instrument, the protection seller, upon conclusion of the credit-derivative contract, is exposed to the sum of the credit risk relating to the reference asset, reference entity or underlying asset and the credit risk relating to the funds placed with the protection buyer.

The protection provider shall risk weight the exposure according to the risk weight applicable to the reference asset or underlying asset, or the risk weight applicable to the protection buyer, whichever risk weight is the highest.

The exposure at risk shall be limited to the maximum payment in terms of the credit-derivative contract.

(ii) entered into an unfunded credit-derivative contract, the protection seller is exposed only to the credit risk relating to the reference asset, reference entity or underlying asset.

(C) In the case of a first-to-default structure, the protection provider shall risk weight its exposure to credit risk in accordance with the relevant requirements specified below:

(i) In the case of a credit-derivative instrument with a rating assigned by an eligible institution, the protection provider shall multiply the amount of the position with the risk weight specified in table 11 below:

Table 11

External credit assessment ¹	Long term rating ¹				
	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ and below or unrated
Risk weight	20%	50%	100%	350%	1250% ²
External credit assessment ¹	Short term rating ¹				
	A-1/P-1	A-2/P-2	A-3/P-3	All other	
Risk weight	20%	50%	100%	1250% ²	

1. The notations used in this table relate to the ratings applied by a particular credit assessment institution. The use of the rating scale of a particular credit assessment institution does not mean that any preference is given to a particular credit assessment institution and the assessments/ rating scales of other external credit assessment institutions, recognised as eligible institutions in South Africa, may have been used instead.

2. Or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds.

- (ii) In the case of unrated exposures, the protection seller shall maintain capital against each of the reference assets, reference entities or underlying assets in the basket by aggregating the risk weights of the assets included in the basket up to a maximum of 1250 per cent, or such imputed percentage as may be applicable from time to time, and multiplying the aggregated risk weight with the notional amount of the protection provided, that is, the aggregate amount of capital held by the protection provider shall not exceed an amount equal to a deduction from capital.
- (D) In the case of a second-to-default structure, the protection seller shall risk weight its exposure to credit risk in a manner similar to the method set out in item (C) above, which item (C) relates to a first-to-default structure, provided that in aggregating the risk weights relating to unrated exposures, the protection seller shall exclude from the aggregated risk weight the exposure with the lowest risk weight.
- (E) In the case of a proportional structure, the protection seller shall proportionally attribute the relevant risk weights to all relevant reference assets, reference entities or underlying assets.

(iii) *Eligible protection providers*

For risk-mitigation purposes in terms of these Regulations, credit protection obtained from protection providers that are assigned a risk weight lower than the protected exposure shall be recognised as eligible protection providers, including protection obtained from:

- (A) sovereigns;
- (B) central banks;
- (C) public-sector entities;
- (D) banks;
- (E) securities firms;
- (F) other externally rated entities that are assigned a risk weight lower than the protected exposure,

Provided that when credit protection is provided in respect of a securitisation exposure, only entities that are externally rated BBB- or better at the end of the reporting month, and that were externally rated A- or better at the time the credit protection was provided, shall constitute eligible protection for purposes of these Regulations, including any relevant credit protection provided by a parent institution, subsidiary or affiliate companies.

(iv) *Funded credit-derivative instruments*

A bank may issue cash instruments, such as credit-linked notes, in respect of which instruments the repayment of the principal amount is linked to the credit standing of a reference asset, reference entity or underlying asset.

For risk-mitigation purposes, a bank shall treat credit-linked notes in a manner similar to cash-collateralised transactions.

(v) *Unfunded credit-derivative instruments*

- (A) The capital treatment of the different credit risk-mitigation instruments recognized in terms of these Regulations shall be based on the economic effects of the instruments and not the legal construction of the said instruments.

Although the legal construction of guarantees may differ from credit-derivative instruments, only credit-default swaps and total-return swaps that provide credit protection equivalent to guarantees shall be recognised as credit risk-mitigation instruments, in addition to credit-linked notes, in terms of these Regulations.

- (B) When a bank buys credit protection through a total-return swap and records the net payments received on the swap as net income, but does not record the offsetting deterioration in the value of the asset that is protected, either through a reduction in fair value or an adjustment to reserves, the credit protection shall not be recognised.

(vi) *Materiality thresholds*

- (A) Normally, a materiality threshold is specified in a credit-derivative contract in order to ensure that the protection seller is obliged only to make payment in terms of the credit-derivative contract once a material default has occurred in respect of an underlying asset, reference asset or reference entity.

However, the economic effect of a materiality threshold specified in a credit-derivative contract may be that the protection buyer will suffer a specified amount of loss before payment in terms of the credit-derivative contract is triggered or the amount of payment by the protection seller to the protection buyer may even be reduced.

Materiality thresholds specified in a credit-derivative contract may therefore result in a significant loss being incurred by the protection buyer on an underlying asset or reference asset without a credit-event payment being made.

- (B) Materiality thresholds below which no payment will be made in the event of a loss to the protection buyer or that reduce the amount of payment by the protection seller to the protection buyer shall for purposes of these Regulations be regarded as equivalent to a retained first-loss position and shall be risk weighted in accordance with the relevant provisions specified in subregulation (6)(j) above.
- (C) A credit-derivative instrument with a materiality threshold that requires a high percentage of loss to occur before the protection seller is obliged to make payment to the protection buyer shall not be recognised for credit-risk mitigation purposes in terms of these Regulations.

(vii) Multiple-name instruments

- (A) Multiple-name instruments refer to credit-derivative instruments that reference more than one reference asset, reference entity or underlying asset, that is, a basket of instruments. Multiple-name structures generally include-
- (i) first-to-default structures, that is, the first default amongst the reference names triggers the credit protection and the credit event also terminates the protection;
 - (ii) second-to-default structures, that is, the second default amongst the reference names triggers the credit protection and the credit event also terminates the protection.
- (B) When the number of exposures in a basket is significant, the transaction will be regarded as a synthetic securitisation scheme. Such transactions shall be subject to the provisions of the exemption notice relating to securitisation schemes.
- (C) For the purposes of these Regulations, the number of exposures in a basket shall be regarded as significant when the envisaged transaction will cause-
- (i) the capital requirement of the reporting bank to increase or decrease by 5 per cent or more; or
 - (ii) the amount of the relevant portfolio of the reporting bank in respect of which the transaction will be concluded to increase or decrease by 5 per cent or more.

(viii) Settlement

- (A) Normally, credit-derivative instruments provide for either physical settlement or cash settlement.
- (B) Some credit-derivative instruments provide for pre-agreed amounts to be paid when a credit event occurs. These contracts are generally referred to as binary or digital contracts.

When the payment in terms of a credit-derivative instrument is a fixed amount, that is, a binary payment, the amount of protection shall be the amount of the fixed payment.

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- (C) Physical settlement, for example, involves the delivery by a protection buyer of an obligation of the reference entity specified in the contract in return for cash settlement by the protection seller of the reference amount.

When obligations in terms of credit-derivative instruments are physically settled, problems associated with the valuation of the reference asset, reference entity or underlying asset following a credit event are avoided.

- (D) Cash settlement requires a cash settlement amount to be calculated by a calculating agent specified in the contract. Following the occurrence of a credit event in respect of the reference asset, reference entity or underlying asset, the cash settlement amount is normally calculated as-

- the nominal amount of protection purchased; **multiplied by**
- the value of the reference asset, reference entity or underlying asset at inception (the value is normally expressed as a percentage, for example, 100 per cent); **less**
- the "final value", which value is normally expressed as a percentage of the reference asset, reference entity or underlying asset on the cash-settlement date.

(ix) Foreign-currency positions

A bank shall include in the forms BA 320 and BA 325 all relevant foreign-currency positions created by credit-derivative instruments when the bank calculates its aggregate effective net open foreign-currency position.

(x) Proportional cover

When a bank obtains credit protection for less than the amount of the bank's exposure to credit risk, the bank shall recognise the credit protection on a proportional basis, that is, the protected portion of the exposure shall be risk weighted in accordance with the provisions of this paragraph (d) and the remainder of the credit exposure shall be regarded as unsecured.

(xi) *Minimum requirements relating to credit-derivative instruments*

(A) *General requirement*

(i) Notwithstanding the provisions of these Regulations, a bank that wishes to engage in credit-derivative transactions-

(aa) shall obtain the prior written approval of the Financial Surveillance Department of the Reserve Bank in respect of any such transaction involving a non-resident person;

Should the Financial Surveillance Department of the Reserve Bank grant its approval to the said transaction, the bank shall adhere to such rules, conditions or such regulations as may be specified by the Financial Surveillance Department of the Reserve Bank relating to such credit-derivative instruments;

(bb) shall comply with such rules, conditions or such regulations as may be specified by the Financial Surveillance Department of the Reserve Bank relating to credit-derivative instruments.

(ii) Protection from a credit-derivative contract shall be recognised in terms of these Regulations to the extent-

(aa) that such protection was not already taken into consideration in the calculation of the reporting bank's required amount of capital and reserve funds;

(bb) that such protection can be realised by the reporting bank under normal market conditions, that is, the value at which the protection can be realised shall not differ materially from its book value.

(B) *Specific requirements*

A bank that wishes to recognise the risk-mitigation effect of protection obtained in the form of a credit-derivative instrument in the calculation of the bank's credit exposure shall comply with the requirements specified below:

(i) *Direct*

The credit protection shall constitute a **direct claim** on the protection seller.

(ii) *Explicit*

The credit protection shall be linked to specific credit exposures, so that the extent of the cover is duly defined and incontrovertible.

(iii) *Irrevocable*

Other than a protection buyer's non-payment of money due in respect of the credit protection contract, there shall be no clause in the contract that would allow the protection seller unilaterally to cancel the credit protection or increase the effective cost of the protection as a result of deterioration in the credit quality of the protected exposure.

(iv) *Unconditional*

There shall be no clause in the contract other than clauses relating to procedural requirements that could prevent the protection seller from being obliged to make payment in a timely manner should a credit event occur in respect of an underlying asset, reference entity or reference asset.

(v) The credit protection shall be legally enforceable in all relevant jurisdictions

In cases of uncertainty, a bank shall obtain legal opinion confirming the enforceability of the credit protection in all relevant jurisdictions and that the bank's rights are legally well founded. Legal opinions shall be updated at appropriate intervals in order to ensure continuing enforceability.

(vi) The protection seller shall not have any formal recourse to the protection buyer in respect of losses incurred by the protection seller.

- (vii) In the case of a funded single-name credit-derivative contract, the protection buyer shall not be obliged to repay any funds received from the protection seller in terms of the credit-derivative contract, except at the maturity date of the contract, provided that no credit event has occurred during the period of bought protection or as a result of a defined credit event, and then in accordance with the terms of payment defined in the contract.
- (viii) In order to obtain full recognition of the protection obtained, the base currency of a credit-derivative instrument shall be the same currency as the currency in which the credit exposure that is protected is denominated.

When a credit-derivative instrument is denominated in a currency that differs from the currency in which the credit exposure is denominated, that is, when there is a currency mismatch, the bought protection may be less than expected owing to fluctuations in the exchange rates.

When a bank obtains credit protection that is denominated in a currency that differs from the currency in which the exposure is denominated, the amount of the exposure deemed to be protected shall be reduced by the application of the formula specified below, which formula is designed to recognise the effect of the currency mismatch. The formula is expressed as:

$$G_A = G \times (1 - H_{FX})$$

where:

- G_A** is the relevant adjusted value of the protection
- G** is the relevant nominal amount of the credit protection obtained
- H_{FX}** is the haircut relating to the currency mismatch between the credit protection and the underlying obligation.

The haircut shall be based on a ten business day holding period and daily mark to market.

When a bank applies the standard haircuts, a haircut equal to 8 per cent shall apply.

A bank shall use the relevant square root of time formula specified in paragraph (b)(xiv) above to scale up a haircut percentage when the holding period or frequency of mark-to-market adjustment differs from the specified minimum requirements.

(ix) *Robust risk-management process*

While credit-derivative instruments reduce credit risk, they simultaneously increase other risks to which a bank is exposed, such as legal and operational risks.

Therefore, a bank shall employ robust procedures and processes to control the aforesaid risks.

As a minimum, a robust risk-management process relating to credit-derivative instruments shall include the fundamental elements specified below:

(aa) *Strategy*

A duly articulated strategy for credit-derivative instruments shall form an intrinsic part of a bank's general credit strategy and overall liquidity strategy.

(bb) *Focus on underlying credit*

A bank shall continue to assess an exposure that is hedged by a credit-derivative instrument on the basis of the borrower's creditworthiness. A bank shall obtain and analyse sufficient financial information to determine the obligor's risk profile and its risk management and operational capabilities.

(cc) *Systems*

A bank's policies and procedures shall be supported by management systems capable of tracking the location and status of its credit-derivative instruments.

(dd) *Concentration risk*

A bank shall have in place a duly defined policy with respect to the amount of concentration risk that it is prepared to accept.

A bank shall take into account purchased credit protection when assessing the potential concentrations in its credit portfolio, including when the bank determines its concentration risk in terms of section 73 of the Act.

A bank shall monitor general trends affecting its credit-protection sellers, in order to mitigate its concentration risk.

(ee) *Roll-off risks*

When a bank obtains credit protection that differs in maturity from the underlying credit exposure, the bank shall monitor and control its roll-off risks, that is, the fact that the bank will be exposed to the full amount of the credit exposure when the credit protection expires.

(x) As a minimum, the risk management systems of the reporting bank shall be adequate-

- (aa) to capture the credit risk relating to a reference asset, reference entity or underlying asset acquired through a credit-derivative contract and any counterparty risk arising from an unfunded over-the-counter credit-derivative contract within the normal credit approval and credit monitoring processes;
- (bb) to assess the probability of default correlation between the reference asset, reference entity or underlying asset and the protection provider;
- (cc) to provide valuation procedures, including assessment and monitoring of the liquidity of the credit-derivative instrument and the reference asset or underlying asset. This is particularly important for credit-derivative contracts when the reference asset or underlying asset is illiquid, for example, a loan, or when the derivative instrument has multiple reference assets, reference entities or underlying assets;

- (dd) to assess the impact on liquidity risk when the reporting bank has transferred a significant amount of credit risk through the use of funded credit-derivative instruments with a shorter maturity than the underlying credit exposure;
- (ee) to assess the impact on capital adequacy when the reporting bank has transferred a significant amount of credit risk through the use of unfunded credit-derivative instruments and when a replacement contract may not be available when the credit protection expires;
- (ff) to assess the change in the risk profile of the remaining credit exposures in terms of both the quality and the spread of the portfolio, when the reporting bank makes extensive use of credit-derivative instruments to transfer risk;
- (gg) to assess the basis risk between the reference asset exposure and the underlying asset exposure when these exposures are not the same;
- (hh) to monitor the legal and reputational risk associated with credit-derivative instruments;
- (ii) to monitor the credit risk on an ongoing basis.
- (xi) As a minimum, the credit events relating to non-sovereign debt, specified by the contracting parties shall include:
 - (aa) Bankruptcy or insolvency.
 - (bb) Any application for protection from creditors.
 - (cc) Payment default, that is, failure to pay the principal amount or related interest amounts due.
 - (dd) Any restructuring of the underlying obligation that results in a credit loss event such as a credit impairment or other similar debit being raised, including-
 - (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;

- (ii) a reduction in the amount of principal, fees or premium payable at maturity or at the scheduled redemption dates;
- (iii) a change in the ranking in the priority of payment of any obligation, causing the subordination of such obligation;
- (iv) a postponement or other deferral of a date or dates for either the payment or accrual of interest or the payment of the principal amount or premium.

When the credit-derivative instrument does not include the restructuring of the underlying obligation as a credit event, it shall be deemed that the bank obtained protection equal to a maximum of sixty per cent of the amount covered in terms of the credit-derivative instrument.

- (xii) As a minimum, the credit events relating to sovereign debt, specified by the contracting parties shall include:
 - (aa) Any moratorium on the repayment of the principal amount or related interest amounts due.
 - (bb) Repudiation.
 - (cc) Payment default, that is, failure to pay the principal or related interest amounts due.
 - (dd) Any restructuring of the underlying obligation that results in a credit loss event such as a credit impairment or other similar debit being raised, including-
 - (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;
 - (ii) a reduction in the amount of principal, fees or premium payable at maturity or at the scheduled redemption dates;
 - (iii) a postponement or other deferral of a date or dates for either the payment or accrual of interest or the payment of the principal amount or premium;

When the credit-derivative instrument does not include the restructuring of the underlying obligation as a credit event, it shall be deemed that the bank obtained protection equal to a maximum of sixty per cent of the amount covered in terms of the credit-derivative instrument.

- (xiii) Contracts allowing for cash settlement will be recognised for risk-mitigation purposes, provided that a robust valuation process is in place in order to estimate loss reliably. There shall be a duly specified period for obtaining post credit-event valuations of the reference asset or underlying obligation, typically not more than 30 days.
- (xiv) The grace period specified in the credit-derivative contract shall not be longer than the relevant grace period provided for failure to pay in terms of the underlying obligation.
- (xv) The protection buyer shall have the right and ability to transfer the underlying obligation or reference asset to the protection seller, if such underlying obligation or reference asset is required for settlement.
- (xvi) The delivery of the underlying obligation or reference asset shall not contravene any term or condition relating to the underlying asset or reference asset, and consent shall be obtained when necessary.
- (xvii) The identity of the person(s) responsible for determining whether a credit event has occurred, and the sources to be used, shall be duly defined. This determination shall not be the sole responsibility of the protection seller. The protection buyer shall have the right and ability to inform the protection seller of the occurrence of a credit event.
- (xviii) *Asset mismatch*

When the reference asset and the underlying asset being hedged differ the protection buyer may suffer a loss on the underlying credit exposure that will not be fully compensated by an equivalent claim against the protection seller.

When there is an asset mismatch between the underlying exposure and the reference asset the protection buyer will be allowed to reduce the credit exposure provided that-

- (aa) the reference asset and the underlying exposure relate to the same obligor, that is, the same legal entity;
- (bb) the reference asset ranks *pari passu* with or more junior than the underlying asset in the event of bankruptcy;
- (cc) legally effective cross-default clauses, for example, cross-default or cross-acceleration clauses apply; and
- (dd) the terms and conditions of the credit-derivative contract do not contravene the terms and conditions of the underlying asset or reference asset.

(e) *Maturity mismatches*

- (i) A maturity mismatch occurs when the residual maturity of the credit protection obtained in the form of eligible collateral, guarantees or credit-derivative instruments, or in terms of a netting agreement, is less than the residual maturity of the underlying credit exposure, that is, when the residual maturity of the credit protection is-
 - (A) less than the residual maturity of the underlying credit exposure a maturity mismatch exists and the bank shall treat the relevant positions in accordance with the relevant requirements of this paragraph (e);
 - (B) longer than the residual maturity of the underlying credit exposure, the position shall be regarded as fully protected.
- (ii) A bank shall conservatively define the maturity of the underlying exposure and the maturity of the credit protection.

The effective maturity of the underlying exposure shall be the longest possible remaining time before the obligor is scheduled to fulfil its obligation.

Embedded options that may reduce the term of the credit protection shall be taken into account when the effective maturity of the credit protection is determined so that the shortest possible effective maturity is used. For example, the effective maturity of credit protection with step-up and call features will be the remaining time to the first call.

(iii) In the case of maturity mismatched credit protection in respect of which the original maturity of the relevant credit protection is less than one year such credit protection shall not be recognised for credit-risk mitigation purposes in terms of these Regulations unless the said credit protection has a matching maturity with the underlying credit exposure(s), that is, credit protection with an original maturity of less than one year shall be recognised only when-

(A) the maturity of the protection and the maturity of the exposure is matched; or

(B) the residual maturity of the protection is longer than the residual maturity of the exposure,

provided that in the calculation of its minimum required amount of capital and reserve funds a bank shall in no case recognise credit protection obtained when the residual maturity of such credit protection is less than or equal to three months.

(iv) When a bank obtained eligible protection, which bank adopted-

(A) the simple approach for the recognition of risk mitigation relating to collateral, a reduction in the risk exposure of the bank shall be allowed only when the maturity of the collateral and the maturity of the exposure is matched, that is, collateral obtained by the bank as security against an exposure of the bank shall be pledged as security for the full duration of the bank's exposure;

(B) the comprehensive approach for the recognition of risk mitigation relating to netting, collateral, guarantees or credit-derivative instruments, shall recognise the effect of mismatches between the maturity of the bank's underlying exposure and the protection obtained through the application of the formula specified below, which formula is designed to recognise the effect of the maturity mismatch. The formula is expressed as:

$$Pa = P \times (t-0.25)/(T-0.25)$$

where:

Pa is the relevant value of the credit protection obtained, adjusted for the maturity mismatch

P is the relevant amount of credit protection obtained, adjusted for any haircuts

t is min (T, residual maturity of the credit protection arrangement), expressed in years

T is min (5, residual maturity of the exposure), expressed in years

- (v) When a bank obtains protection that differs in maturity from the underlying credit exposure the bank shall monitor and control its roll-off risks, that is, the fact that the bank will be exposed to the full amount of the credit exposure when the protection expires.

The bank may be unable to obtain further protection or to maintain its capital adequacy when the protection expires.

(f) *Treatment of pools of risk mitigation instruments*

- (i) When a bank obtains-

(A) multiple risk mitigation instruments in order to protect a single exposure, that is, the bank has obtained, for example, collateral, guarantees and credit-derivative instruments partially protecting an exposure; or

(B) protection with differing maturities,

the bank shall subdivide the exposure into portions covered by the relevant types of risk mitigation instruments.

- (ii) A bank shall separately calculate its risk-weighted exposure relating to each relevant portion envisaged in subparagraph (i) above.

(g) *Risk mitigation in respect of a securitisation exposure*

When a bank that adopted the standardised approach for the measurement of the bank's exposure to credit risk obtains protection in respect of a securitisation exposure the bank shall calculate its risk weighted exposure in respect of the said exposure in accordance with the relevant requirements specified in subregulation (7)(e) read with the relevant requirements specified in this subregulation (9).

(h) *Tranched cover*

When a bank transfers to a protection seller or sells a portion of the risk arising from an exposure in one or more tranches whilst the said bank retains some level of risk, and the risk transferred and the risk retained are of different seniority, the bank may obtain credit protection, for example, in respect of the more senior tranches, such as the second loss position, provided that in all cases the bank shall apply the relevant rules and requirements relating to securitisation exposures specified in the exemption notice relating to securitisation schemes read with the relevant requirements specified in subregulations (6)(h), (6)(j), (7)(e) and (8)(h) above.

(10) *Calculation of credit risk exposure: IRB approach*

Subject to the relevant provisions of regulation 38(2) and subregulation (20), a bank that wishes to adopt the IRB approach for the measurement of the bank's exposure to credit risk-

- (a) shall obtain the prior written approval of the Registrar;

Should the Registrar grant his/her approval, the bank shall in addition to the minimum requirements relating to the IRB approach specified in subregulation (11)(b) below, continuously comply with such conditions as may be specified in writing by the Registrar;

- (b) shall calculate its exposure to credit risk, at the discretion of the bank, either in accordance with the provisions of Method 1, as set out in subregulations (11) and (12) below, or Method 2, as set out in subregulations (13) and (14) below, or, subject to such conditions as may be specified in writing by the Registrar, a combination of the said methods.

(11) *Method 1: Calculation of credit risk exposure in terms of the foundation IRB approach*

- (a) Unless specifically otherwise provided, a bank that obtained the prior written approval of the Registrar to adopt the foundation IRB approach to calculate the bank's exposure to credit risk in respect of positions held in the bank's banking book-

(i) shall continuously comply with the relevant minimum requirements specified in paragraph (b) below and such further conditions as may be specified in writing by the Registrar in respect of any asset class subject to the IRB approach;

(ii) shall continuously comply with the relevant minimum disclosure requirements specified in regulation 43(2);

- (iii) shall categorise its exposures in accordance with the relevant requirements specified in paragraph (c) below;
- (iv) shall calculate its risk-weighted exposures in accordance with the relevant requirements and risk components specified in paragraph (d) below;
- (v) shall apply the IRB approach for the measurement of the bank's securitisation or resecuritisation exposure, that is, a bank shall not use the IRB approach for the measurement of the bank's securitisation or resecuritisation exposure unless the bank obtained the prior written approval of the Registrar to apply the IRB approach for the measurement of the bank's exposure to underlying credit exposure, provided that the bank shall in respect of the said securitisation or resecuritisation exposures comply with the relevant requirements specified in paragraph (b)(xii) below.
- (vi) shall calculate any relevant credit impairment, amongst other things, in accordance with the relevant requirements specified in subregulation (22);
- (vii) shall deduct from the bank's capital and reserve funds, or risk weight such amounts, as may be specified in paragraph (q) below.

(b) Minimum requirements

- (i) Subject to such conditions as may be specified in writing by the Registrar, a bank that adopted the foundation IRB approach for the measurement of the bank's exposure to credit risk in respect of positions held in the bank's banking book shall apply the said approach in respect of all the bank's material asset classes and business units.
- (ii) For a minimum period of three years or such lesser minimum period as may be specified in writing by the Registrar, prior to a bank's implementation of the foundation IRB approach for the measurement of the bank's exposure to credit risk, the rating and risk estimation systems and processes of the bank should have-
 - (A) provided a meaningful assessment of borrower and transaction characteristics;
 - (B) provided a meaningful differentiation of risk;
 - (C) provided materially accurate and consistent quantitative estimates of risk;

- (D) produced internal ratings and default and loss estimates that formed an integral part of the bank's-
 - (i) credit approval process;
 - (ii) risk management process;
 - (iii) internal capital allocation process;
 - (iv) corporate governance process;
 - (E) been subjected to appropriate internal controls and independent review;
 - (F) been broadly in compliance with the minimum requirements specified in this subregulation (11).
- (iii) As a minimum, a bank that adopted the IRB approach for the measurement of the bank's exposure to credit risk in respect of positions held in the bank's banking book shall have in place a duly documented credit policy, which credit policy-
- (A) shall be applied consistently over time for internal risk management purposes and in terms of the IRB approach;
 - (B) shall in the case of exposures relating to corporate institutions, sovereigns or banks duly specify the relationship between borrower grades in terms of the level of risk that each grade implies, that is, the perceived and measured risk shall increase as the credit quality of an exposure declines from one grade to the next;
 - (C) shall in the case of exposures relating to corporate institutions, sovereigns or banks duly specify the risk represented in each risk grade in terms of both a description of the probability of default risk typical for obligors assigned to the specific grade and the criteria used to distinguish that level of credit risk;
 - (D) shall be sufficiently robust to ensure that-
 - (i) each relevant individual legal entity or person to which the bank is exposed is separately rated;
 - (ii) the bank duly specifies the treatment of individual entities in a connected group, including the circumstances under which the same rating may or may not be assigned to all or some related entities;

- (iii) the bank develops and maintains a robust process for the identification of specific wrong way risk for each relevant person or legal entity to which the bank is exposed;
 - (iv) transactions with counterparties where specific wrong way risk has been identified are appropriately treated in accordance with the relevant requirements specified in these Regulations;
- (E) shall reinforce and foster the independence of the rating process;
- (F) shall duly specify the bank's process relating to the assignment of ratings to credit exposures;
- (G) shall duly specify the situations in which the senior management of the bank may override the output of the rating process, including how and to what extent such overrides may be used, and the names of senior management who may approve overrides of the model's output;
- (H) shall contain comprehensive requirements to assess the creditworthiness of persons with overdraft facilities;
- (I) shall comprehensively deal with-
 - (i) overdue amounts, including the manner in which the bank determines the number of past due days in respect of credit exposures;
 - (ii) exposures that are in default;
 - (iii) re-ageing of facilities or exposures, which re-ageing, amongst other things, shall comprehensively deal with-
 - (aa) persons responsible for approval;
 - (bb) reporting requirements;
 - (cc) the minimum age of a facility or exposure before it is eligible for re-ageing;
 - (dd) the delinquency levels of facilities or exposures that are eligible for re-ageing;
 - (ee) the maximum number of exposures per facility, eligible for re-ageing;

- (ff) a reassessment of the borrower's capacity to repay amounts due;
 - (iv) the granting of extensions, deferrals, renewals or rewrites in respect of existing accounts.
 - (iv) A bank that uses multiple systems to support its assessment of credit risk-
 - (A) shall duly document-
 - (i) the rationale for assigning a particular obligor to a particular rating system;
 - (ii) the specific industries or market segments to which a particular rating system applies;
 - (B) shall allocate the bank's obligors to a rating system in a manner that best reflects the level of risk of a particular obligor.
 - (v) Without derogating from the provisions of subparagraphs (i) to (iv) above, the rating and risk estimation systems and processes of a bank that adopted the IRB approach for the measurement of the bank's exposure to credit risk in respect of positions held in the bank's banking book-
 - (A) shall in the case of exposures to corporate institutions, sovereigns or banks, excluding any exposures relating to specialised lending that were mapped into the standardised rating categories specified in paragraph (d)(iii)(C) below, have separate and distinct dimensions relating to-
 - (i) the risk of borrower default, that is, separate exposures to the same obligor shall be assigned to the same borrower grade, irrespective of any differences in the nature of each specific transaction unless-
 - (aa) the one exposure is denominated in local currency whilst the other exposure is denominated in foreign currency; or
 - (bb) protection was obtained in the form of a guarantee, which protection resulted in an adjusted borrower grade,
- in which case separate exposures may result in multiple grades in respect of the same obligor.

- (ii) transaction-specific factors such as collateral, seniority and product type, provided that-
 - (aa) when the rating system of a bank that adopted the foundation IRB approach contains a facility dimension, which facility dimension reflects both borrower and transaction-specific factors, that is, the rating dimension reflects expected loss by incorporating both borrower strength (PD) and loss severity (LGD) considerations, the rating system shall be deemed to comply with the requirements of this item (A);
 - (bb) a separate rating system that exclusively reflects LGD ratios shall be deemed to comply with the relevant requirements of this item (A);
 - (cc) when the rating dimension reflects expected loss but it does not separately quantify the LGD ratio in respect of the said exposure, the bank shall apply the LGD estimates determined by the Registrar.
- (B) shall in the case of exposures to corporate institutions, sovereigns or banks ensure a meaningful distribution of exposures across risk grades, that is, the bank shall not have excessive concentrations of exposure in any one of the bank's borrower rating or facility rating scales.

As a minimum, a bank that adopted the IRB approach-

- (i) shall in the case of exposures other than specialised lending that were mapped into the standardised rating categories specified in paragraph (d)(iii)(C) below, have no less than seven borrower grades in respect of borrowers that are not in default and one grade for borrowers that have defaulted, provided that-
 - (aa) the bank shall in the case of concentrations within a single grade have empirical evidence that-
 - (i) the grades cover sufficiently narrow PD bands;
 - (ii) the default risk posed by borrowers in a particular grade falls within the specific band;

- (bb) the Registrar may require a bank with a diverse portfolio of credit exposure to have more borrower grades than the minimum number of borrower grades specified in this sub-item (i);
 - (ii) shall in the case of exposures relating to specialised lending, which exposures were mapped into the standardised rating categories specified in paragraph (d)(iii)(C) below, have no less than four borrower grades in respect of borrowers that are not in default and one grade for borrowers that have defaulted;
 - (iii) shall assign a rating to each obligor and all eligible guarantors, which rating shall be reviewed or approved by a person who does not directly benefit from the extension of credit;
 - (iv) shall associate each exposure with a facility rating as part of the loan approval process;
 - (v) shall review assigned borrower and facility ratings on a regular basis, but not less frequently than once a year, provided that the bank shall review all relevant ratings as soon as material new information comes to the attention of the bank;
 - (vi) shall have in place an effective process in order to obtain and update all relevant information;
- (C) may in the case of exposures relating to specialised lending, which exposures were mapped into the standardised rating categories specified in paragraph (d)(iii)(C) below, have a single rating dimension, which rating dimension reflects expected loss by incorporating both borrower strength, that is, PD, and loss severity, that is, LGD;
- (D) shall in the case of retail exposures-
- (i) be oriented towards and comprehensively capture-
 - (aa) borrower risk, which borrower risk shall include matters such as borrower type and demographics such as age or occupation; and
 - (bb) transaction risk, which transaction risk shall include matters relating to product and collateral types such as loan-to-value or lending-to-value measures, guarantees and seniority;

- (cc) the delinquency status of all relevant exposures, that is, the bank shall separately identify exposures that are delinquent and exposures that are not delinquent;
- (ii) be sufficiently robust to ensure that the bank assigns each retail exposure to a relevant pool of retail exposures as part of the bank's loan approval process, which loan approval process shall make provision for-
 - (aa) a meaningful differentiation of risk, that is, there shall be a meaningful distribution of borrowers and exposures across the relevant retail pools of exposure in order to ensure that no single pool of exposures results in undue concentration in relation to the bank's total retail exposure;
 - (bb) a grouping of sufficiently homogenous exposures provided that the bank shall consider the risk drivers in respect of borrower risk, transaction risk and the delinquency status of retail exposures when the bank assigns a particular exposure to a particular retail pool of exposures;
 - (cc) accurate and consistent estimates of loss characteristics at a pool level, that is, for each pool of retail exposures, the bank shall estimate the risk components of PD, LGD and EAD, provided that the number of exposures in a particular exposure pool shall be sufficient to allow for a meaningful quantification and validation of the loss characteristics at the pool level;
 - (dd) regular review, but not less frequently than once a year, of the status of individual borrowers within each pool and the loss characteristics and delinquency status of each relevant pool, provided that the bank-
 - (i) shall review all relevant risk characteristics as soon as material new information comes to the attention of the bank;
 - (ii) may make use of a representative sample to review the status of individual borrowers within each pool;

- (E) shall make provision for specific rating definitions and criteria in order to assign exposures to relevant risk grades, which definitions and criteria-
- (i) shall be plausible and intuitive in order to ensure a meaningful differentiation of risk;
 - (ii) shall be sufficiently detailed to allow-
 - (aa) persons responsible for assigning of ratings to consistently assign borrowers or facilities that pose similar risk to the same grade;
 - (bb) third parties such as the internal audit department or an equally independent function, and the Registrar, to understand the assignment of ratings and to evaluate the appropriateness of the grade or pool assignments;
 - (iii) shall be duly documented;
 - (iv) shall be consistent with the bank's internal lending standards;
 - (v) shall take into consideration all relevant and material information;
 - (vi) shall periodically be reviewed in order to ensure that the definitions and criteria remain relevant and current.
- (F) shall incorporate an appropriate time horizon in order to assign a risk rating to a borrower, which rating shall be based on a sufficiently long time horizon-
- (i) to estimate an obligor's probability of default;
 - (ii) to represent the borrower's ability and willingness to repay contractual obligations despite adverse economic conditions or the occurrence of unexpected events;
- (G) shall be sufficiently robust to ensure that all relevant PD estimates of highly leveraged borrowers, or borrowers of which the assets consist predominantly of traded assets, reflect the performance of the relevant underlying assets based on periods of stressed volatilities;

-
- (H) may include statistical models and mechanical methods to assign borrower and facility ratings or estimate PD ratios, LGD ratios and EAD amounts, which models and methods-
- (i) shall take into account all relevant and material information;
 - (ii) shall be used appropriately;
 - (iii) shall have good predictive power;
 - (iv) shall incorporate a reasonable set of risk predictors and the bank shall have in place clear guidelines and processes to monitor situations in which variables or risk inputs were altered;
 - (v) shall be materially accurate across a range of borrowers or facilities;
 - (vi) shall not contain any known material biases;
 - (vii) shall be subject to a regular validation process of data inputs, including an assessment of accuracy, completeness and appropriateness;
 - (viii) shall be subject to written policies and procedures for human review and judgement, provided that when human judgement is used to override the model's output, the bank shall separately keep track of the performance of the relevant exposure;
 - (ix) shall be subject to regular backtesting.
- (I) shall be duly documented, which documentation, as a minimum-
- (i) shall address matters such as-
 - (aa) specific definitions of default and loss, which definitions shall materially be consistent with the definitions contained in this subregulation (11) and in regulation 67;
 - (bb) portfolio differentiation;
 - (cc) rating criteria and the rationale for the bank's choice of particular internal rating criteria, provided that the bank shall be able to demonstrate to the satisfaction of the Registrar that the selected rating criteria and procedures are likely to result in ratings that meaningfully differentiate risk;

- (dd) the responsibilities of persons responsible for the rating of borrowers and facilities;
- (ee) definitions relating to rating exceptions and the persons authorised to approve any rating exceptions;
- (ff) the frequency of rating reviews;
- (gg) management oversight and the bank's internal control structure;
- (hh) the history of major changes in the bank's risk rating process;
- (ii) shall provide adequate evidence of the bank's compliance with all relevant minimum requirements;
- (iii) shall duly indicate any differences between the bank's risk estimates for purposes of complying with the IRB approach and for internal risk management purposes, such as pricing;
- (iv) shall in the case of statistical models used in the bank's rating process, comprehensively deal with-
 - (aa) the relevant methodologies, including a detailed outline of the theory, assumptions and/ or mathematical and empirical basis to assign risk estimate to risk grades, individual obligors, exposures or pools;
 - (bb) the data sources used;
 - (cc) the process to validate the model;
 - (dd) any circumstances under which the model does not work effectively.
- (J) shall be subject to appropriate independent review.
- (vi) Risk quantification
 - (A) Unless specifically otherwise provided, a bank shall in the case of exposures to corporate institutions, sovereigns or banks, estimate a PD ratio in respect of each internal borrower grade, which PD estimate-

- (i) may be based on one or more of the three techniques specified below, provided that the underlying historical observation period shall be a minimum period of five years in respect of at least one of the said techniques.

- (aa) Internal default experience

A bank-

- (i) shall demonstrate that the PD estimates are based on the bank's underwriting standards and sufficiently reflect any differences between the rating system that generated the data and the bank's current rating system.
 - (ii) may use pooled data provided that the bank shall demonstrate to the satisfaction of the Registrar that the internal rating systems and criteria of the other banks in the pool are comparable with the bank's own internal rating systems and criteria.
- (bb) Mapping to external data, that is, the bank may map its internal risk grades to a risk scale used by an eligible external credit assessment institution and then attribute the default rate observed in respect of the external credit assessment institution's grades to the bank's grades, provided that-
 - (i) the bank shall compare and avoid any biases or inconsistencies between the bank's internal rating criteria and the criteria used by the external institution;
 - (ii) the bank shall compare and avoid any biases or inconsistencies between the internal and external ratings of any common borrowers;
 - (iii) the external institution's criteria underlying quantification shall be oriented to the risk of borrower default and shall not reflect transaction characteristics;
 - (iv) the bank shall compare and avoid any biases or inconsistencies between the definitions used in respect of default;

- (v) the bank shall document the basis on which the mapping was done.
- (cc) Statistical default models, that is, the bank may use a simple average of default-probability estimates in respect of individual borrowers assigned to a particular grade, which estimates were generated by statistical default prediction models, provided that the statistical model shall comply with the relevant minimum requirements specified in subparagraph (v)(G) above;
 - (ii) shall be based on the definition of default, specified in regulation 67;
 - (iii) shall be based on a population of exposures that closely matches or is at least comparable to the bank's existing exposures and lending standards;
 - (iv) shall be based on economic and market conditions that are relevant and current;
 - (v) shall be a long-run average of the one-year default rates relating to the borrowers in a particular grade;
 - (vi) shall incorporate all relevant and material information;
 - (vii) shall take into account any changes in lending practice or the process for pursuing recoveries over the observation period;
 - (viii) shall be reviewed on a regular basis but not less frequently than once a year or when material new information is obtained;
 - (ix) shall be based on historical experience and empirical evidence;
 - (x) shall be based on a sufficient number of exposures and data periods that will ensure accurate and robust PD estimates;
 - (xi) shall be based on an estimation technique that performs well in out-of-sample tests;

- (B) Unless specifically otherwise provided, a bank shall in the case of retail exposures estimate a PD ratio and a LGD ratio in respect of each retail pool of exposures, which PD estimate and LGD estimate-
- (i) shall be based on the bank's internal data as the primary source of information;
 - (ii) shall be based on a number of exposures in a particular exposure pool that is sufficient to allow for a meaningful quantification and validation of the loss characteristics;
 - (iii) shall be based on the definition of default, specified in regulation 67;
 - (iv) may rely on external data or statistical models for quantification provided that the bank shall demonstrate to the satisfaction of the Registrar a strong link between-
 - (aa) the bank's process of assigning exposures to a particular pool and the process used by the external data source;
 - (bb) the bank's internal risk profile and the composition of the external data;
 - (v) shall incorporate all relevant and material information;
 - (vi) shall be based on a population of exposures that closely matches or is at least comparable to the bank's existing exposures and lending standards;
 - (vii) shall be based on economic and market conditions that are relevant and current;
 - (viii) shall be based on an estimation technique that performs well in out-of-sample tests;
 - (ix) shall be reviewed on a regular basis but not less frequently than once a year or when material new information is obtained;
 - (x) shall be based on long-run average estimates of PD and default-weighted average loss rates given default, based on an estimate of the expected long-run loss rate, provided that-
 - (aa) the bank may use an appropriate PD estimate to infer the long-run default-weighted average loss rate given default;

- (bb) the bank may use a long-run default-weighted average loss rate given default to infer the appropriate PD;
 - (cc) the LGD ratio used to calculate the bank's IRB capital requirement shall not be less than the long-run default-weighted average loss rate given default;
 - (xi) shall, irrespective whether the bank is using external, internal, pooled data sources or a combination of the said three sources for the estimation of loss characteristics, be based on an underlying historical observation period of not less than five years, provided that the bank may with the prior written approval of the Registrar place more reliance on recent data when the said data better reflects loss rates in respect of the bank's retail exposures;
- (C) Based on the definition of default specified in regulation 67, a bank shall record all actual defaults in respect of all exposures subject to the IRB approach;
- (D) When the status of a previously defaulted exposure subsequently changes, and as such no longer constitutes a defaulted exposure, the reporting bank shall rate the relevant obligor and estimate the relevant LGD ratio in a manner similar to a non-defaulted facility, provided that when the relevant exposure subsequently triggers one of the criteria relating to default, which criteria are specified in regulation 67, the relevant bank shall record a second default in respect of the said exposure;
- (E) As a minimum, a bank-
 - (i) shall determine and specify a credit limit in respect of all authorised overdraft facilities, which credit limit-
 - (aa) shall in writing be brought to the attention of the relevant client of the bank;
 - (bb) shall on a continuous basis be monitored by the relevant bank for compliance with the limit by the relevant client;
 - (ii) shall assign a limit of zero to any unauthorised overdraft facility.

- (F) Unless specifically otherwise provided, a bank that obtained the approval of the Registrar to apply the “top-down” approach for default risk and/or the IRB approach for dilution risk in respect of purchased corporate receivables or purchased retail receivables-
- (i) shall group the relevant receivables into sufficiently homogeneous pools in order to accurately and in a consistent manner estimate PD ratios, LGD ratios or expected loss ratios for default risk and dilution risk;
 - (ii) shall comply with the relevant minimum risk quantification standards for retail exposures specified in item (B) above;
 - (iii) shall take into account all relevant information, including information in respect of the quality of the underlying receivables and data relating to similar pools;
 - (iv) shall establish whether or not the data provided by the seller in respect of the type, volume and on-going quality of the receivables are consistent with the bank’s information;
 - (v) shall ensure that the bank maintains effective ownership and control over the cash remittances derived from the receivables, including in cases of seller or servicer distress or bankruptcy;
 - (vi) shall ensure that all relevant payments are forwarded completely and within the contractually agreed terms when the obligor makes payments directly to a seller or servicer;
 - (vii) shall be able to monitor the quality of the receivables and the financial condition of the seller or servicer;
 - (viii) shall assess any correlation between the quality of the receivables and the financial condition of the seller or servicer;
 - (ix) shall conduct periodic reviews in respect of sellers or servicers in order to-
 - (aa) verify the accuracy of any reports received from the seller or servicer;
 - (bb) detect any fraud or operational weaknesses;
 - (cc) verify the quality of the seller’s credit policies and servicer’s collection policies and procedures;

- (x) shall duly document the findings of the reviews envisaged in sub-item (ix) above;
- (xi) shall be able to assess the characteristics relating to the pool of receivable amounts, including-
 - (aa) any relevant over-advances;
 - (bb) the history relating to the seller's arrears, bad debts, and allowances for bad debt;
 - (cc) payment terms;
 - (dd) potential contra accounts;
- (xii) shall receive timely and sufficiently detailed reports in respect of the ageing and dilution of receivable amounts in order to-
 - (aa) ensure continuous compliance with the bank's eligibility criteria and policies relating to purchased receivables;
 - (bb) monitor and confirm the seller's terms of sale;
- (xiii) shall have in place clear and effective policies and procedures, and sufficiently robust information systems-
 - (aa) to detect any concentration risk within and across pools of receivable amounts;
 - (bb) to monitor compliance with all contractual terms of the facility, including covenants, advancing formulas, concentration limits and early amortisation triggers;
 - (cc) to monitor compliance with the bank's internal policies in respect of advance rates;
 - (dd) to limit inappropriate drawings;
 - (ee) to effectively deal with financially weakened sellers or servicers and/or a deterioration in the quality of the pool of receivable amounts;
 - (ff) to initiate legal actions or deal with problem receivables;

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- (gg) that specify all material elements of the bank's programme relating to purchased receivables, including-
 - (i) advance rates;
 - (ii) eligible collateral;
 - (iii) required documentation;
 - (iv) concentration limits;
 - (v) the manner in which cash receipts should be handled;
 - (hh) that ensure that funds are advanced only when specified supporting collateral and documentation such as servicer attestations, invoices or shipping documents are received;
 - (xiv) shall have in place an effective internal control process in order to assess the bank's continued compliance with all critical policies and procedures, which internal control process shall include-
 - (aa) regular internal and/or external audits of all critical phases of the bank's programme relating to purchased receivables;
 - (bb) verification of the separation of duties between-
 - (i) the assessment of the seller or servicer and the assessment of the obligor;
 - (ii) the assessment of the seller or servicer and the field audit of the seller or servicer;
 - (cc) evaluations of the effectiveness of the back-office operations, with specific emphasis being placed on qualifications, experience, staffing levels and supporting systems.

- (vii) Unless specifically otherwise provided, a bank that obtained the prior written approval of the Registrar to adopt the internal model market-based approach for the measurement of the bank's risk exposure in respect of equity instruments held in the bank's banking book shall in addition to such conditions as may be determined by the Registrar continuously comply with the quantitative and qualitative requirements specified below:

(A) Quantitative requirements

In order to calculate a bank's risk exposure relating to equity positions held in the bank's banking book in terms of the internal model market-based approach, the bank-

- (i) may use any type of value-at-risk ("VaR") model, including models based on variance-covariance, historical simulation or Monte Carlo, provided that the model-
- (aa) shall duly capture all material risks contained in the bank's equity positions, including general market risk and specific risk exposure;
 - (bb) shall be sufficiently robust to adequately explain historical price variation;
 - (cc) shall duly capture the magnitude of and changes in any concentration risk;
 - (dd) shall be robust to adverse market conditions;
 - (ee) shall be appropriate for the risk profile and complexity of the bank's equity positions, including positions in respect of non-linear instruments such as options;
 - (ff) shall have good predictive power and shall not produce materially incorrect capital requirements;
 - (gg) may with the prior written approval of the Registrar incorporate portfolio correlations into the bank's internal risk measures provided that the said correlations shall be based on empirical evidence and analysis;

- (ii) may use modelling techniques such as historical scenario analysis, provided that the said modelling technique shall produce a capital requirement equivalent to a potential loss based on a 99th percentile, one-tailed confidence interval of the difference between quarterly returns and the appropriate risk-free rate computed over a long-term sample period;
- (iii) may use single or multi-factor models, provided that-
 - (aa) the risk factors-
 - (i) shall be sufficient to capture the risks inherent in the bank's equity portfolio;
 - (ii) shall correspond to the appropriate equity market characteristics in which the bank holds significant positions;
 - (bb) the bank shall demonstrate by way of empirical analyses, to the satisfaction of the Registrar, the appropriateness of the risk factors, including the risk factors' ability to cover both general risk and specific risk;
- (iv) shall calculate estimated losses, which estimated losses-
 - (aa) shall be sufficiently robust to adverse market movements;
 - (bb) shall be relevant to the long-term risk profile of the bank's specific equity holdings;
 - (cc) shall incorporate all relevant and material data, information and methods;
 - (dd) shall be based on-
 - (i) realistic long-run experience, including a period of a reasonably severe decline in equity prices;
 - (ii) a number of risk exposures in the sample and a data period sufficient to provide the bank with confidence in respect of the accuracy and the robustness of its estimates;

- (v) shall use internal data and/or data from external sources, including pooled data, which data-
 - (aa) shall reflect the longest sample period for which data are available;
 - (bb) shall be meaningful in the sense that the data shall represent the risk profile of the bank's specific equity holdings;
 - (cc) shall be sufficient to provide conservative, statistically reliable and robust loss estimates;
 - (dd) shall be closely matched to or comparable with the bank's equity exposures;
 - (ee) shall be independently reviewed.

(B) Qualitative requirements

A bank that adopted the internal model market-based approach for the calculation of the bank's risk exposure in respect of equity instruments held in the bank's banking book shall comply with the relevant qualitative requirements specified in regulation 39(14)(a).

(viii) Data maintenance

As a minimum, a bank that adopted the IRB approach for the measurement of the bank's exposure to credit risk shall collect and store data in respect of all key borrower and facility characteristics, which data-

- (A) shall provide effective support to the bank's internal credit risk measurement and management process;
- (B) shall be sufficiently detailed to allow retrospective re-allocation of obligors and facilities to the bank's various risk grades;
- (C) shall in the case of corporate, sovereign or bank exposures include-
 - (i) the rating histories in respect of obligors and eligible guarantors;
 - (ii) the date on which a rating was assigned;
 - (iii) the methodology, key data and the model/person used to derive the rating;

- (iv) the identity of borrowers and facilities that defaulted, and the timing and circumstances of such defaults;
 - (v) the PD ratios and realised default rates associated with the bank's rating grades;
 - (vi) rating migration in order to keep track of the predictive power of the rating system;
- (D) shall in the case of retail exposures include-
- (i) the data that was used to allocate particular exposures to particular pools, including the data relating to borrower and transaction risk characteristics;
 - (ii) the data in respect of delinquent exposures;
 - (iii) data related to the estimated PD ratios, LGD ratios and EAD amounts associated with each relevant pool of exposures;
- (E) shall in the case of defaulted retail exposures include data in respect of the pool to which the exposure was assigned during the year preceding the default and the realised outcomes in respect of the LGD ratio and the EAD amount.

(ix) *Stress testing*

As a minimum, a bank that adopted the IRB approach for the measurement of the bank's exposure to credit risk shall have in place a stress-testing process in respect of the bank's exposure to credit risk, which stress testing process-

- (A) shall include an identification of possible events or future changes in economic conditions that may have an unfavourable effect on the bank's risk exposures and an assessment of the bank's ability to withstand such events or changes, which events or changes may include-
- (i) economic or industry downturns;
 - (ii) market-risk events;
 - (iii) liquidity constraints;
 - (iv) mild recession scenarios;

- (B) shall in the case of protected exposure subject to the double default approach envisaged in subregulation (12)(g) include an assessment of the impact of-
- (i) a deterioration in the credit quality of protection providers, in particular the impact of protection providers falling outside the eligibility criteria specified in subregulation (12)(g) due to rating changes;
 - (ii) the default of one but not both the obligor and the protection provider,
- and the consequent increase in risk exposure and the required amount of capital and reserve funds at the time of the said default;
- (C) shall be meaningful, based on the environment in which the bank conducts business;
- (D) shall assess the effect of a recession on the bank's PD ratios, LGD ratios and EAD amounts;
- (E) shall make provision for an internal ratings migration in respect of at least some of the bank's exposure to credit risk;
- (F) shall appropriately evaluate evidence of rating migration in respect of external ratings.

(x) *Validation of internal estimates*

As a minimum, a bank that adopted the IRB approach for the measurement of the bank's exposure to credit risk-

- (A) shall have in place a robust system to validate the accuracy and consistency of the bank's rating systems and processes, including all estimates of relevant risk components, which internal assessments shall be based on long data histories, covering a range of economic conditions and ideally one or more complete business cycles;
- (B) shall regularly compare realised default rates with estimated PD ratios in respect of each grade and shall demonstrate to the satisfaction of the Registrar that the realised default rates are within the expected range for a particular grade;

- (C) shall duly document the data and the methods used to compare realised default rates with estimated PD ratios in respect of each grade, including the periods that were covered and any changes in the data and methods that were used, which analysis and documentation shall be updated at appropriate intervals, but not less frequently than once every year;
- (D) shall make use of quantitative validation tools and comparisons with relevant external data sources in order to validate the bank's internal estimates of risk components;
- (E) shall demonstrate to the satisfaction of the Registrar that the bank's quantitative testing methods and validation methods do not vary systematically with the economic cycle;
- (F) shall have in place sufficiently robust internal standards to deal with situations where realised PD ratios deviate substantially from expected PD ratios provided that when the realised values continue to be higher than expected values the bank shall adjust its estimates of risk components upward in order to reflect the appropriate default and loss experiences.

(xi) *Disclosure*

A bank that obtained the approval of the Registrar to adopt the IRB approach for the measurement of the bank's exposure to credit risk shall disclose in its annual financial statements and other disclosures to the public sufficiently detailed qualitative and quantitative information in accordance with the relevant requirements specified in regulation 43(2).

(xii) *Securitisation and/or resecuritisation exposures*

A bank that obtained the prior written approval of the Registrar to adopt the IRB approach for the measurement of the bank's exposure to credit risk shall apply the IRB approach for the measurement of the bank's securitisation or resecuritisation exposure, provided that-

- (A) the bank shall in addition to such conditions as may be specified in writing by the Registrar comply with the relevant requirements specified in this subparagraph (xii) and the relevant requirements specified in paragraphs (e) to (p) below;

- (B) unless the Registrar determines otherwise, a bank that adopted the IRB approach in respect of some underlying exposures and the standardised approach in respect of the remainder of underlying credit exposures shall apply the approach that relates to the predominant part of underlying credit exposures in respect of the bank's exposure to a securitisation scheme or resecuritisation exposure;
- (C) when no specific IRB treatment is specified in respect of a particular underlying asset type, a bank that obtained the approval of the Registrar to adopt the IRB approach, which bank-
- (i) acts as an originator, shall apply the standardised approach specified in subregulation (6)(h) above to calculate the bank's capital requirement in respect of the relevant securitisation or resecuritisation exposure;
 - (ii) does not act as an originator in respect of the securitised or resecuritised assets or exposures, but instead invests in an instrument issued in respect of the securitisation or resecuritisation scheme, shall apply the ratings-based approach specified in paragraph (e) below to calculate the bank's capital requirement in respect of the relevant securitisation or resecuritisation exposure.
- (D) when-
- (i) a securitisation or resecuritisation exposure is rated or a rating can be inferred as envisaged in paragraphs (e) and (f) below, the bank shall apply the ratings-based approach specified in paragraph (e) below to the relevant securitisation or resecuritisation exposure;
 - (ii) an external or inferred rating is not available in respect of a securitisation or resecuritisation exposure, the bank shall apply the internal assessment approach or standard formula approach respectively specified in paragraphs (g) and (i) below, provided that the internal assessment approach shall be applied only to exposures that relate to an asset-backed commercial-paper programme, which exposures shall comply with the relevant requirements specified in paragraph (g) below;

- (iii) the bank or another institution within the banking group of which such a bank is a member, acting as a servicing agent, a repackager, a sponsor in respect of a securitisation scheme other than an asset-backed commercial paper programme or a sponsor in respect of an asset-backed commercial paper programme provides a liquidity facility in respect of such a securitisation scheme, which liquidity facility complies with the relevant conditions specified in paragraph 7 of the exemption notice relating to securitisation schemes, the said bank or institution shall in the case of-
- (aa) a rated liquidity facility apply-
 - (i) the ratings-based approach specified in paragraph (e) below;
 - (ii) a credit-conversion factor of 100 per cent to the relevant rated liquidity facility;
 - (bb) an unrated facility in respect of which an inferred rating is not available apply-
 - (i) the internal assessment approach specified in paragraph (g) below, provided that the bank shall comply with the relevant requirements specified in paragraphs (g) and (h) below, or
 - (ii) the standard formula approach specified in paragraph (i) below;
 - (cc) an eligible liquidity facility that may only be drawn in the event of a general market disruption apply a 100 per cent credit-conversion factor in terms of the ratings-based approach when the facility is externally rated;
 - (dd) a facility in respect of which neither the bottom-up approach nor the top-down approach can be applied to calculate the K_{IRB} amount specified in paragraph (k) below, apply the highest risk weight assigned in terms of the standardised approach to any of the underlying individual exposures covered by the liquidity facility and a credit-conversion factor of 100 per cent;

- (ee) all liquidity facilities other than the liquidity facilities envisaged above, assign to the relevant notional amount of the said liquidity facility a risk weight of 1250 per cent, or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds,

Provided that a bank that acts as an originator shall in no case provide any liquidity facility in respect of the securitisation scheme in respect of which that bank acts as such an originator.

- (iv) the bank or another institution within the banking group of which such a bank is a member, acting as a servicing agent, provides an eligible servicer cash advance facility in respect of a securitisation scheme, that is, a facility that, amongst other things, complies with the relevant conditions specified in paragraphs 7 and 9 of the exemption notice relating to securitisation schemes, the said bank or institution may in the case of any undrawn servicer cash advance facility that is unconditionally cancellable by the said bank or institution without prior notice, apply a credit-conversion factor of nil per cent in respect of the said undrawn facility, provided that-
 - (aa) the said facility shall duly state that the servicing agent is under no obligation to advance funds to investors or the special-purpose institution in terms of the servicer cash advance facility;
 - (bb) any cash advance made by the servicing agent shall be at the servicing agent's sole discretion and solely to cover an unexpected temporary shortfall that arose from delayed payments;
 - (cc) the servicing agent's rights for reimbursement in terms of the said cash advance facility shall be senior to any other claim on cash flows arising from underlying exposures or collateral held in respect of the securitisation scheme;
 - (dd) a bank that acts as an originator shall in no case provide any servicer cash advance facility in respect of the securitisation scheme in respect of which that bank acts as such an originator.

- (v) none of the approaches specified in sub-items (i) or (ii) above can be applied to a securitisation exposure other than a liquidity facility, the bank shall assign to the relevant exposure amount a risk weight of 1250 per cent, or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds.
- (E) in all relevant cases in respect of which a bank applies the standard formula approach, a floor risk weight of-
 - (i) 7 per cent shall apply in respect of a securitisation exposure;
 - (ii) 20 per cent shall apply in respect of a resecuritisation exposure;
- (F) the bank shall treat any exposures that overlap in accordance with the relevant requirements specified in subregulation (6)(h) above;
- (G) the bank shall treat any exposure relating to a securitisation scheme that contains an early amortisation mechanism in accordance with the relevant requirements specified in paragraph (p) below;
- (H) the bank shall comply with the relevant requirements specified in subregulation (12) when the bank obtains any protection in respect of a securitisation exposure;
- (I) the maximum amount of capital to be maintained by a bank that adopted the IRB approach for the measurement of the bank's exposures relating to a securitisation scheme shall be equal to the amount of capital that the bank would have been required to maintain in respect of the underlying credit exposures had the exposures not been securitised, which amount shall be calculated in accordance with the relevant requirements specified in subregulations (10), (11) and (12), read with the relevant provisions of subregulations (21) and (22), provided that the bank shall deduct from its common equity tier 1 capital and reserve funds the entire amount included in the bank's capital and reserve funds in respect of any gain-on-sale or credit-enhancing interest-only strips that arose from the securitisation transaction.

(c) *Categorisation of exposures*

A bank that adopted the IRB approach for the measurement of the bank's exposure to credit risk shall categorise its banking book exposures into one and apply the IRB approach in respect of all material asset categories specified below:

(i) Corporate exposure

When a bank is engaged in specialised lending activities the bank shall subdivide any corporate exposure resulting from such specialised lending activities into one of the categories specified below:

(A) Project finance

Normally project finance relates to the provision of funds to a special-purpose institution for the acquisition or construction of large and complex installations such as power plants, mines or chemical processing plants, the repayment of which funds is based solely or almost exclusively on the funds generated by the relevant project and the collateral value of the project's assets, that is, the borrower of the funds has no or little independent capacity to repay the obligations arising from the borrowed funds, and in respect of which specialised lending agreement the reporting bank has a substantial degree of control over the said asset and the income produced by that asset.

(B) Object finance

Normally object finance relates to the provision of funds to a special-purpose institution for the acquisition of physical assets such as ships or aircrafts, the repayment of which funds is based solely or almost exclusively on the cash flows generated by the relevant asset and which assets are usually pledged as security to the lending bank, that is, the borrower of the funds has no or little independent capacity to repay the obligations arising from the borrowed funds, and in respect of which specialised lending agreement the reporting bank has a substantial degree of control over the said asset and the income produced by that asset.

(C) Commodity finance

Normally commodity finance relates to the provision of funds in respect of structured short-term lending in order to finance, for example, inventories or receivables from exchange-traded commodities such as crude oil, metals or crops, the repayment of which funds is based solely or almost exclusively on the proceeds derived from the sale of the commodity, that is, the borrower of the funds has no or little independent capacity to repay the obligations arising from the borrowed funds and the exposure's rating reflects its self-liquidating nature.

(D) Income-producing real estate

Normally income-producing real estate relates to the provision of funds for real estate such as office buildings to let, multifamily residential buildings, industrial or warehouse space and hotels, the repayment of which funds is based solely or almost exclusively on the cash flows generated by the asset, such as lease or rental payments, or the sale of the asset, that is, there is a strong positive correlation between the prospects for the repayment of the exposure and the prospects for the recovery in the event of default, with both events being materially dependent upon the cash flows generated by the relevant property.

(E) High-volatility commercial real estate

For the purposes of these Regulations, a bank shall classify any funding provided in respect of commercial real estate that exhibits higher loss rate volatility, that is, higher asset correlation, than other types of specialised lending as a high-volatility commercial real estate exposure, including-

- (i) exposures in respect of commercial real estate in respect of which the sources of repayment are uncertain on the date of origination of the exposure, such as the future uncertain sale of the property;
- (ii) such exposures relating to commercial real estate as may be specified in writing by the Registrar.

When the repayment of a debt obligation of a corporation, partnership or proprietorship is not solely or almost exclusively based on the cash flows envisaged in items (A) to (E) above and the bank is able to rate the credit quality of the obligor based on the obligor's broader ongoing operations and independent capacity to repay its debt obligations, the bank shall classify the said exposure as a corporate exposure instead of one of the subcategories envisaged in items (A) to (E) above.

(ii) Sovereign exposure

A bank shall include in the category of sovereign exposure all exposures that qualify as sovereign exposure in terms of the provisions of the standardised approach envisaged in subregulation (5) read with subregulations (6) and (8), including-

- (A) the Central Government of a particular country;
- (B) the Central Bank of a particular country;
- (C) the Central Government of the RSA;
- (D) the Central Bank of the RSA;
- (E) the multilateral development banks that qualify for a zero per cent risk weight;
- (F) the Bank for International Settlements (BIS);
- (G) the International Monetary Fund (IMF);
- (H) the European Central Bank (ECB).

(iii) Bank exposure

A bank shall include in this category all relevant exposures to banks, including-

- (A) exposures to securities firms and public-sector bodies that are treated in a manner similar to exposures to banks in terms of the provisions of the standardised approach, in subregulation (5) read with the provisions of subregulations (6) and (8);
- (B) banks in the RSA;
- (C) multilateral development banks that do not qualify for a zero per cent risk weight in terms of the provisions of the standardised approach, in subregulation (5) read with the provisions of subregulations (6) and (8) above.

(iv) Retail exposure

A bank-

(A) shall not classify an exposure as a retail exposure unless the relevant exposure complies with the relevant requirements specified in sub-items (i) to (iii) below and in all cases with the requirements specified in sub-item (iv) below:

(i) Exposure to an individual

The exposure shall be to an individual and shall relate to revolving credit or a line of credit such as a credit card receivable, an overdraft facility, a personal term loan or lease, instalment finance, a loan or lease in respect of a vehicle, a student or educational loan, personal finance, or other exposures with similar characteristics, regardless of the extent of the exposure provided that the Registrar may specify specific thresholds in order to distinguish between retail and corporate exposures.

(ii) Residential mortgage loans or exposure

The exposure shall be secured by mortgage in respect of residential property as envisaged in subregulation (6)(c) above, including first and subsequent liens, term loans and revolving home equity lines of credit, regardless of the extent of the exposure, provided that the Registrar may specify limits in respect of the maximum number of housing units per exposure or persons other than individuals to which the exposure relates.

(iii) Loans or lending extended to small businesses and managed as retail exposure

The exposure-

(aa) shall be in the form of lending extended to a small business or a small business loan extended or guaranteed by an individual;

(bb) shall be managed by the bank as a retail exposure, that is, the exposure, for example, shall be originated in a manner similar to other retail exposures;

(cc) shall be managed on a portfolio basis and not individually in a manner comparable to corporate exposure,

provided that-

- (i) the aggregate amount of the exposure of the reporting banking group to the said small business borrower shall at no time exceed an amount of R7,5 million;
- (ii) the Registrar may from time to time specify a threshold amount lower than the aforesaid amount of R7,5 million.

(iv) Large number of exposures

The exposure shall be one of a large pool of exposures, which exposures shall be managed by the bank on a pooled basis, that is, exposures shall be managed as part of a portfolio segment or pool of exposures with similar risk characteristics, provided that the Registrar may specify a minimum number of exposures within a pool.

(B) shall subdivide all the relevant exposures that meet the requirements specified in item (A) above into one of the three retail subcategories specified in this item (B), that is, each exposure that meets the requirements specified in item (A) above shall be assigned to one of the three pools of exposure specified below:

(i) Exposures secured by residential property

A bank shall include in this pool of exposures only those exposures that comply with the requirements specified in item (A)(ii) above.

(ii) Qualifying revolving retail exposures

In order for a portfolio of exposures to be classified as qualifying revolving retail exposures, the exposures-

- (aa) shall be revolving in nature, that is, based on the decision of the relevant obligor to borrow or repay funds within a predetermined limit approved by the bank the outstanding balance of the relevant exposure is permitted to fluctuate;
- (bb) shall be unsecured;
- (cc) shall be revocable, that is, an uncommitted facility, both contractually and in practice;

(dd) shall be to individuals and the maximum exposure to a single individual counterparty or obligor in the subportfolio shall not exceed an amount of R1 million, provided that the Registrar may specify a lower threshold amount;

(ee) shall exhibit low volatility in loss rates.

(iii) Other retail exposures

A bank shall classify all exposures that qualify as retail exposures, other than exposures secured by residential property or qualifying revolving retail exposures, as other retail exposures.

(C) shall, when the bank assigns an exposure to a particular pool, consider-

(i) the risk characteristics relating to the borrower, such as the borrower type or demographics such as age or occupation;

(ii) the risk characteristics relating to the transaction, including product and/or collateral types such as the loan or lending-to-value measures, seasoning, guarantees and seniority;

(iii) the delinquency of the exposure, that is, the bank shall distinguish between exposures that are delinquent and those exposures that are not delinquent.

(v) Equity exposure

Based on-

(A) the relevant requirements specified in regulation 31;

(B) the economic substance and not the legal form of an instrument,

a bank shall categorise its equity exposures or instruments held in the bank's banking book.

(vi) Purchased receivables

Based on the relevant criteria specified in this paragraph (c), a bank shall subdivide its purchased receivables between retail receivables and corporate receivables.

(vii) Cash and cash equivalent items

This category of exposure shall include all cash and cash equivalent amounts.

For the purposes of this subregulation (11)(c), cash equivalent amounts shall include any amount relating to gold bullion.

(viii) Securitisation or resecuritisation exposures

This category of exposure shall include any exposure relating to a securitisation scheme or resecuritisation exposure, including asset-backed securities, mortgage-backed securities, credit enhancement, liquidity facilities and relevant interest-rate swaps or currency swaps.

(ix) Other exposures

A bank shall classify all exposures other than the exposures envisaged in subparagraphs (i) to (viii) above as other exposures.

(d) *Risk-weighted exposure*

(i) Unless specifically otherwise provided in this paragraph (d), in order to calculate its risk-weighted credit exposure, a bank that adopted the foundation IRB approach for the measurement of the bank's exposure to credit risk in respect of positions held in the bank's banking book-

(A) shall in the case of exposures other than retail exposures and purchased retail receivables calculate its own estimate of probability-of-default ("PD") in respect of each relevant borrower grade or credit exposure;

(B) shall in the case of retail exposures and purchased retail receivables calculate its own estimate of PD in respect of each relevant pool of retail exposures;

(C) shall in the case of exposures other than retail exposures and purchased retail receivables apply standardised estimates in respect of loss-given-default ("LGD"), exposure-at-default ("EAD") and maturity ("M"), which standardised estimates-

(i) are specified below in respect of each relevant asset class; or

(ii) shall be determined by the Registrar;

- (D) shall in the case of retail exposures and purchased retail receivables calculate its own estimates of LGD and EAD;
- (E) shall apply the risk-weight functions and risk components in respect of the various exposure categories envisaged in paragraph (c) above in accordance with the relevant requirements specified in this paragraph (d);
- (F) shall in the case of securitisation exposures apply the risk-weight functions and risk components in respect of the various types of securitisation exposure in accordance with the relevant requirements specified in paragraphs (e) to (p) below.

(ii) Corporate, sovereign and bank exposures

A bank that adopted the foundation IRB approach for the measurement of the bank's exposure to credit risk shall calculate its risk-weighted assets in respect of corporate, sovereign or bank exposures through the application of the formula and risk components specified below:

- (A) In the case of an exposure other than an exposure to a small or medium sized entity ("SME"), which exposure is not in default, as follows:

$$RWA = K \times 12,5 \times EAD$$

where:

RWA is the risk weighted asset amount.

K is the capital requirement, which capital requirement shall be calculated through the application of the formula specified below

$$K = \frac{[LGD \times N [(1 - R)^{-0.5} \times G(PD) + (R/(1 - R))^{0.5} \times G(0.999)] - PD \times LGD] \times (1 - 1.5 \times b)^{-1} \times (1 + (M - 2.5) \times b)}{1}$$

Provided that when the calculation of K results in a negative capital requirement in respect of a particular exposure, the bank shall apply a capital requirement equal to zero in respect of the relevant exposure

PD is the probability of default, and constitutes a ratio

In the case of exposures to-

- (i) corporate institutions or banks, the PD ratio shall be equal to the higher of the one-year PD associated with the relevant internal grade to which the exposure is assigned, or 0.03 per cent;
- (ii) sovereigns, the PD ratio shall be the one-year PD ratio associated with the relevant internal grade to which the exposure is assigned;
- (iii) intragroup banks or other formally regulated intragroup financial entities with capital requirements similar or equivalent to these Regulations, which banks or entities are included in the consolidated amounts calculated in accordance with the relevant requirements specified in these Regulations in respect of consolidated supervision, the PD ratio shall be deemed to be equal to zero.

LGD is the loss-given-default ratio

In the case of-

- (i) senior claims not secured by eligible collateral, a bank shall apply a ratio of 45 per cent;
- (ii) subordinated claims, that is, a facility that is expressly subordinated to another facility, a bank shall apply a ratio of 75 per cent.

M is the effective maturity of the relevant exposure, which maturity shall be regarded as being equal to 2.5 years unless the exposure relates to a repurchase or resale transaction in which case an effective maturity equal to six months shall apply, provided that-

- (i) the Registrar may require; or
- (ii) on prior written application by the reporting bank and subject to such conditions as may be specified in writing, the Registrar may allow,

a bank to calculate the effective maturity of a particular exposure in accordance with the relevant requirements specified in subregulation (13)(d)(ii)(B) below

R is the relevant correlation, which correlation shall be calculated through the application of the formula specified below

$$R = \frac{0.12 \times (1 - \text{EXP}(-50 \times \text{PD}))}{(1 - \text{EXP}(-50))} + 0.24 \times \frac{1 - (1 - \text{EXP}(-50 \times \text{PD}))}{(1 - \text{EXP}(-50))}$$

Provided that the bank shall apply a multiplication factor of 1.25 to the aforesaid correlation parameter "R", such that correlation $R_{FI} = 1.25 \times R$, in respect of all relevant exposures to financial institutions, as follows:

- (i) any regulated financial institution with total assets greater than or equal to R700 billion,
 - (aa) which asset amount shall be based on the most recent consolidated audited financial statements of the relevant parent company and its relevant subsidiaries;
 - (bb) which regulated financial institutions shall for purposes of these Regulations include any parent institution and its subsidiaries, where any relevant substantial legal entity in the consolidated group is supervised by a regulator that imposes prudential requirements consistent with such international norms as may be specified in writing by the Registrar, which institutions shall include, but are not limited to, prudentially regulated insurance companies, broker/dealers and banks;
- (ii) any unregulated financial institution, regardless of size, which unregulated financial institutions shall for purposes of these Regulations include legal entities of which the main business includes-
 - (aa) the management of financial assets;
 - (bb) lending;
 - (cc) factoring;
 - (dd) leasing;
 - (ee) provision of credit enhancements;
 - (ff) securitisation or resecuritisation;
 - (gg) investments;

- (hh) financial custody;
- (ii) central counterparty services;
- (jj) proprietary trading; or
- (kk) such other financial services activities as may be specified or directed in writing by the Registrar

b is the relevant maturity adjustment, which maturity adjustment shall be calculated through the application of the formula specified below

$$b = (0.11852 - 0.05478 \times \ln(PD))^2$$

ln denotes the natural logarithm

EXP is the inverse of the natural logarithm, ln

N(x) denotes the cumulative distribution function for a standard normal random variable, that is, the probability that a normal random variable with a mean equal to zero and variance of one is less than or equal to x.

G(z) denotes the inverse cumulative distribution function for a standard normal random variable, that is, the value of x such that $N(x) = z$.

EAD is the exposure at default, which exposure shall be measured gross of any specific credit impairment raised or partial write-offs made by the reporting bank.

A bank shall measure its exposure at default in accordance with the relevant requirements specified below:

- (i) In the case of any drawn amounts, the exposure at default shall be equal to the sum of the drawn amounts after the effect of set-off in accordance with the relevant requirements specified in regulation 13 has been recognised, provided that the said exposure shall not be less than the sum of-
 - (aa) the amount by which the bank's capital requirement would be reduced when the exposure amounts are written off in full; and

- (bb) any specific credit impairment raised or partial write-off made by the reporting bank in respect of the relevant exposure amounts.
- (ii) In the case of off-balance-sheet items other than unsettled derivative contracts, the exposure at default shall be equal to the sum of committed but undrawn amounts multiplied by the relevant credit conversion factors specified in subregulation (6)(g), provided that-
- (aa) in the case of any irrevocable undrawn commitment, note-issuance facility or revolving underwriting facility, instead of the credit-conversion factors specified in subregulation (6)(g), the bank shall apply a credit-conversion factor of 75 per cent irrespective of the maturity of such commitments, note-issuance facilities or revolving underwriting facilities, unless the said exposures or a portion of the said exposures constitutes an uncommitted or revocable facility in which case the bank shall apply a credit-conversion factor equal to zero per cent in respect of the said uncommitted or revocable exposure, provided that in the case of-
 - (i) a constraining condition in respect of an unused committed facility, such as a limit on the available amount, which limit may relate to the financial position of the relevant obligor at a point in time, the bank shall apply the relevant credit-conversion factor to the lower amount of the unused committed facility and the said constraining limit;
 - (ii) a facility with a constraining condition as envisaged in item (i) above, the reporting bank shall have in place sufficiently robust line monitoring and management procedures that demonstrate to the satisfaction of the Registrar the ability of the bank to enforce the said constraining limit;
 - (iii) any uncommitted or revocable facility the reporting bank shall demonstrate to the satisfaction of the Registrar that the bank actively monitors the financial condition of the relevant obligor and that the internal control systems of the bank are adequate to cancel a facility upon receiving evidence of a

deterioration in the credit quality of the relevant obligor;

(bb) when a commitment is obtained in respect of another off-balance-sheet exposure, the bank shall apply to the relevant exposure the lower of the relevant credit-conversion factors.

(iii) In the case of unsettled derivative contracts, the exposure amount or exposure at default shall be equal to the sum of amounts calculated in accordance with the relevant requirements specified in subregulations (15) to (19) below.

(B) In the case of an exposure that is in default-

(i) the capital requirement (K) shall be equal to the higher of zero and the difference between the exposure's LGD and the bank's estimate of expected loss.

The risk-weighted amount in respect of the defaulted exposure shall be calculated through the application of the formula specified below.

$$RWA = K \times 12,5 \times EAD$$

(ii) a bank shall assign to the relevant exposure a PD ratio equal to 100 per cent.

(C) In the case of an exposure to an SME borrower, which SME borrower would otherwise be categorised as a corporate exposure, the bank shall make an adjustment to the formula specified in item (A) above, which adjustment shall be calculated through the application of the formula specified below, provided that the reported sales for the consolidated group of which the SME borrower is a member shall be less than R400 million, provided that, subject to such conditions as may be specified in writing, the Registrar may specify in writing a different threshold amount or base, such as assets instead of sales.

$$0.04 \times (1 - (S - 40)/360)$$

where:

S shall be the total annual sales expressed in millions of Rand and the values of S falling in the range of R40 million ≤ S ≤ R400 million

For the purposes of the aforesaid adjustment, sales of less than R40 million shall be deemed to be equal to R 40 million

R is the relevant correlation, which correlation shall be calculated through the application of the formula specified below

$$R = 0.12 \times (1 - \text{EXP}(-50 \times \text{PD})) / (1 - \text{EXP}(-50)) + 0.24 \times [1 - (1 - \text{EXP}(-50 \times \text{PD})) / (1 - \text{EXP}(-50))] - 0.04 \times (1 - (\text{S} - 40) / 360)$$

EXP is the inverse of the natural logarithm, ln

(iii) Specialised lending

(A) Subject to the provisions of items (B) and (C) below, a bank that adopted the foundation IRB approach for the measurement of the bank's exposure to credit risk shall calculate its risk-weighted exposure in respect of specialised lending in accordance with the relevant requirements relating to corporate exposure specified in subparagraph (ii) above, provided that the bank shall comply with the relevant requirements for the estimation of PD ratios in respect of corporate exposure.

(B) In the case of high-volatility commercial real estate exposure, a bank that adopted the foundation IRB approach for the measurement of the bank's exposure to credit risk shall apply the asset correlation formula specified below, instead of the asset correlation formula that would otherwise apply to corporate exposures.

$$R = 0.12 \times (1 - \text{EXP}(-50 \times \text{PD})) / (1 - \text{EXP}(-50)) + 0.30 \times [1 - (1 - \text{EXP}(-50 \times \text{PD})) / (1 - \text{EXP}(-50))]$$

(C) When a bank that adopted the foundation IRB approach for the measurement of the bank's exposure to credit risk is unable to comply with the prescribed requirements to estimate the probability of default in terms of the foundation IRB approach for corporate exposure or the Registrar directs a bank to map its internal risk grades to the risk grades specified below, the bank shall map its internal risk grades, which internal risk grades shall be based on the bank's own criteria, systems and processes, to the risk grades specified below, which specified risk grades shall be linked to the risk weights for unexpected loss, and are likely to correspond to the range of external credit assessments, specified below:

(i) In the case of project finance, as follows:

Risk driver	Rating grade				Default
	Strong	Good	Satisfactory	Weak	
	70%	90%	115%	250%	
	Likely external assessment				
	BBB- or better	BB+ to BB	BB- to B+	B to C-	0%
Financial strength <ul style="list-style-type: none"> Market conditions Financial ratios such as debt coverage ratio (DSCR), loan life coverage ratio (LLCR), project life coverage ratio (PLCR) and debt-to-equity ratio Stress analysis 	<p>Few competing suppliers or substantial and durable advantage in respect of location, cost or technology.</p> <p>Demand is strong and growing.</p> <p>Strong financial ratios considering the level of project risk.</p> <p>Very robust economic assumptions.</p> <p>The project is able to meet its financial obligations under sustained, severely stressed economic or sectoral conditions.</p>	<p>Few competing suppliers or better than average location, cost or technology but the situation may not last.</p> <p>Demand is strong and stable.</p> <p>Strong financial ratios considering the level of project risk.</p> <p>Robust project economic assumptions.</p> <p>The project is able to meet its financial obligations under normal economic or sectoral conditions.</p> <p>The project is only likely to default under severe economic conditions.</p>	<p>The project has no average advantage in respect of location, cost or technology.</p> <p>Demand is adequate and stable.</p> <p>Standard financial ratios considering the level of project risk.</p> <p>The project is vulnerable to stresses that are uncommon through an economic cycle and may default in a normal downturn situation.</p>	<p>The project has worse than average location, cost or technology.</p> <p>Demand is weak and declining.</p> <p>Aggressive financial ratios considering the level of project risk.</p> <p>The project is likely to default unless conditions improve soon.</p>	0%

Risk driver	Rating grade				Default
	Strong	Good	Satisfactory	Weak	
	70%	90%	115%	250%	
	Likely external assessment				
BBB- or better				BB- to B+	B to C-
Financial structure	The useful life of the project exceeds the duration of the loan. Amortising debt.	The useful life of the project exceeds the duration of the loan. Amortising debt.	The useful life of the project exceeds the duration of the loan. Amortising repayments with limited bullet payment.	The useful life of the project may not exceed the duration of the loan. Bullet repayment or amortising debt repayments with high bullet repayment.	0%
Political and legal environment	Very low exposure and mitigation instruments when required	Low exposure and satisfactory mitigation instruments when required	Moderate exposure and fair mitigation instruments.	High exposure and no or weak mitigation instruments.	
<ul style="list-style-type: none"> Political risk, including risk transfer considering project type and mitigants Force majeure risk such as war and civil unrest. Government support and project's importance for the country over the long term Stability of legal and regulatory environment (risk of change in law) 	<ul style="list-style-type: none"> Project of strategic importance for the country (preferably export-oriented). Strong support from Government. Favourable and stable regulatory environment over the long term. 	<ul style="list-style-type: none"> Project considered important for the country. Good level of support from Government. Favourable and stable regulatory environment over the medium term. 	<ul style="list-style-type: none"> Standard protection Project may not be strategic but brings unquestionable benefits for the country. Support from Government may not be explicit. Regulatory changes can be predicted with a fair level of certainty. 	<ul style="list-style-type: none"> Significant risks that are not fully mitigated. Project not key to the country. No or weak support from Government. Current or future regulatory issues may affect the project. 	

Risk driver	Rating grade				Default		
	Strong	Good	Satisfactory	Weak			
	70%	90%	115%	250%			
	Likely external assessment						
BBB- or better		BB+ to BB		BB- to B+		B to C-	
Political and legal environment <ul style="list-style-type: none"> Acquisition of all necessary supports and approvals for such relief from local content laws Enforceability of contracts, collateral and security 	Strong	Satisfactory	Fair	Weak			
Transaction characteristics Design and technology risk	Fully proven technology and design	Fully proven technology and design	Proven technology design.	Unproven technology and design.			
Construction risk <ul style="list-style-type: none"> Permitting and siting Type of construction contract 	All permits have been obtained	Some permits are still outstanding but receipt is considered very likely	Some permits are still outstanding but the process is well defined and considered routine	Key permits still need to be obtained and are not considered routine. Significant conditions may be attached			
	Fixed-price turnkey engineering procurement contract	Fixed-price turnkey engineering and procurement contract	Fixed-price turnkey construction and procurement contract	Fixed-price turnkey construction contract and/or interface issues with multiple contractors			0%

Risk driver	Rating grade				Default
	Strong	Good	Satisfactory	Weak	
	70%	90%	115%	250%	
	Likely external assessment				
BBB- or better		BB+ to BB	BB- to B+	B to C-	0%
<p>Construction risk</p> <ul style="list-style-type: none"> • Completion guarantees 	Substantial damages supported by financial substance and/or completion guarantee with excellent standing	liquidated damages supported by financial substance and/or completion guarantee with good financial standing	liquidated damages supported by financial substance and/or completion guarantee with good financial standing	Inadequate damages or not supported by financial substance or completion guarantees	liquidated damages or not supported by financial substance or completion guarantees
<ul style="list-style-type: none"> • Track record and financial strength of contractor in constructing similar projects 	Strong	Good	Satisfactory	Weak	
<p>Operating risk</p> <ul style="list-style-type: none"> • Scope and nature of operations and maintenance contracts 	Strong operations and maintenance contracts preferably with performance incentives and/or maintenance reserve accounts	Long-term operations and maintenance contracts, and/or operations and maintenance reserve accounts	Limited operations and maintenance contract and operations maintenance reserve account	No operations and maintenance contract. Risk of high operational cost overruns beyond mitigants.	
<ul style="list-style-type: none"> • Operator's expertise, track record and financial strength 	Very strong or committed technical assistance of the sponsors	Strong	Acceptable	Limited/weak operator dependent on local authorities	

Risk driver	Rating grade					Default 0%
	Strong 70%	Good 90%	Satisfactory 115%	Weak 250%	B to C-	
	Likely external assessment					
	BBB- or better	BB+ to BB	BB- to B+			
<p>Off-take risk</p> <ul style="list-style-type: none"> If there is a take-or-pay or fixed-price off-take contract If there is no take-or-pay or fixed-price off-take contract 	<p>Excellent creditworthiness of off-taker.</p> <p>Strong termination clauses. Tenor of contract comfortably exceeds the maturity of the debt</p>	<p>Good creditworthiness of off-taker.</p> <p>Strong termination clauses. Tenor of contract exceeds the maturity of the debt</p>	<p>Acceptable financial standing of off-taker.</p> <p>Normal termination clauses.</p> <p>Tenor of contract generally matches the maturity of the debt</p>	<p>Weak off-taker.</p> <p>Weak termination clauses.</p> <p>Tenor of contract does not exceed the maturity of the debt</p>		
<p>Supply risk</p> <ul style="list-style-type: none"> Price, volume and transportation risk of feed-stocks. Supplier's track record and financial strength Reserve risks such as natural resource development 	<p>Project produces essential services or a commodity sold widely on a world market.</p> <p>Output can readily be absorbed at projected prices even at lower than historic market growth rates</p>	<p>Project produces essential services or a commodity sold widely on a regional market that will absorb it at projected prices</p> <p>Commodity is sold on a limited market that may be by only one or a few buyers or is not generally sold on an organised market</p>	<p>Long-term supply contract with good financial standing</p> <p>Long-term supply contract with supplier of good financial standing</p> <p>Independently audited, proven and reserves well in excess of requirements over lifetime of the project</p>	<p>Short-term supply contract or long-term supply contract with a financially weak supplier – a price risk definitely remains</p> <p>Project relies to some extent on potential and undeveloped reserves</p>		

Risk driver	Rating grade				Default
	Strong	Good	Satisfactory	Weak	
	70%	90%	115%	250%	
	Likely external assessment				
BBB- or better				BB- to B+	B to C-
<p>Strength of sponsor</p> <ul style="list-style-type: none"> Sponsor's track record, financial strength and country/sector experience Sponsor support, as evidenced by equity, ownership clause and incentive to inject additional cash when necessary 	<p>Strong sponsor with excellent track record and high financial standing</p> <p>Good sponsor with satisfactory track record and good financial standing</p> <p>Good.</p> <p>Project is highly strategic for the sponsor (core business – long-term strategy)</p>	<p>Strong sponsor with adequate track record and good financial standing</p> <p>Acceptable.</p> <p>Project is considered important for the sponsor (core business)</p>	<p>Adequate sponsor with adequate track record and good financial standing</p> <p>Weak sponsor with no or questionable track record and/or financial weaknesses</p>	<p>0%</p>	
<p>Security package</p> <ul style="list-style-type: none"> Assignment of contracts and accounts Pledge of assets, taking into account quality, value and liquidity of assets Lender's control over cash flow (e.g. cash sweeps, independent escrow accounts) 	<p>Fully comprehensive</p> <p>Comprehensive</p> <p>Perfect security interest in all project assets, contracts, permits and accounts necessary to run the project</p> <p>Satisfactory</p>	<p>Acceptable</p> <p>Acceptable security interest in all project assets, contracts, permits and accounts necessary to run the project</p> <p>Fair</p>	<p>Weak</p> <p>Little security or collateral for lenders.</p> <p>Weak negative pledge clause</p> <p>Weak</p>	<p>0%</p>	

Risk driver	Rating grade				Default
	Strong	Good	Satisfactory	Weak	
	70%	90%	115%	250%	
	Likely external assessment				
	BBB- or better	BB+ to BB	BB- to B+	B to C-	0%
<p>Security package</p> <ul style="list-style-type: none"> Strength of the covenant package (mandatory prepayments, payment deferrals, payment cascade and dividend restrictions) Reserve funds (debt service, operations and maintenance, renewal and replacement, unforeseen events, etc) 	<p>Covenant package is strong for this type of project</p> <p>Project may issue additional debt</p> <p>no issue</p> <p>Covenant package is satisfactory for this type of project</p> <p>Project may issue extremely limited additional debt</p> <p>Average coverage period.</p> <p>Longer than average coverage period.</p> <p>All reserve funds fully funded in cash or letters of credit from highly rated bank</p>	<p>Covenant package is satisfactory for this type of project</p> <p>Project may issue limited additional debt</p> <p>Project may issue additional debt</p> <p>Average coverage period.</p> <p>All reserve funds fully funded</p>	<p>Covenant package is fair for this type of project</p> <p>Project may issue limited additional debt</p> <p>Average coverage period.</p> <p>All reserve funds fully funded</p> <p>Shorter than average coverage period.</p> <p>Reserve funds funded from operating cash flows</p>	<p>Covenant package is insufficient for this type of project</p> <p>Project may issue unlimited additional debt</p>	

(ii) In the case of income-producing real estate and high-volatility commercial real estate exposures, as follows:

	Rating grade				Default
	Strong	Good	Satisfactory	Weak	
	Risk weights for income-producing real estate exposures				
Risk driver	70%	90%	115%	250%	0%
	Risk weights for high-volatility commercial real estate exposures				
	95%	120%	140%	250%	
Financial strength <ul style="list-style-type: none"> Market conditions Financial ratios and advance rate Stress analysis 	<p>The supply and demand for the project's type and location are currently in equilibrium. The number of competitive properties coming to market is equal to or lower than forecasted demand.</p> <p>The property's debt service coverage ratio (DSCR) is considered strong (DSCR is not relevant for the construction phase) and its loan or lending-to-value ratio (LTV) is considered low given its property type. Where a secondary market exists, the transaction is underwritten to market standards.</p> <p>The property's resources, contingencies and liability structure allow it to meet its financial obligations during a period of severe financial stress (e.g. interest rates, economic growth)</p>	<p>The supply and demand for the project's type and location are currently in equilibrium. The number of competitive properties coming to market is roughly equal to forecasted demand.</p> <p>The DSCR (not relevant for the development of real estate) and LTV are satisfactory.</p> <p>Where a secondary market exists, the transaction is underwritten to market standards.</p> <p>The property can meet its financial obligations under a sustained period of financial stress (e.g. interest rates, economic growth).</p> <p>The property is likely to default only under severe economic conditions.</p>	<p>Market conditions are largely in equilibrium. Competitive properties are coming on the market and others are in the planning stages. The project's design and capabilities may not be state of the art compared to new projects.</p> <p>The property's DSCR has deteriorated and its value has fallen, increasing its LTV ratio.</p> <p>During an economic downturn, the property would suffer a decline in revenue that would limit its ability to fund capital expenditures and significantly increase the risk of default.</p>	<p>Market conditions are weak. It is uncertain when conditions will improve and return to equilibrium. The project is losing tenants at lease expiration. New lease terms are less favourable to those expiring.</p> <p>The property's DSCR has significantly deteriorated and its LTV ratio is well above underwriting standards for new loans.</p> <p>The property's financial condition is strained and is likely to default unless conditions improve in the near term.</p>	
Cash-flow predictability <ul style="list-style-type: none"> In the case of complete and long-term with creditworthy leases are 	Most of the property's leases are long-term, with	Most of the property's leases are long-term, with	Most of the property's leases are medium rather of various terms with		

Risk driver	Rating grade				Default
	Strong	Good	Satisfactory	Weak	
	Risk weights for income-producing real estate exposures				
	70%	90%	115%	250%	0%
	95%	120%	140%	250%	
stabilised property.	tenants and the maturity dates are scattered. The property has a track record of tenant retention upon lease expiration. Its vacancy rate is low. Expenses (maintenance, insurance, security, and property taxes) are predictable.	tenants that range in creditworthiness. The property experiences a normal level of tenant turnover upon lease expiration. The property's vacancy rate is low. Expenses are predictable.	than long-term with tenants that range in creditworthiness. The property experiences a moderate level of tenant turnover upon lease expiration. The property's vacancy rate is moderate. Expenses are relatively predictable but vary in relation to revenue.	tenants that range in creditworthiness. The property experiences a very high level of tenant turnover upon lease expiration. The property's vacancy rate is high. Significant expenses are incurred preparing space for new tenants.	
<ul style="list-style-type: none"> In the case of complete but not stabilised property 	Leasing activity meets or exceeds projections. The project should achieve stabilisation in the near future	Leasing activity meets or exceeds projections. The project should achieve stabilisation in the near future	Most leasing activity is within projections. However, stabilisation will not occur for some time.	Market rents do not meet expectations. Despite achieving target occupancy rate, cash flow coverage is tight due to disappointing revenue.	
<ul style="list-style-type: none"> In the case of construction phase 	The property is entirely pre-leased through the tenor of the loan or pre-sold to an investment grade tenant or the buyer or the bank has a binding commitment for take-out financing from an investment grade lender.	The property is entirely pre-leased or pre-sold to a creditworthy tenant or the bank has a binding commitment for permanent financing from a creditworthy lender.	Leasing activity is within projections but the building may not be pre-leased and there may not exist a take-out financing. The bank may be the permanent lender.	The property is deteriorating due to cost overruns, market tenant deterioration, or other factors. There may be a dispute with the party providing the permanent financing.	
Asset characteristics <ul style="list-style-type: none"> Location 	The property is located in a highly desirable location	Property is located in a desirable location that is	The property location lacks	The property's location, configuration, design and	

Risk driver	Rating grade				Default
	Strong	Good	Satisfactory	Weak	
	70%	Risk weights for income-producing real estate exposures	115%	250%	
	95%	Risk weights for high-volatility commercial real estate exposures	140%	250%	
	that is convenient to services that tenants desire.	convenient to services that tenants desire.	a competitive advantage.	maintenance contributed to the property's difficulties.	
<ul style="list-style-type: none"> • Design and condition 	<p>Property is favoured due to its design, configuration, and maintenance, and is highly competitive with new properties.</p>	<p>Property is appropriate in terms of its design, configuration and maintenance.</p> <p>The property's design and capabilities are competitive with new properties.</p>	<p>Property is adequate in terms of its configuration, design and maintenance.</p>	<p>Weaknesses exist in the property's configuration, design or maintenance.</p>	
<ul style="list-style-type: none"> • Property is under construction 	<p>Construction budget and technical hazards are limited. Contractors are highly qualified.</p>	<p>Construction budget is conservative and technical hazards are limited. Contractors are highly qualified.</p>	<p>Construction budget is adequate and contractors are appropriately qualified.</p>	<p>Project is over budget or unrealistic given its technical hazards. Contractors may be under qualified.</p>	

Risk driver	Rating grade				Default
	Strong	Good	Satisfactory	Weak	
	Risk weights for income-producing real estate exposures				
	Risk weights for high-volatility commercial real estate exposures				
	70%	90%	115%	250%	0%
	95%	120%	140%	250%	
<p>Strength of sponsor/developer</p> <ul style="list-style-type: none"> Financial capacity and willingness to support the property. 	<p>The sponsor/developer made a substantial cash contribution to the construction or purchase of the property.</p> <p>The sponsor/developer has substantial resources and limited direct contingent liabilities.</p> <p>The sponsor/developer's properties are diversified geographically and in terms of property type.</p>	<p>The sponsor/developer made a material cash contribution to the construction or purchase of the property.</p> <p>The sponsor/developer's financial condition allows it to support the property in the event of a cash flow shortfall.</p> <p>The sponsor/developer's properties are located in several geographic regions.</p>	<p>The sponsor/developer's contribution may be immaterial or non-cash.</p> <p>The sponsor/developer is average to below average in terms of financial resources.</p>	<p>The sponsor/developer lacks capacity or willingness to support the property.</p>	
<ul style="list-style-type: none"> Reputation and track record with similar properties. 	<p>Experienced management and high sponsors' quality.</p> <p>Strong reputation and record with similar properties.</p>	<p>Appropriate management and sponsors' quality.</p> <p>The sponsor or management has a successful record with similar properties.</p>	<p>Moderate management and sponsors' quality.</p> <p>Management or sponsor track record does not raise serious concerns.</p>	<p>Ineffective management and substandard sponsors' quality.</p> <p>Management and sponsor difficulties have contributed to difficulties in managing properties in the past.</p>	
<ul style="list-style-type: none"> Relationships with relevant real estate role players 	<p>Strong relationships with leading role players such as leasing agents.</p>	<p>Proven relationships with leading role players such as leasing agents.</p>	<p>Adequate relationships with leasing agents and other parties providing important real estate services.</p>	<p>Poor relationships with leasing agents and/or other parties providing important real estate services.</p>	

Risk driver	Rating grade				Default
	Strong	Good	Satisfactory	Weak	
	Risk weights for income-producing real estate exposures				
	70%	90%	115%	250%	
	Risk weights for high-volatility commercial real estate exposures				0%
	95%	120%	140%	250%	
Security package <ul style="list-style-type: none"> • Nature of lien • Assignment of rents in the case of projects leased to long-term tenants • Quality of the insurance coverage 	<p>Perfectured first lien</p> <p>The lender has obtained an assignment. They maintain current tenant information that would facilitate providing directly notice to the lender, such as a current rent roll and copies of the project's leases.</p> <p>Appropriate</p>	<p>Perfectured first lien</p> <p>The lender has obtained an assignment. They maintain current tenant information that would facilitate providing notice to the tenants to the lender, such as a current rent roll and copies of the project's leases.</p> <p>Appropriate</p>	<p>Perfectured first lien</p> <p>The lender has obtained an assignment. They maintain current tenant information that would facilitate providing notice to the tenants to the lender, such as a current rent roll and copies of the project's leases.</p> <p>Appropriate</p>	<p>Ability of lender to foreclose is constrained</p> <p>The lender has not obtained an assignment of the leases or has not maintained the information necessary to readily provide notice to the building's tenants.</p> <p>Substandard</p>	

(iii) In the case of object finance, as follows:

Risk driver	Rating grades				Default 0%
	Strong 70%	Good 90%	Satisfactory 115%	Weak 250%	
	Likely external assessment				
	BBB- or better	BB+ to BB	BB- to B+	B to C-	
Financial strength <ul style="list-style-type: none"> Market conditions Financial ratios such as debt coverage ratio and loan-to-value ratio Stress analysis Market liquidity 	<p>Demand is strong and growing.</p> <p>Strong entry barriers, low sensitivity to changes in technology and economic outlook.</p> <p>Strong financial ratios considering the type of asset.</p> <p>Very robust economic assumptions.</p> <p>Stable long-term revenues.</p> <p>Capable of withstanding severely stressed conditions through an economic cycle.</p> <p>Market is structured on a worldwide basis.</p> <p>Assets are highly liquid.</p>	<p>Demand is strong and stable.</p> <p>Some entry barriers, sensitivity to changes in technology and economic outlook.</p> <p>Strong / acceptable financial ratios considering the type of asset.</p> <p>Robust project economic assumptions.</p> <p>Satisfactory short-term revenues.</p> <p>Loan can withstand some financial adversity. Default is only likely under severe economic conditions.</p> <p>Market is worldwide or regional.</p> <p>Assets are relatively liquid.</p>	<p>Demand is adequate and stable.</p> <p>Limited entry barriers, significant sensitivity to changes in technology and economic outlook.</p> <p>Standard financial ratios for the asset type.</p> <p>Uncertain short-term revenues.</p> <p>Cash flows are vulnerable to stresses that are not uncommon through an economic cycle. The loan may default in a normal downturn.</p> <p>Market is regional with limited prospects in the short term, implying lower liquidity.</p>	<p>Demand is weak and declining.</p> <p>Vulnerable to changes in technology and economic outlook.</p> <p>Highly uncertain environment.</p> <p>Aggressive financial ratios considering the type of asset.</p> <p>Revenues subject to strong uncertainties.</p> <p>Even in normal economic conditions the asset may default, unless conditions improve.</p> <p>Local market and/or poor visibility.</p> <p>Low or no liquidity, particularly on niche markets.</p>	

	Rating grades				Default
	Strong	Good	Satisfactory	Weak	
	70%	90%	115%	250%	
	Likely external assessment				
BBB- or better		BB+ to BB	BB- to B+	B to C-	0%
<p>Risk driver</p> <p>Political and legal environment</p> <ul style="list-style-type: none"> Political risk, including transfer risk Legal and regulatory risks 	<p>Very low.</p> <p>Strong mitigation instruments when required</p> <p>Jurisdiction is favourable to repossession and enforcement of contracts.</p>	<p>Low.</p> <p>Satisfactory mitigation instruments when required</p> <p>Jurisdiction is favourable to repossession and enforcement of contracts.</p>	<p>Moderate.</p> <p>Fair mitigation instruments.</p> <p>Jurisdiction is generally favourable to repossession and enforcement of contracts, even if repossession might be long and/or difficult.</p>	<p>High.</p> <p>No or weak mitigation instruments.</p> <p>Poor or unstable legal and regulatory environment.</p> <p>Jurisdiction may make repossession and enforcement of contracts lengthy or impossible.</p>	
<p>Transaction characteristics</p> <ul style="list-style-type: none"> Financing term compared to the economic life of the asset 	<p>Full payout profile/minimum balloon.</p> <p>No grace period.</p>	<p>Balloon more significant but still at satisfactory levels.</p>	<p>Important balloon with potential grace periods.</p>	<p>Repayment in fine or high balloon.</p>	

Risk driver	Rating grades				Default
	Strong	Good	Satisfactory	Weak	
	70%	90%	115%	250%	
	Likely external assessment				
	BBB- or better	BB+ to BB	BB- to B+	B to C-	0%
<p>Operating risk</p> <ul style="list-style-type: none"> Permits / licensing Scope and nature of operations and maintenance contracts Operator's financial strength, track record in managing the asset type and capability to re-market asset when it comes off-lease 	<p>All permits have been obtained.</p> <p>Asset meets current and foreseeable safety regulations.</p> <p>Strong operations and maintenance contracts preferably with performance incentives, and/or operations and maintenance reserve accounts (if needed)</p> <p>Excellent track record strong re-marketing and re-marketing capability.</p>	<p>All permits obtained or in the process of being obtained.</p> <p>Asset meets current and foreseeable safety regulations.</p> <p>Long-term operations and maintenance contract, and/or operations and maintenance reserve accounts (if needed)</p> <p>Satisfactory track record and re-marketing and re-marketing capability.</p>	<p>Most permits obtained or in process of being obtained, outstanding ones considered routine.</p> <p>Asset meets current safety regulations.</p> <p>Limited operations and maintenance contract and operations and maintenance reserve account (if needed)</p> <p>Weak or short track record and uncertain re-marketing and re-marketing capability.</p>	<p>Problems in obtaining all required permits.</p> <p>Part of the planned configuration and/or planned operations might need to be revised.</p> <p>No operations and maintenance contract.</p> <p>Risk of high operational cost overruns beyond mitigants.</p> <p>No or unknown track record and inability to re-market the asset.</p>	0%

Risk driver	Rating grades				Default 0%
	Strong 70%	Good 90%	Satisfactory 115%	Weak 250%	
	Likely external assessment				
	BBB- or better	BB+ to BB	BB- to B+	B to C-	
<p>Asset characteristics</p> <ul style="list-style-type: none"> • Configuration, size, design and maintenance (i.e. age, size for a plane) compared to other assets in the same market 	<p>Strong advantage in design and maintenance.</p> <p>Configuration is standard such that the object meets a liquid market.</p>	<p>Above average design and maintenance.</p> <p>Standard configuration, maybe with very limited exceptions - such that the object meets a liquid market.</p>	<p>Average design and maintenance.</p> <p>Configuration is somewhat specific and therefore might cause a narrower market for the object.</p>	<p>Below average design and maintenance.</p> <p>Asset is near the end of its economic life.</p> <p>Configuration is very specific.</p> <p>The market for the object is very narrow.</p>	
<ul style="list-style-type: none"> • Resale value • Sensitivity of the asset value and liquidity to economic cycles 	<p>Current resale value is well above debt value.</p> <p>Asset value and liquidity are relatively insensitive to economic cycles.</p>	<p>Resale value is moderately above debt value.</p> <p>Asset value and liquidity are sensitive to economic cycles.</p>	<p>Resale value is slightly above debt value.</p> <p>Asset value and liquidity are quite sensitive to economic cycles.</p>	<p>Resale value is below debt value.</p> <p>Asset value and liquidity are highly sensitive to economic cycles.</p>	
<p>Strength of sponsor</p> <ul style="list-style-type: none"> • Operator's financial strength, track record in managing the asset type and capability to re-market asset when it comes off-lease • Sponsors' track record and financial strength 	<p>Excellent track record and strong re-marketing capability.</p> <p>Sponsors with excellent track record and high financial standing.</p>	<p>Satisfactory track record and re-marketing capability.</p> <p>Sponsors with good financial record and good standing.</p>	<p>Weak or short track record and uncertain re-marketing capability.</p> <p>Sponsors with adequate track record and good financial standing.</p>	<p>No or unknown track record and inability to re-market the asset.</p> <p>Sponsors with no or questionable track record and/or financial weaknesses.</p>	

Risk driver	Rating grades				Default 0%
	Strong 70%	Good 90%	Satisfactory 115%	Weak 250%	
	Likely external assessment				
	BBB- or better	BB+ to BB	BB- to B+	B to C-	
Security package <ul style="list-style-type: none"> Asset control Rights and means at the lender's disposal to monitor the location and condition of the asset Insurance damages 	<p>Legal documentation provides the lender with effective control (e.g. a first perfected security interest, or a leasing structure including such security) on the asset, or on the company owning it.</p> <p>The lender is able to monitor the location and condition of the asset, at any time and place (regular reports, possibility to lead inspections).</p> <p>Strong insurance coverage including collateral damages with top quality insurance companies.</p>	<p>Legal documentation provides the lender with effective control (e.g. a first perfected security interest, or a leasing structure including such security) on the asset, or on the company owning it.</p> <p>The lender is able to monitor the location and condition of the asset, almost at any time and place.</p> <p>Satisfactory insurance coverage including collateral damages with good quality insurance companies.</p>	<p>Legal documentation provides the lender with effective control (e.g. a first perfected security interest, or a leasing structure including such security) on the asset, or on the company owning it.</p> <p>The lender is able to monitor the location and condition of the asset, almost at any time and place.</p> <p>Fair insurance coverage including collateral damages with good quality insurance companies.</p>	<p>Legal documentation provides the lender with effective control (e.g. a first perfected security interest, or a leasing structure including such security) on the asset, or on the company owning it.</p> <p>The lender is able to monitor the location and condition of the asset, almost at any time and place.</p> <p>Weak insurance coverage including collateral damages with weak quality insurance companies.</p>	

(iv) In the case of commodity finance, as follows:

Risk driver	Rating grade				Default
	Strong	Good	Satisfactory	Weak	
	70%	90%	115%	250%	
	Likely external assessment				
BBB- or better		BB+ to BB	BB- to B+	B to C-	0%
Financial strength <ul style="list-style-type: none"> Degree of over-collateralisation of trade 	Strong	Good	Satisfactory	Weak	
Political and legal environment <ul style="list-style-type: none"> Country risk 	No country risk	Limited exposure to country risk (in particular, offshore location of reserves in an emerging country)	Exposure to country risk (in particular, offshore location of reserves in an emerging country)	Strong exposure to country risk (in particular, inland reserves in an emerging country)	
<ul style="list-style-type: none"> Mitigation of country risks 	Very strong mitigation mechanisms	Strong mitigation offshore mechanisms	Acceptable mitigation offshore mechanisms	Only partial mitigation No offshore mechanisms	
Asset characteristics <ul style="list-style-type: none"> Liquidity and susceptibility to damage 	Commodity is quoted and can be hedged through futures or OTC instruments. Commodity is not susceptible to damage.	Commodity is quoted and can be hedged through OTC instruments. Commodity is not susceptible to damage.	Commodity is not quoted but is liquid. There is uncertainty about the possibility of hedging. Commodity is not susceptible to damage.	Commodity is not quoted. Liquidity is limited given the size and depth of the market. No appropriate hedging instruments. Commodity is susceptible to damage.	

Risk driver	Rating grade					Default 0%
	Strong 70%	Good 90%	Satisfactory 115%	Weak 250%		
	Likely external assessment					
	BBB- or better	BB+ to BB	BB- to B+	B to C-		
<p>Strength of sponsor</p> <ul style="list-style-type: none"> Financial strength of trader Track record, including ability to manage the logistic process Trading controls and hedging policies Quality of financial disclosure 	<p>Very strong, relative to trading philosophy and risks</p> <p>Extensive experience with the type of transaction in question.</p> <p>Strong record of operating success and cost efficiency.</p> <p>Strong standards for counterparty selection, hedging, and monitoring.</p> <p>Excellent</p>	<p>Strong</p> <p>Sufficient experience with the type of transaction in question.</p> <p>Above average record of operating success and cost efficiency.</p> <p>Adequate standards for counterparty selection, hedging, and monitoring.</p> <p>Good</p>	<p>Adequate</p> <p>Limited experience with the type of transaction in question.</p> <p>Average record of operating success and cost efficiency.</p> <p>Past deals have experienced no or minor problems.</p> <p>Satisfactory</p>	<p>Weak</p> <p>Limited or uncertain track record in general.</p> <p>Volatile costs and profits.</p> <p>Trader has experienced significant losses on past deals.</p> <p>Financial disclosure contains some uncertainties or is insufficient.</p>		
<p>Security package</p> <ul style="list-style-type: none"> Asset control Insurance against damages 	<p>First perfected security interest provides the lender legal control over assets at any time if needed</p> <p>Strong insurance coverage including collateral damages with top quality insurance companies.</p>	<p>First perfected security interest provides the lender legal control over assets at any time if needed</p> <p>Satisfactory insurance coverage (not including collateral damages) with good quality insurance companies.</p>	<p>At some point in the process, there is a rupture in the control of the assets by the lender.</p> <p>The rupture is mitigated by knowledge of the trade process or a third party undertaking as the case may be.</p> <p>Fair insurance coverage (not including collateral damages) with acceptable quality insurance companies.</p>	<p>Contract leaves room for some risk of losing control over the assets.</p> <p>Recovery may be jeopardised.</p> <p>Weak insurance coverage (not including collateral damages) or with weak quality insurance companies.</p>		

(iv) Retail exposures

A bank that adopted the foundation IRB approach for the measurement of the bank's exposure to credit risk shall calculate its risk-weighted assets in respect of retail exposures through the application of the relevant formulae and risk components specified below:

- (A) In the case of residential mortgage exposures, which residential mortgage exposures are not in default, as follows:

$$RWA = K \times 12,5 \times EAD$$

where:

RWA is the relevant risk-weighted asset amount

K is the capital requirement, which capital requirement shall be calculated through the application of the formula specified below

$$K = \text{LGD} \times N[(1 - R)^{-0.5} \times G(\text{PD}) + (R / (1 - R))^{0.5} \times G(0.999)] - \text{PD} \times \text{LGD}$$

PD is the probability of default, and constitutes a ratio

A bank shall apply a PD ratio equal to the higher of the one-year PD associated with the relevant internal grade to which the pool of exposures is assigned, or 0.03 per cent.

LGD is the loss-given-default ratio estimated by the bank, provided that-

- (i) the LGD estimate in respect of retail exposures secured by residential property shall in no case be less than 10 per cent unless the said exposure is protected by a guarantee obtained from a sovereign;
- (ii) the Registrar may amend the minimum LGD ratio of 10 per cent subject to such conditions as may be specified in writing by the Registrar.

R is the correlation, which correlation shall be a constant number equal to 0.15

EAD is the exposure at default, which exposure shall be measured gross of any specific credit impairment raised or partial write-offs made by the reporting bank

A bank shall measure its exposure at default as follows:

- (i) In the case of any drawn amounts, the exposure at default shall be equal to the sum of the drawn amounts after the effect of set-off in accordance with the relevant requirements specified in regulation 13 has been recognised, provided that the said exposure shall not be less than the sum of-
 - (aa) the amount by which the bank's capital requirement would be reduced when the exposure amounts are written off in full; and
 - (bb) any specific credit impairment raised or partial write-off made by the reporting bank in respect of the exposure amounts.
- (ii) In the case of off-balance-sheet items other than foreign exchange or interest rate commitments, the exposure at default shall be equal to the sum of any committed but undrawn amounts multiplied by the credit conversion factors estimated by the reporting bank, provided that-
 - (aa) when the relevant retail exposures have uncertain future drawdown, such as credit cards, the bank shall take into account its history and/or expectation of additional drawings prior to default;
 - (bb) when the bank's estimate of EAD does not incorporate credit conversion factors in respect of additional drawings on undrawn lines prior to default, the bank shall make appropriate adjustments to its estimates of LGD;
 - (cc) when the bank has securitised the drawn balances of retail facilities, the bank shall by way of credit-conversion factors continue to include its exposure in respect of the undrawn balances, that is, the seller's interest, based on the proportions of the seller's and investor's interests of the securitised drawn balances.
- (iii) In the case of foreign exchange or interest rate commitments, in accordance with the relevant provisions of subregulation (6) relating to the said commitments.

- (B) In the case of qualifying revolving retail exposures, which qualifying revolving retail exposures are not in default, as follows:

$$RWA = K \times 12,5 \times EAD$$

where:

RWA is the relevant risk-weighted asset amount

K is the capital requirement, which capital requirement shall be calculated through the application of the formula specified below

$$K = \text{LGD} \times N[(1 - R)^{-0.5} \times G(\text{PD}) + (R / (1 - R))^{0.5} \times G(0.999)] - \text{PD} \times \text{LGD}$$

PD is the probability of default, and constitutes a ratio

A bank shall apply a PD ratio equal to the higher of the one-year PD ratio associated with the relevant internal grade to which the pool of exposures is assigned, or 0.03 per cent.

LGD is the loss-given-default ratio as estimated by the bank

R is the correlation, which correlation shall be a constant number equal to 0.04

EAD is the exposure at default, which exposure shall be measured in accordance with the relevant directives relating to the measurement of EAD specified in item (A) above.

- (C) In the case of other retail exposures, which other retail exposures are not in default, as follows:

$$RWA = K \times 12,5 \times EAD$$

where:

RWA is the relevant risk-weighted asset amount

K is the capital requirement, which capital requirement shall be calculated through the application of the formula specified below

$$K = \text{LGD} \times N[(1 - R)^{-0.5} \times G(\text{PD}) + (R / (1 - R))^{0.5} \times G(0.999)] - \text{PD} \times \text{LGD}$$

PD is the probability of default, and constitutes a ratio

A bank shall apply a PD ratio equal to the higher of the one-year PD ratio associated with the relevant internal grade to which the pool of exposures is assigned, or 0.03 per cent.

LGD is the loss-given-default ratio as estimated by the bank

R is the correlation, which correlation shall be calculated through the application of the formula specified below

$$R = \frac{0.03 \times (1 - \text{EXP}(-35 \times \text{PD}))}{(1 - \text{EXP}(-35))} + 0.16 \times \frac{1 - (1 - \text{EXP}(-35 \times \text{PD}))}{(1 - \text{EXP}(-35))}$$

EXP is the inverse of the natural logarithm, ln

EAD is the exposure at default, which exposure shall be measured in accordance with the relevant directives relating to the measurement of EAD specified in item (A) above.

(D) In the case of retail exposures that are in default-

(i) the capital requirement (K) shall be equal to the higher amount of zero and the difference between the exposure's LGD and the bank's estimate of expected loss, provided that-

(aa) the LGD estimate in respect of retail exposures secured by residential property shall in no case be less than 10 per cent unless the said exposure is protected by a guarantee obtained from a sovereign;

(bb) the Registrar may amend the said minimum LGD ratio of 10 per cent subject to such conditions as may be specified in writing by the Registrar;

(ii) the bank shall assign to the relevant exposure a PD ratio equal to 100 per cent;

(iii) the relevant risk-weighted exposure amount shall be calculated through the application of the formula specified below.

$$\text{RWA} = K \times 12,5 \times \text{EAD}$$

(v) Equity exposures

A bank shall calculate its risk-weighted assets in respect of equity exposures held in its banking book in accordance with the relevant requirements specified in regulation 31.

(vi) Purchased receivables

(A) A bank shall separately calculate its risk-weighted assets in respect of purchased retail receivables and purchased corporate receivables, provided that the bank shall in the calculation of its risk-weighted exposure in respect of a particular purchased receivable or pool of purchased receivables distinguish between-

(i) the risk of default

When purchased receivables unambiguously belong to one asset class, the bank shall calculate the risk of default relating to the said receivables in accordance with the risk-weight function and risk components applicable to that particular exposure type, provided that the bank shall comply with the relevant requirements in respect of the relevant risk-weight function. For example, when the receivables consist of-

(aa) revolving retail exposures but the bank is unable to comply with the requirements relating to qualifying revolving retail exposures, the bank shall apply the risk-weight function relating to other retail exposures;

(bb) hybrid pools containing a mixture of exposure types, that is, the bank is unable to separate the exposures by type, the bank shall apply the risk-weight function producing the highest capital requirement for the exposures included in the pool of purchased receivables.

(ii) the risk of dilution

In the case of purchased corporate receivables and purchased retail receivables, a bank shall calculate the risk weights relating to the risk of dilution, that is, the risk that a receivable amount may be reduced by way of cash or non-cash credit amounts being made against the receivable account, for example, as a result of the return of goods that were sold or disputes regarding the quality of a product, in accordance with the corporate risk-weight function specified in subparagraph (ii) above, provided that-

- (aa) the bank shall estimate the one-year expected loss ratio for dilution risk, expressed as a percentage of the receivable amount, in respect of the pool as a whole or the individual receivables included in the pool on a stand-alone basis, that is, without regard to any assumption of recourse, support or guarantees from the seller or other parties;
- (bb) the bank may use relevant external or internal data to estimate the said expected loss ratio;
- (cc) the bank shall set the PD estimate equal to the estimated expected loss ratio and the LGD ratio equal to 100 per cent;
- (dd) the bank shall apply such a maturity factor as may be specified in writing by the Registrar or, with the prior written approval of the Registrar and provided that the bank manages the risk of dilution in an appropriate manner, a one-year maturity factor;
- (ee) when the risk of dilution is immaterial for the purchasing bank, the bank may apply for the approval of the Registrar not to calculate risk weights in respect of the risk of dilution.

(B) Purchased retail receivables

A bank shall calculate the risk estimates of PD and LGD, or expected loss, in respect of default risk relating to purchased retail receivables on a stand-alone basis, that is, without regard to any assumption of recourse or guarantees from the seller or other parties, provided that-

- (i) the bank shall comply with the relevant minimum requirements relating to retail exposures specified in paragraphs (b)(v)(D), (b)(vi)(B), (b)(viii)(D), (b)(viii)(E) and (c)(iv) above;
- (ii) the bank may use external and internal reference data to estimate the PD ratio and LGD ratio relating to the relevant exposure;
- (iii) when the bank complies with the relevant minimum requirements in respect of retail exposure as envisaged in sub-item (i) above, the bank may apply the "top-down" approach envisaged in paragraph (b)(vi)(F) above in order to calculate the said estimates of PD and LGD, provided that the bank shall in addition to the said requirements in respect of retail exposure comply with the relevant requirements relating to the "top-down" approach, specified in paragraph (b)(vi)(F) above.

(C) Purchased corporate receivables

- (i) A bank shall calculate the risk-weighted assets relating to default risk of individual obligors in respect of purchased corporate receivables in accordance with the formula and risk components specified in subparagraph (ii) above, which formula and risk components relate to corporate exposure, provided that-
- (aa) when the bank is unable to decompose the expected loss ratio into its PD and LGD components, the bank-
- (i) shall determine the risk weight in respect of the purchased corporate receivable from the corporate risk-weight function using a LGD ratio of 45 per cent provided that the exposures exclusively consist of senior claims in respect of corporate borrowers;
 - (ii) shall calculate the PD ratio by dividing the expected loss ratio by the LGD ratio of 45 per cent;
 - (iii) shall calculate the EAD amount as the outstanding amount minus the capital requirement relating to the risk of dilution, before the bank takes into consideration the effect of any risk mitigation instrument, provided that in the case of a revolving facility the EAD amount shall be equal to the purchased receivable amount **plus** 75 per cent of any undrawn purchased commitments **minus** the capital requirement relating to the risk of dilution;
 - (iv) shall in all cases other than the exposures already specified in this sub-item (aa), use a PD ratio equal to the expected loss ratio, a LGD ratio equal to 100 per cent and an EAD amount equal to the outstanding amount **minus** the capital requirement relating to the risk of dilution, before the bank takes into consideration the effect of any risk mitigation instrument;

(bb) when the bank is able to estimate the PD ratio in a reliable manner, the bank shall determine the risk weight in respect of the relevant exposure from the corporate risk weight function, based on the relevant requirements relating to LGD and M;

(ii) Subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, a bank may apply the "top-down" approach envisaged in paragraph (b)(vi)(F) above in order to calculate the risk weight relating to default risk in respect of a pool of purchased corporate receivables, provided that-

(aa) the bank's programme in respect of purchased corporate receivables shall comply with the relevant requirements specified in paragraph (b)(vi)(F) above;

(bb) the receivables-

(i) shall be purchased from unrelated, third party sellers, that is, the receivables shall not be originated, either directly or indirectly, by the reporting bank;

(ii) shall be generated on an arm's-length basis between the seller and the relevant obligor;

(cc) the bank-

(i) shall have a claim in respect of all proceeds from the pool of receivables or a relevant *pro-rata* interest in the proceeds, which claim shall exclude any first-loss or second-loss positions, that is, the cash flows arising from the purchased corporate receivables shall be the reporting bank's primary protection against default risk;

(ii) shall estimate the pool's one-year expected loss ratio for default risk, expressed as a percentage of the exposure amount, that is, the total EAD amount due to the bank by all obligors in the pool of purchased receivables;

- (iii) shall estimate the expected loss ratio in respect of the purchased receivables on a stand-alone basis, that is, without regard to any assumption of recourse or guarantees from the seller or other parties;
 - (iv) shall, based on the pool's estimated one-year expected loss ratio for default risk, calculate the risk weight for default risk in accordance with the risk-weight function for corporate exposures specified in subparagraph (ii) above;
 - (v) shall utilise relevant external and internal data to estimate the required PD ratios and LGD ratios;
 - (vi) shall follow the directives specified in sub-item (i)(aa) above when the bank is unable to decompose the expected loss ratio into its PD and LGD components;
- (dd) the Registrar shall grant approval to apply the "top-down" approach only in exceptional cases when the calculation of the bank's risk-weighted exposure in respect of purchased corporate receivables in accordance with the requirements specified in subparagraph (ii) relating to corporate exposure is likely to place an undue burden on the reporting bank;
- (D) Purchase price discounts in respect of purchased receivables

A bank-

- (i) shall in accordance with the relevant requirements specified in subregulation (6)(j) above risk weight or deduct from the bank's capital and reserve funds, any purchase price discounts relating to purchased receivables, which purchase price discounts-
 - (aa) provide first loss protection in respect of the risk of default or dilution;
 - (bb) will be refunded to the seller,

- (ii) shall ignore any purchase price discounts that were granted in respect of purchased corporate or retail receivables, other than purchase price discounts envisaged in sub-item (i), when the bank calculates its risk-weighted exposure or credit impairments relating to expected loss provided that the said discounts shall constitute non refundable amounts, that is, the said discounts shall not be paid or repaid to the relevant seller of the receivable amounts.

(vii) Cash and cash equivalent amounts

A bank shall risk weight all cash and cash equivalent amounts such as gold bullion at zero per cent.

(viii) Securitisation or resecuritisation exposure

A bank shall calculate its risk-weighted assets in respect of a securitisation scheme or resecuritisation exposure in accordance with the relevant requirement specified in paragraphs (e) to (p) below.

(ix) Other exposures

Unless specifically otherwise stated, a bank shall risk weight all exposures other than the exposures specified above at a risk weight of 100 per cent, which risk weight shall be deemed to represent the unexpected loss in respect of the relevant exposure.

(e) Securitisation or resecuritisation exposure: rating-based approach

Based on-

- (i) the external rating or inferred rating of a securitisation or resecuritisation exposure;
- (ii) whether the external or inferred credit rating represents a long-term or short-term credit rating;
- (iii) the granularity of the underlying pool of assets or exposures;
- (iv) the seniority of a particular position,

a bank shall calculate its risk-weighted assets in respect of a securitisation scheme or resecuritisation exposure by multiplying the relevant amount relating to a particular exposure-

- (A) in the case of an exposure with an external long-term credit rating, or when an inferred rating based on an external long-term credit rating is available, by the appropriate risk weights specified in table 12 below:

Table 12

External long-term rating ¹	Securitisation exposure			Resecuritisation exposure	
	Risk weight – senior, granular position ^{2,3}	Base risk weight – non-senior, granular ⁵	Risk weight for non-granular ⁴	Senior ⁶	Non-senior
AAA	7%	12%	20%	20%	30%
AA	8%	15%	25%	25%	40%
A+	10%	18%	35%	35%	50%
A	12%	20%		40%	65%
A-	20%	35%		60%	100%
BBB+	35%	50%		100%	150%
BBB	60%	75%		150%	225%
BBB-	100%			200%	350%
BB+	250%			300%	500%
BB	425%			500%	650%
BB-	650%			750%	850%
Below BB- and unrated	1250%, or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds				

- The notations used in this table relate to the ratings used by a particular credit assessment institution. The use of the rating scale of a particular credit assessment institution does not mean that any preference is given to a particular credit assessment institution. The assessments/ rating scales of other external credit assessment institutions, recognised as eligible institutions in the RSA, may have been used instead.
- Relates to senior positions in a securitisation scheme that consists of an effective number of underlying exposures of no less than 6, which effective number of exposures shall be calculated in accordance with the relevant requirements specified in paragraph (n) below, and where senior position means an effective first claim in respect of the entire amount of the assets/exposures in the underlying securitised pool. For example, in the case of-
 - a synthetic securitisation scheme the "super-senior" tranche shall be treated as a senior position provided that the bank complies with the relevant conditions specified in paragraph (f) below to infer a rating from a lower tranche.
 - a traditional securitisation scheme, in which scheme all tranches above the first-loss position are rated, the highest rated position shall be treated as a senior position provided that when several tranches share the same rating the most senior position in the waterfall of payment shall be treated as the senior position.
- Including eligible senior exposures that comply with the relevant requirements specified in paragraphs (g) and (h) below relating to the internal assessment approach.
- Relates to a senior position in a securitisation scheme in which the effective number of underlying exposures, calculated in accordance with the relevant requirements specified in paragraph (n) below, is less than 6.
- Relates to all positions other than a senior position, such as a position/facility that, in economic substance, constitutes a mezzanine position and not a senior position in respect of the underlying pool.
- Means a resecuritisation exposure that is a senior position and none of the underlying exposures are resecuritisation exposures, that is, any resecuritisation exposure in respect of which the underlying exposure includes a resecuritisation exposure shall be categorised as a non-senior resecuritisation position or exposure.

(B) in the case of an exposure with an external short-term credit rating, or when an inferred rating based on an external short-term credit rating is available, by the appropriate risk weights specified in table 13 below:

Table 13

External short-term rating ¹	Securitisation exposure			Resecuritisation exposure	
	Risk weight – senior, granular position ^{2,3}	Base risk weight – non-senior, granular ⁵	Risk weight for non-granular ⁴	Senior ⁶	Non-senior
A-1/P-1	7%	12%	20%	20%	30%
A-2/P-2	12%	20%	35%	40%	65%
A-3/P-3	60%	75%	75%	150%	225%
All other ratings or unrated positions	1250%, or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds				

1. The notations used in this table relate to the ratings used by a particular credit assessment institution. The use of the rating scale of a particular credit assessment institution does not mean that any preference is given to a particular credit assessment institution. The assessments/ rating scales of other external credit assessment institutions, recognised as eligible institutions in the RSA, may have been used instead.
2. Relates to senior positions in a securitisation scheme that consists of an effective number of underlying exposures of no less than 6, which effective number of exposures shall be calculated in accordance with the relevant requirements specified in paragraph (n) below, and where senior position means an effective first claim in respect of the entire amount of the assets/exposures in the underlying securitised pool. For example, in the case of-
 - (a) a synthetic securitisation scheme the "super-senior" tranche shall be treated as a senior position provided that the bank complies with the relevant conditions specified in paragraph (f) below to infer a rating from a lower tranche
 - (b) a traditional securitisation scheme, in which scheme all tranches above the first-loss position are rated, the highest rated position shall be treated as a senior position provided that when several tranches share the same rating the most senior position in the waterfall of payment shall be treated as the senior position.
3. Including eligible senior exposures that comply with the relevant requirements specified in paragraphs (g) and (h) below relating to the internal assessment approach.
4. Relates to a senior position in a securitisation scheme in which the effective number of underlying exposures, calculated in accordance with the relevant requirements specified in paragraph (n) below, is less than 6.
5. Relates to all positions other than a senior position, such as a position/facility that, in economic substance, constitutes a mezzanine position and not a senior position in respect of the underlying pool.
6. Means a resecuritisation exposure that is a senior position and none of the underlying exposures are resecuritisation exposures, that is, any resecuritisation exposure in respect of which the underlying exposure includes a resecuritisation exposure shall be categorised as a non-senior resecuritisation position or exposure.

(f) Securitisation exposure: conditions relating to an inferred rating

A bank that applies the rating-based approach in respect of exposures that arise from a securitisation scheme shall assign an inferred rating to all unrated positions that rank more senior than an externally rated securitisation exposure, which externally rated securitisation exposure shall serve as the reference securitisation exposure, provided that-

- (i) the reference securitisation exposure shall in all respects be subordinated to the relevant unrated securitisation exposure;

- (ii) the bank shall take into account any relevant credit enhancement when the bank assesses the relative subordination of the unrated exposure in relation to the reference securitisation exposure. For example, when the reference securitisation exposure benefits from any third-party guarantee or other credit enhancement, which protection is not available to the unrated exposure, the bank shall not assign an inferred rating to the said unrated exposure;
 - (iii) the maturity of the reference securitisation exposure shall be equal to or longer than the maturity of the relevant unrated exposure;
 - (iv) on a continuous basis, the bank shall update any inferred rating in order to reflect any changes in the external rating of the reference securitisation exposure;
 - (v) the external rating of the reference securitisation exposure shall comply with the requirements specified in subregulation (6) above.
- (g) Securitisation exposure: internal assessment approach

When a bank extends facilities such as liquidity facilities or credit-enhancement facilities to a special-purpose institution involved in an asset-backed commercial paper programme, the bank may apply its internal assessment of the credit quality of the said exposures in order to calculate the bank's required amount of capital and reserve funds, provided that-

- (i) the bank's internal assessment process shall comply with the relevant requirements specified in this paragraph (g) and in paragraph (h) below;
- (ii) the bank shall map its internal assessment of exposures extended to the asset-backed commercial paper programme to equivalent external ratings issued by an eligible external credit assessment institution, which rating equivalents shall be used by the bank to determine the appropriate risk weights relating to the relevant exposure in terms of the ratings-based approach specified in paragraph (e) above;
- (iii) based on the credit rating equivalent assigned by the bank to an eligible exposure, the bank shall assign the notional amount of the securitisation exposure extended to the asset-backed commercial paper programme to the appropriate risk weight specified in the rating-based approach in paragraph (e) above;
- (iv) when, in the opinion of the Registrar, the bank's internal assessment process does not comply with the relevant requirements specified in this paragraph (g), or such further conditions as may be specified in writing by the Registrar, the bank shall in the calculation of its required amount of capital and reserve funds relating to all eligible exposures extended to an asset-backed commercial paper programme apply-

- (A) the standard formula approach specified in paragraph (i) below; or
- (B) the approach specified by the Registrar, which approach shall be based on the relevant requirements specified in paragraph (b)(xii)(D)(iii) above,

for such time and on such conditions as may be specified in writing by the Registrar.

- (h) Securitisation exposure: conditions relating to a bank's internal assessment process

For the calculation of a bank's minimum required amount of capital and reserve funds relating to unrated exposures such as liquidity facilities or credit-enhancement facilities, which facilities are extended by the bank to an asset-backed commercial paper programme, the bank may use its internal assessments relating to the said exposures, provided that-

- (i) the relevant asset-backed commercial paper programme-
 - (A) shall be externally rated, which rated exposures relating to the asset-backed commercial paper programme shall be subject to the ratings-based approach specified in paragraph (e) above;
 - (B) shall have in place-
 - (i) appropriate credit and investment guidelines, that is, underwriting standards;
 - (ii) a duly established collection process, which collection process, amongst other things-
 - (aa) shall consider the operational capability and credit quality of the relevant servicer;
 - (bb) shall prevent the co-mingling of funds;
 - (iii) sufficiently robust procedures in order to consider all sources of potential risk, including credit and dilution risk, when estimating the aggregate amount of potential loss relating to the assets/exposures to be purchased by the special-purpose institution, that is, when the credit enhancement provided by the seller is based only on credit-related losses, a separate reserve shall be established to cover any material risk of dilution;
 - (iv) structural features such as wind-down triggers for every pool of purchased assets/exposures in order to reduce the risk relating to a deterioration in the credit quality of the underlying pool of assets/exposures;

- (ii) the bank's internal assessment-
 - (A) of the credit quality of the said securitisation exposure shall be based on criteria similar to the criteria used by an eligible external credit assessment institution for the particular exposure type and shall be equivalent to at least investment grade when initially assigned by the bank;
 - (B) shall correspond to the external credit ratings used by eligible external credit assessment institutions;
- (iii) in order to ensure that a credit-enhancement facility is sufficient, the bank shall review historical information in respect of the assets/exposures transferred to the special-purpose institution, which review shall be based on information for a sufficient number of years and shall include matters such as-
 - (A) losses;
 - (B) delinquencies;
 - (C) dilution; and
 - (D) the turnover rate of receivables;
- (iv) the bank-
 - (A) shall conduct-
 - (i) a credit analysis of the risk profile of the seller of the relevant assets/exposures, which analysis shall include matters such as-
 - (aa) past and expected future financial performance;
 - (bb) current market position;
 - (cc) expected future competitiveness;
 - (dd) leverage;
 - (ee) cash flow;
 - (ff) interest coverage;
 - (gg) debt rating;

- (ii) a review of the seller's-
 - (aa) underwriting standards;
 - (bb) servicing capabilities;
 - (cc) collection processes;
- (B) shall evaluate the characteristics of the underlying pool of assets/exposures, which evaluation shall include matters such as-
 - (i) the weighted average credit score;
 - (ii) any concentrations in respect of a particular obligor, industry or geographical region;
 - (iii) the granularity of the underlying pool of assets/exposures;
- (C) shall apply the relevant internal assessment in the bank's internal risk management processes, including the bank's management information and economic capital systems;
- (D) shall, subject to the provisions of item (E) below, demonstrate to the satisfaction of the Registrar-
 - (i) that the criteria, standards and methodology used in the bank's internal assessment process correspond with the relevant criteria, standards and methodology applied by the eligible external credit assessment institution that rated the relevant asset-backed commercial paper programme, provided that when the methodology or stress factors applied by the said eligible external credit assessment institution change, which change adversely affects the external rating of the programme's commercial paper, the bank shall consider the potential impact of the revised rating methodology or stress factors in order to determine whether the bank's internal assessments assigned to eligible exposures extended to the asset-backed commercial paper programme exposures remain relevant;
 - (ii) which internal assessment category corresponds to which external rating category used by the relevant eligible external credit assessment institution;

- (E) shall not apply the rating methodology used by an external credit assessment institution to derive an internal assessment unless the rating process and rating criteria applied by the relevant external credit assessment institution are publicly available, provided that, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, the Registrar may allow a bank in exceptional cases when the rating process and rating criteria applied by the relevant external credit assessment institution are not publicly available, to derive an internal assessment in respect of a particular exposure extended by the bank to an asset-backed commercial paper programme;
- (F) shall regularly-
 - (i) review its internal assessment process;
 - (ii) assess the validity of its internal assessments,which review or assessment may be conducted by the bank's internal or external auditors, an eligible external credit assessment institution or the bank's risk management function, provided that when the review or assessment is conducted by the bank's internal auditors or risk management function, the said auditors/function shall be independent from the business line involved in the relevant asset-backed commercial paper programme and underlying customer relationships;
- (G) shall track the performance of its internal assessments over time in order to-
 - (i) evaluate the performance of the bank's assigned internal assessments; and
 - (ii) make timely adjustments to the said internal assessments;
- (v) the bank's internal assessment process-
 - (A) shall provide a meaningful differentiation and distribution of risk;
 - (B) shall include stress factors relating to credit enhancement, which stress factors shall be at least as conservative as the publicly available rating criteria applied by the major eligible external credit assessment institutions that rate the particular asset/exposure type being purchased into the particular asset-backed commercial paper programme;

- (vi) when the commercial paper issued in terms of an asset-backed commercial paper programme is rated by two or more eligible external credit assessment institutions, the stress factors of which institutions require different levels of credit enhancement to achieve the same external rating, the bank shall apply the stress factor that requires the most conservative or highest level of credit protection. For example, when one eligible external credit assessment institution requires enhancement of 2,5 to 3,5 times historical losses for an asset type to be assigned a single A rating and another eligible external credit assessment institution requires 2 to 3 times historical losses, the bank shall use the higher range of stress factors in order to determine the appropriate level of credit enhancement;
- (vii) in respect of each relevant asset-backed commercial paper programme, the programme administrator shall ensure that-
 - (A) the said asset-backed commercial paper programme is subject to prudent underwriting standards;
 - (B) an appropriate structure relating to each potential purchase transaction is in place, which structure-
 - (i) shall be used to determine whether or not the particular assets/ exposures should be purchased by the special-purpose institution;
 - (ii) shall deal comprehensively with-
 - (aa) the type of asset that may be purchased by the special-purpose institution;
 - (bb) the type and monetary value of exposures arising from the provision of liquidity facilities and credit-enhancement facilities;
 - (cc) the manner in which losses shall be absorbed;
 - (dd) matters relating to the legal and economic isolation of the assets/exposures transferred to the special-purpose institution;

- (viii) the underwriting policy of the asset-backed commercial paper programme shall contain minimum eligibility criteria, which criteria-
- (A) shall prevent the purchase of assets/exposures that are significantly past due or defaulted;
 - (B) shall limit-
 - (i) excess concentration to an individual obligor;
 - (ii) excess concentration to a geographic area;
 - (iii) the tenor of the assets to be purchased.
- (i) Securitisation exposure: risk-weighted exposure calculated in terms of the standard formula approach
- A bank-
- (i) shall calculate its risk-weighted exposure in respect of any unrated securitisation exposure, which exposure is not subject to the internal assessment approach specified in paragraph (g) above, through the application of the formula and the risk components specified below.
$$RWE = K \times 12,5$$

where:

RWE is the relevant risk-weighted exposure amount

K is the capital requirement relating to the securitisation exposure, which capital requirement shall be based on the formulae and the risk components specified in paragraphs (j) to (o) below.
 - (ii) may reduce its calculated risk-weighted exposure when the bank obtains eligible risk mitigation instruments against the said securitisation exposure, provided that-
 - (A) the bank shall comply with the relevant requirements specified in subregulation (12);
 - (B) the bank shall only proportionally reduce the bank's capital requirement when the eligible credit risk mitigation instrument covers only first losses or losses on a proportional basis;

- (C) in the case of proportional cover, the bank shall assume that the eligible credit risk mitigation instrument firstly covers the most senior portion of the securitisation exposure, that is, the most junior portion of the securitisation exposure shall be regarded as unprotected or unsecured.

For example, in the case of an originator-

- (i) that obtains proportional cover in the form of cash collateral

Assume that-

- (aa) the originating bank purchased a securitisation exposure of R10 000;
- (bb) the purchased exposure is protected by a credit-enhancement facility in excess of K_{IRB} ;
- (cc) no external or inferred rating in respect of the exposure is available;
- (dd) the capital requirement in respect of the purchased securitisation exposure, calculated in terms of the standard formula specified in paragraph (j) below, is equal to R160, that is, the risk-weighted exposure amount is equal to R2 000 (R160 multiplied by 12,5);
- (ee) the originating bank obtained collateral in the form of cash equal to R8 000, which cash collateral is denominated in Rand;
- (ff) the percentage relating to the minimum capital requirement is equal to 8 per cent.

The capital requirement relating to the securitisation exposure is determined by multiplying the capital requirement calculated in terms of the standard formula, that is, R160, by the ratio of the adjusted exposure amount to the original exposure amount as illustrated below.

Step 1

$$E^* = \max \{0, [E \times (1 + H_e) - C \times (1 - H_c - H_{fx})]\}$$

$$E^* = \max \{0, [10\,000 \times (1 + 0) - 8\,000 \times (1 - 0 - 0)]\}$$

$$= R2\,000$$

where:

E^* is the relevant adjusted exposure amount after risk mitigation (R2 000)

E is the relevant current exposure amount (R10 000)

H_e is the relevant haircut in respect of the exposure

C is the relevant current value of the collateral (R8 000)

H_c is the relevant haircut in respect of the collateral (0)

H_{fx} is the relevant haircut in respect of a mismatch between the collateral and the exposure (0)

Step 2

Capital requirement = $(E^* / E) \times$ capital requirement determined in terms of the standard formula

That is $R2\,000 / R10\,000 \times R160 = R32$.

- (ii) that obtains proportional cover in the form of a guarantee

Assume that the information is the same as in the previous example except that the bank obtained a guarantee from a bank that qualifies for a risk weight of 10 per cent instead of cash collateral.

The protected portion of the securitisation exposure, that is, R8 000 will be assigned the risk weight of the guarantor, that is, 10 per cent.

The capital requirement in respect of the protected portion is equal to $R8\,000 \times 10\% \times 8\% = R64$.

The capital requirement in respect of the unprotected portion, that is, R2 000, is equal to the share of the unprotected portion to the exposure amount, that is, $R2\,000 / R10\,000 = 20\%$. Therefore the capital requirement is equal to $R160 \times 20\% = R32$.

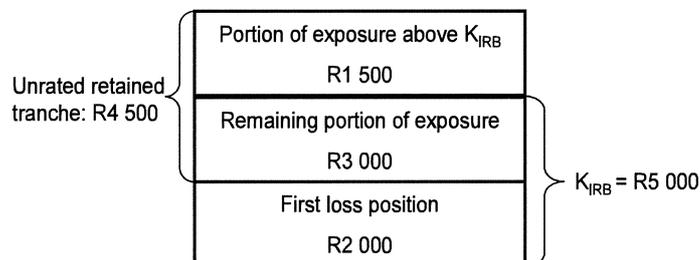
The total capital requirement in respect of the protected and unprotected portions is equal to R64 (protected portion) + R32 (unprotected portion) = R96.

- (iii) that obtains protection in respect of the most senior portion of an exposure

Assume that-

- (aa) a bank that acts as an originator securitises a pool of loans equal to R100 000;
- (bb) the K_{IRB} ratio relating to the underlying pool is equal to 5 per cent, that is, a capital requirement of R5 000;
- (cc) the first loss facility is equal to R2 000;
- (dd) the originating bank retained only the second most junior tranche, which tranche is unrated and equal to R4 500;
- (ee) the risk weight relating to the retained tranche, calculated in terms of the standard formula, is equal to 820 per cent;

The position may be summarised as follows:



The bank's capital requirement without any protection is equal to the sum of the capital requirements for the portion of the tranche above K_{IRB} and the portion of the tranche below K_{IRB} , that is, $R1500 \times 820\% \times 8\% = R984$ **plus** the portion of the tranche below K_{IRB} that constitutes an impairment equal to $R3\ 000 \times 1\ 250\% \times 8\% = R3\ 000$ equals a total capital requirement for the unrated tranche of R3 984.

When the originating bank obtains cash collateral denominated in Rand equal to R2 500, the collateral will be deemed firstly to cover the most senior portion of the tranche, that is, the portion above K_{IRB} , which portion is fully protected and equal to R1 500.

Step 1

$$E^* = \max \{0, [E \times (1 + H_e) - C \times (1 - H_c - H_{fx})]\} = \max \{0, [1\ 500 - 1\ 500]\} = R0$$

where:

E^* is the relevant exposure value after risk mitigation (R0)

E is the relevant current value of the exposure (R1 500)

C is the relevant current value of the collateral (R1 500)

H_e is the relevant haircut in respect of the exposure

H_c and H_{fx} is the relevant haircut in respect of the collateral

Step 2

Capital requirement = $(E^* / E) \times$ capital requirement determined in terms of the standard formula.

That is $0 \times R984 = R0$

The portion of the tranche below K_{IRB} is equal to R3 000, which portion is protected by the remaining cash collateral equal to R1 000.

The R1 000 cash collateral is allocated to the most senior portion of the R3 000 tranche.

Step1

$$E^* = \max \{0, [3\,000 \times (1 + 0) - 1\,000 \times (1 - 0 - 0)]\} = R2\,000$$

Step 2

Capital requirement = $(E^* / E) \times$ capital requirement determined in terms of the standard formula

$$\text{That is } R2\,000/R3\,000 \times R3\,000 = R2\,000$$

The total capital requirement in respect of the unrated tranche is equal to $R0 + R2\,000 = R2\,000$

When the bank obtains an eligible unsecured guarantee of R2 500 instead of cash collateral the capital requirement is determined as specified below.

The most senior portion of the tranche is equal to R1 500, which portion is protected by the guarantee, that is, the portion is fully protected and is assigned a risk weight equivalent to an unsecured exposure to the guarantor, which risk weight is assumed to be equal to 20 per cent.

The capital requirement in respect of the most senior protected portion is $R1\,500 \times 20\% \times 8\% = R24$.

The remaining portion of the tranche is equal to R3 000, the most senior part of which portion is protected by the remaining part of the guarantee, which remaining part is equal to R1 000.

Accordingly, the protected portion of the remaining portion is equal to R1 000 and the unprotected portion is equal to R2 000.

The risk weight of the guarantor is assigned to the protected portion, the capital requirement of which portion is equal to $R1\,000 \times 20\% \times 8\% = R16$.

The capital requirement for the unprotected portion is equal to $R2\,000 \times 125\% \times 8\% = R2\,000$.

The total capital requirement in respect of the unrated tranche is equal to R24 (protected portion above KIRB) **plus** R16 (protected portion below KIRB) **plus** R2 000 (unprotected portion below KIRB) is **equal to** R2 040.

- (j) Securitisation exposure: calculation of IRB capital requirement relating to a specific tranche

The capital requirement relating to a specific tranche shall be equal to the amount of exposures that have been securitised **multiplied by** the higher of-

- (i) $0,0056 \times T$; or
(ii) $(S[L + T] - S[L])$

provided that when the bank holds only a proportional interest in a particular tranche, the bank's capital requirement in respect of the specific portion held shall be equal to the pro-rata share of the capital requirement calculated in respect of the entire tranche.

where:

S[.] is a standard formula, which standard formula is defined as-

$$S[L] = \left. \begin{cases} L & \text{when } L \leq K_{IRB} \\ K_{IRB} + K[L] - K[K_{IRB}] + (d \cdot K_{IRB}/\omega)(1-e^{\omega}) \cdot (K_{IRB} - L)/K_{IRB} & \text{when } K_{IRB} < L \end{cases} \right\}$$

where:

$$\begin{aligned} h &= (1 - K_{IRB} / LGD)^N \\ c &= K_{IRB} / (1 - h) \\ v &= \frac{(LGD - K_{IRB})K_{IRB} + 0.25(1 - LGD)K_{IRB}}{N} \\ f &= \left(\frac{v + K_{IRB}^2}{1 - h} - c^2 \right) + \frac{(1 - K_{IRB})K_{IRB} - v}{(1 - h)\tau} \\ g &= \frac{(1 - c)c}{f} - 1 \\ a &= g \cdot c \\ b &= g \cdot (1 - c) \\ d &= 1 - (1 - h) \cdot (1 - Beta[K_{IRB}; a, b]) \\ K[L] &= (1 - h) \cdot ((1 - Beta[L; a, b])L + Beta[L; a + 1, b]c). \end{aligned}$$

h	shall be equal to nil when the securitisation scheme relates to retail exposures
v	shall be equal to nil when the securitisation scheme relates to retail exposures
Beta [L; a, b]	is the cumulative beta distribution with parameters a and b evaluated at L
τ	is a constant value equal to 1 000
ω	is a constant value equal to 20
K_{IRB}	is the capital requirement relating to the underlying exposure, which capital requirement shall be expressed as a ratio calculated in accordance with the relevant requirements specified in paragraph (k) below
L	is the credit-enhancement level, which credit-enhancement level shall be expressed as a ratio calculated in accordance with the relevant requirements specified in paragraph (l) below
T	is the thickness of the exposure, which thickness shall be expressed as a ratio calculated in accordance with the relevant requirements specified in paragraph (m) below
N	is the effective number of exposures in the pool calculated in accordance with the formula specified in paragraph (n) below
LGD	is the exposure-weighted average loss-given-default ratio calculated in accordance with the formula specified in paragraph (o) below

- (k) Securitisation exposure: IRB capital requirement relating to an underlying exposure, denoted by K_{IRB}

The variable K_{IRB} -

- (i) is a ratio, which ratio shall be calculated as-
- (A) the capital requirement relating to the relevant underlying exposures in the pool, that is, the amount of capital that the bank would have been required to maintain if the bank directly held or was directly exposed to the underlying assets/exposures included in the pool, which amount of required capital-
- (i) shall be calculated in accordance with the relevant IRB approach envisaged in subregulation (10);
- (ii) shall include the amount of expected loss relating to any of the said underlying exposures;
- (iii) shall include the effects of any eligible risk-mitigation instruments held against the underlying assets/ exposures included in the pool,

divided by

- (B) the aggregate amount of exposures included in the pool, that is, the sum of all drawn amounts relating to the relevant securitised exposures plus the EAD amount associated with any undrawn commitments related to the securitised exposures.
- (ii) shall be expressed in decimal form, that is, a capital requirement equal to 15 per cent of the pool shall be expressed as 0,15

provided that-

- (A) in the case of a structure that involves a special-purpose institution, all the assets of the special-purpose institution that are related to the securitisation scheme shall be included in the bank's calculation of exposures included in the pool, including assets in which the special-purpose institution invested for a reserve account, such as a cash collateral account;
- (B) when the risk weight relating to the relevant securitisation exposure is equal to 1 250 per cent, the bank shall risk weight the relevant securitisation exposure in accordance with the relevant requirements specified in paragraph (q) read with the relevant provisions of subregulation (6)(j), or deduct the relevant securitisation exposure amount from its common equity tier 1 capital and reserve funds;

- (C) when the bank raised a specific credit impairment or received a non-refundable purchase price discount in respect of an exposure included in the pool, the bank shall in the calculation of the amounts specified in paragraph (k)(i) above apply the gross amount relating to the exposure, that is, the amount before the relevant specific credit impairment and/or non-refundable purchase price discount is taken into consideration, provided that the bank may in the case of an asset that defaulted reduce the amount that constitutes an impairment against the capital and reserve funds of the bank, which impairment relates to the said securitisation exposure, with the said credit impairment raised or non-refundable purchase price discount.
- (l) Securitisation exposure: matters relating to the extent of credit enhancement, denoted by L

The variable L-

- (i) is a ratio, which ratio shall be calculated as-
- (A) the aggregate amount relating to all securitisation exposures that are subordinated in favour of the relevant securitisation tranche in respect of which the capital requirement is calculated;
- divided by**
- (B) the aggregate amount of exposures included in the pool;
- (ii) shall be expressed in decimal form;
- (iii) shall exclude-
- (A) the effects of any tranche-specific credit enhancement such as third-party guarantees that benefit only a single tranche;
- (B) any amount relating to gain-on-sale and/or credit enhancing interest-only strips that are associated with the securitisation scheme;
- (C) any instrument in respect of which the bank is unable to determine the current fair value;
- (D) any unfunded reserve accounts, that is, accounts that will be funded by future receipts from the underlying exposures;

(iv) may include-

- (A) the fair value, that is, the current value prior to the amount that relates to future exposure, of any interest-rate or currency swap contract, which contract is subordinated to the securitisation exposure in question;
- (B) the amount relating to any reserve account funded by accumulated cash flows from the underlying exposures provided that the said account shall be subordinated to the tranche in question.

(m) Securitisation exposure: matters relating to thickness of exposure, denoted by T

The variable T-

(i) is a ratio, which ratio shall be calculated as-

(A) the nominal amount relating to the particular tranche;

divided by

(B) the notional amount of exposures included in the pool of exposures;

(ii) shall include-

- (A) the potential future exposure arising from an interest-rate contract or currency swap contract;
- (B) any positive current value of an interest-rate contract or currency swap contract.

(n) Securitisation exposure: matters relating to effective number of exposures, denoted by N

The effective number of exposures shall be calculated in accordance with the formula specified below.

$$N = \frac{(\sum_i EAD_i)^2}{\sum_i EAD_i^2}$$

where:

EAD_i is the exposure-at-default amount associated with the i^{th} instrument in the pool of exposures, provided that-

- (i) the bank shall consolidate multiple exposures to the same obligor, that is, the aggregate amount shall be treated as a single instrument;
- (ii) in the case of re-securitisation, that is, the securitisation of securitised exposures, the formula shall apply to the number of securitisation exposures in the securitised pool and not the number of underlying exposures in the original pools;
- (iii) when-
 - (A) the share of the portfolio associated with the largest exposure, C_1 , is available, the bank may compute N as $1/C_1$;
 - (B) the share of the portfolio associated with the largest exposure, C_1 , is no more than 0,03, that is, 3 per cent of the underlying pool, the bank may deem the LGD ratio to be equal to 0,50, that is, 50 per cent, instead of the exposure-weighted average LGD ratio calculated in accordance with the relevant requirements specified in paragraph (o) below, and calculate the effective number of exposures, that is, N , in accordance with the formula specified below:

$$N = \left(C_1 C_m + \left(\frac{C_m - C_1}{m - 1} \right) \max\{1 - m C_1, 0\} \right)^{-1}$$

where:

C_m is the share of the pool that corresponds to the sum of the largest 'm' exposures. For example, a 15 per cent share corresponds to a value of 0.15.

m is the threshold determined by the bank

- (C) C_1 is available and does not exceed 3 per cent of the underlying pool, the bank may deem N to be equal to $1/C_1$ and the LGD ratio to be equal to 50 per cent, instead of calculating the respective variables in accordance with the relevant requirements respectively specified in paragraphs (n) and (o).

- (o) Securitisation exposure: matters relating to exposure-weighted average loss-given-default ratio, denoted by LGD

The exposure-weighted average loss-given-default ratio ("LGD") shall be calculated in accordance with the formula specified below:

$$LGD = \frac{\sum_i LGD_i \cdot EAD_i}{\sum_i EAD_i}$$

where:

LGD_i is the average LGD ratio associated with all exposures relating to the ith obligor, provided that-

- (i) in the case of re-securitisation, that is, the securitisation of a securitisation exposure, the LGD ratio relating to the underlying securitised exposures shall be deemed to be equal to 100 per cent;
- (ii) when the risk of default and the risk of dilution relating to purchased receivables are treated in an aggregate manner, that is, a single reserve or over-collateralisation was established to absorb losses relating to the risk of default and the risk of dilution within the securitisation scheme, the calculation of the relevant LGD ratio shall be based on the weighted average LGD ratio relating to default risk and a 100 per cent LGD ratio relating to dilution risk, that is, the resultant weights shall be the standalone IRB capital requirement relating to default risk and dilution risk.

- (p) Securitisation exposures subject to an early amortisation mechanism

A bank that acts as an originator shall comply with the relevant requirements specified in subregulation (6)(h)(xi) above relating to the investors' interest, provided that the bank's capital requirement relating to the investors' interest shall be equal to-

- (i) the investors' interest, **multiplied by**
- (ii) the appropriate credit-conversion factor, **multiplied by**
- (iii) K_{IRB}.

(g) *Risk weighted exposure equivalent to a deduction against capital and reserve funds*

A bank that adopted the foundation IRB approach for the measurement of the bank's exposure to credit risk shall in addition to any relevant exposure and/or amount specified in subregulation (6)(j), risk weight such exposures as may be specified in table 14 below at a risk weighting of 1250 per cent, or such imputed risk weighting that effectively results in a risk weighted exposure amount equivalent to a deduction against capital and reserve funds:

Table 14

Risk weight of 1250 per cent¹
Any amount relating to expected loss in respect of equity exposures subject to the PD/LGD approach specified in regulation 31

1. Or such imputed percentage that effectively results in a risk weighted exposure amount equivalent to a deduction against capital and reserve funds

(12) *Credit-risk mitigation: foundation IRB approach*

(a) *On-balance-sheet netting*

When a bank that adopted the foundation IRB approach for the measurement of the bank's exposure to credit risk in respect of positions held in the bank's banking book enters into a netting agreement in respect of loans and deposits as envisaged in subregulation (7)(a) above, the bank shall calculate its risk exposure in accordance with the provisions of the comprehensive approach specified in subregulation (9)(b) above, provided that the bank-

- (i) shall at all times comply with the relevant conditions specified in subregulation (7)(a) above;
- (ii) shall recognise the effect of any currency mismatch in accordance with the relevant requirements specified in subregulation (9)(b) above;
- (iii) shall recognise the effect of a maturity mismatch in accordance with the relevant requirements specified in subregulation (9)(e) above.

(b) *Collateral*

- (i) Unless specifically otherwise provided, a bank that adopted the foundation IRB approach for the measurement of the bank's exposure to credit risk in respect of positions held in the bank's banking book-
 - (A) shall apply the comprehensive approach prescribed in subregulation (9)(b) above in order to calculate the bank's adjusted exposure;

- (B) shall at all times comply with the relevant minimum requirements-
 - (i) prescribed in subregulation (7)(b)(iii) above in respect of eligible financial collateral;
 - (ii) prescribed in subparagraph (ii)(B) below in respect of the further categories of collateral qualifying as eligible collateral in terms of the foundation IRB approach.

(ii) *Eligible collateral*

- (A) Instruments qualifying as eligible financial collateral in terms of the standardised approach shall qualify as eligible collateral in terms of the foundation IRB approach, provided that a bank that adopted the foundation IRB approach-
 - (i) shall at all times comply with the relevant minimum requirements specified in subregulation (7)(b)(iii) above; or
 - (ii) shall be able to calculate and comply with the relevant minimum requirements relating to its own estimates of LGD and EAD specified in subregulations (13)(b)(v)(C) and (13)(b)(v)(D) below.

Provided that, irrespective of its credit rating, a resecuritisation instrument shall in no case constitute an eligible instrument for risk mitigation purposes in terms of these Regulations

- (B) In addition to eligible financial collateral recognised in terms of the standardised approach, in subregulation (7)(b), the collateral instruments specified below shall be recognised as eligible collateral in terms of the foundation IRB approach in respect of a bank's exposures to corporate institutions, sovereigns or banks, provided that the bank shall comply with the requirements specified below:
 - (i) Financial receivables, excluding receivables arising from securitisation schemes, sub-participations or credit-derivative instruments.

When a bank obtains as collateral in respect of its exposure to a corporate institution, sovereign or bank financial receivables other than receivables arising from securitisation schemes, sub-participations or credit-derivative instruments, such collateral shall be recognised as eligible collateral, provided that-

(aa) the said financial receivables-

- (i) shall consist of claims with an original maturity of less than or equal to one year, the repayment of which claim shall be dependent upon the commercial or financial flows related to the underlying assets of the obligor;
- (ii) may include self-liquidating debt arising from the sale of goods or services linked to a commercial transaction or general amounts owed by buyers, suppliers, renters, national and local government authorities, or other non-affiliated persons not related to the sale of goods or services linked to a commercial transaction;

(bb) the legal mechanism in terms of which the collateral was obtained shall be robust and shall ensure that the bank has clear rights over the proceeds from the collateral.

The bank shall take all steps necessary to fulfil requirements relating to the enforceability of the bank's security interest, such as the registration of a security interest with a registrar.

(cc) the collateralised transaction shall be duly documented, which documentation-

- (i) shall be binding on all relevant parties;
- (ii) shall be legally enforceable in all relevant jurisdictions;
- (iii) shall be legally well founded;
- (iv) shall be reviewed on a regular basis in order to ensure the transaction's continued enforceability;
- (v) shall provide the bank with legal authority to sell or assign the receivables to other parties without the consent of the receivables' obligors;
- (vi) shall comprehensively deal with the collection of receivable amounts in distressed situations;

- (dd) the bank shall have in place clear and robust procedures, adequate-
 - (i) to timely collect the proceeds of the relevant collateral;
 - (ii) to observe any legal conditions required to identify any default event of the obligor;
 - (iii) to identify any event of financial distress of the relevant obligor;
 - (iv) to monitor-
 - (a) reports relating to ageing;
 - (b) control over trade documents;
 - (c) the frequency of audits relating to collateral;
 - (d) the confirmation of accounts;
 - (e) the control over the proceeds of accounts paid;
 - (f) the analyses in respect of dilution;
- (ee) the bank shall have in place sound and robust risk-management processes, which risk-management processes-
 - (i) shall be adequate to determine the credit risk inherent in the receivables, including concentration risk.

When the bank relies on the obligor to determine the credit risk relating to its customers, the bank shall review the credit policy of the obligor to determine the policy's soundness and credibility.
 - (ii) shall include an analysis of the borrower's business and industry type;
 - (iii) shall be adequate to identify any correlation between the obligor and the receivables pledged as security, provided that no receivables relating to affiliates of a particular obligor, including subsidiaries and employees, shall be recognised as eligible collateral;

- (ff) the bank shall ensure that the margin between the amount of the exposure and the value of the receivables takes into account all relevant factors, including the cost of collection, correlations, concentration within the receivables pool pledged as security and potential concentration risk within the bank's total exposures.
- (ii) Commercial real estate and residential real estate, excluding income producing real estate that meets the requirements relating to specialised lending specified in subregulation (11)(c)(i)(D) above.

When a bank obtains as collateral in respect of its exposure to a corporate institution, sovereign or bank commercial real estate or residential real estate, such collateral shall be recognised as eligible collateral, provided that-

- (aa) the risk relating to the obligor shall not materially be dependent upon the performance of the underlying property or project but rather on the underlying capacity of the obligor to repay the debt due from other sources, that is, the repayment of the facility shall not materially be dependent on any cash flow generated by the underlying commercial real estate or residential real estate serving as collateral;
- (bb) the value of the said collateral shall not materially be dependent on the performance of the obligor;
- (cc) the bank's claim in respect of the said collateral-
 - (i) shall be legally enforceable in all relevant jurisdictions;
 - (ii) shall reflect a perfected lien, that is, all legal requirements shall be fulfilled in order to enforce the bank's claim;
 - (iii) shall be realisable within a reasonable timeframe;
- (dd) the bank-
 - (i) shall determine and apply the fair value of the collateral, that is, the value at which the property may be sold under private contract between a willing seller and a willing buyer on an arms-length basis, or less than the said fair value;

- (ii) shall monitor the value of the collateral on a regular basis but not less frequently than once every year;
 - (iii) may use statistical methods such as reference to house price indices or sampling in order to update the bank's estimates of fair value or identify collateral that may have declined in value;
 - (iv) shall make use of the services of a qualified professional person to value a particular property when information indicates that the value of the said property may have materially declined relative to general market prices, or when a credit event such as a default has occurred;
 - (v) shall duly document-
 - (a) the types of commercial real estate and residential real estate that the bank is willing to accept as collateral;
 - (b) the bank's lending policies, including the advance rates, in respect of commercial real estate or residential real estate as collateral;
 - (vi) shall ensure that the property is adequately insured against damage or deterioration;
 - (vii) shall monitor on an ongoing basis-
 - (a) the extent of any permissible preferred claims such as tax in respect of the property;
 - (b) the risk of environmental liability arising in respect of the collateral such as the presence of toxic material on the property.
- (iii) Leases other than leases that expose the bank to residual risk

When a bank obtains collateral in the form of a lease agreement in respect of instruments/ assets that qualify as eligible collateral in terms of the foundation IRB approach, such a lease agreement shall be recognised as eligible collateral, provided that the bank shall in addition to the relevant minimum requirements relating to the relevant type of instrument/asset ensure that-

- (aa) the lessor has in place a robust risk-management process, which risk management process shall comprehensively address matters relating to-
 - (i) the location of the asset;
 - (ii) the use of the asset;
 - (iii) the age and condition of the asset;
 - (iv) the asset's planned obsolescence;
- (bb) the lessor has in place a robust legal framework, which legal framework shall ensure that-
 - (i) the legal ownership of the lessor in respect of the asset is well established;
 - (ii) the lessor is able to exercise its rights as owner in a timely manner;
- (cc) the difference between the rate of depreciation of a physical asset and the rate of amortisation of the lease payments is not material, causing the risk mitigation effect of the leased asset to be overstated;

(iv) Leases that expose the bank to residual risk

When a bank obtains collateral in the form of a lease agreement in respect of instruments/ assets that qualify as eligible collateral in terms of the foundation IRB approach, which lease agreement exposes the bank to residual risk, that is, the bank is exposed to a potential loss due to, for example, a decline in the fair value of the equipment below the residual estimate at the inception of the lease agreement, the bank shall risk weight the relevant exposure in accordance with the relevant requirements specified in subparagraph (iii)(C) below.

- (v) Physical collateral other than the types of collateral specified above, excluding any physical assets acquired by the reporting bank as a result of default by an obligor in respect of an underlying exposure, specified in writing by the Registrar, provided that-
 - (aa) a liquid market shall exist in respect of the said collateral in order to ensure that the collateral can be liquidated in an expeditious and economically efficient manner;

- (bb) a well established market with publicly available market prices relating to the said collateral shall exist and the amount realised by the reporting bank in respect of the said collateral shall not substantially deviate from the said market prices;
- (cc) except for preferential rights in respect of tax obligations or wages of employees, the bank shall have a priority claim in respect of the proceeds of the said collateral;
- (dd) the relevant loan agreement shall include a detailed description of the said collateral and detailed specifications in respect of the manner and frequency of revaluation;
- (ee) the bank shall have in place robust policies, processes and procedures relating to physical collateral, which policies, processes and procedures-
 - (i) shall in the case of inventories such as raw materials or work-in-progress, and equipment, ensure that the bank conducts regular physical inspections of the said collateral;
 - (ii) shall be subject to regular and appropriate independent review;
- (ff) the bank-
 - (i) shall duly document the types of physical collateral and loan-to-value or lending-to-value ratios acceptable to the bank;
 - (ii) shall comply with all the relevant minimum requirements relating to commercial real estate and residential real estate specified in sub-item (ii) above and such further conditions as may be specified in writing by the Registrar in respect of such a further category of physical assets qualifying as eligible collateral.

(iii) *Risk weighting*

When a bank that adopted the foundation IRB approach for the measurement of the bank's exposure to credit risk obtains-

(A) eligible financial collateral in respect of its exposures to corporate institutions, sovereigns or banks, the bank-

- (i) shall calculate an adjusted exposure (E*) in accordance with the relevant formulae specified in subregulation (9)(b) above, provided that the bank shall comply with the relevant requirements that apply to the said formulae;
- (ii) shall in the case of transactions other than repurchase and resale agreements subject to master netting agreements, calculate an effective loss-given-default ratio applicable to the collateralised transaction through the application of the formula specified below.

$$\text{LGD}^* = \text{LGD} \times (\text{E}^*/\text{E})$$

where:

LGD* is the effective loss-given-default ratio

LGD shall be equal to 45 per cent, that is, the LGD ratio that applies to a senior unsecured exposure

E is the relevant current value of the exposure

- (iii) shall in the case of repurchase and resale agreements subject to master netting agreements calculate an adjusted exposure (E*) in accordance with the relevant directives specified in subregulation (9)(b)(ix), which adjusted exposure shall be deemed to represent EAD, that is, the bank shall not recognise the impact of collateral obtained in respect of the said transactions through an adjustment to LGD.

Similar to a bank that adopted the comprehensive approach in respect of collateral obtained in terms of the standardised approach, a bank that complies with the relevant requirements specified in subregulation (9)(b)(xv) relating to repurchase and resale agreements, may apply a haircut of zero per cent in respect of the said agreements.

- (B) collateral in respect of the bank's corporate exposure, which collateral is recognised as eligible collateral in terms of the foundation IRB approach but not in terms of the standardised approach, the bank shall, subject to the provisions of item (C) below, in the case of a senior corporate exposure, divide the senior exposure into-
- (i) a fully collateralised portion

The bank shall subsequently calculate the ratio of the current value of the collateral received to the current value of the exposure through the application of the formula specified below.

$$\text{Ratio} = C/E$$

where:

C is the relevant current value of the collateral received

E is the relevant current value of the exposure

When the said calculated ratio is below the threshold levels denoted **C***, specified in table 15 below, the LGD ratio shall be 45 per cent, that is, the LGD ratio shall be similar to the LGD ratio in respect of an unsecured corporate exposure.

When the said calculated ratio exceeds a higher threshold denoted **C****, that is, the bank has an over-collateralised position, the bank shall, based on relevant type of collateral, assign to the relevant exposure the LGD ratios specified in table 15 below:

Table 15

	Minimum LGD	Required minimum collateralisation level of the exposure (C*)	Required level of over-collateralisation for full LGD recognition (C**)
Receivables	35%	0%	125%
Commercial real estate and/or residential real estate	35%	30%	140%
Other collateral	40%	30%	140%

- (ii) an uncollateralised portion

The portion of the exposure not covered in terms of sub-item (i) above shall be regarded as unsecured and the bank shall assign to the said portion a LGD ratio equal to 45 per cent.

- (C) eligible collateral in the form of a lease agreement, which lease agreement exposes the bank to residual risk, the bank shall risk weight-

- (i) the discounted lease payments based on the financial strength, that is, the PD ratio, of the lessee, and the LGD ratio specified by the Registrar;
- (ii) the residual value at 100 per cent.

(c) *Pools of collateral*

When a bank obtained both eligible financial collateral and other eligible collateral, that is, collateral that is regarded as eligible collateral in terms of the foundation IRB approach but not in terms of the standardised approach, in respect of the bank's exposure to corporate institutions, sovereigns or banks, the bank-

- (i) shall subdivide the adjusted value of the exposure, after the bank has applied the relevant haircut relating to eligible financial collateral, into the relevant portions covered by only one type of collateral, that is, the bank shall divide the exposure into a portion covered by-
 - (A) eligible financial collateral;
 - (B) receivables;
 - (C) collateral consisting of commercial real estate or residential real estate;
 - (D) other collateral;

and, when relevant, an unsecured portion.

When the ratio of the sum of the values of commercial real estate or residential real estate, and other collateral, to the reduced exposure, after the effect of eligible financial collateral and collateral consisting of receivables has been recognised, is below the relevant threshold level specified in paragraph (b)(iii)(B)(i) above, the bank shall assign to the relevant exposure an LGD ratio relating to an unsecured exposure, that is, 45 per cent.

- (ii) shall separately calculate the risk-weighted exposure in respect of each fully secured portion of exposure in order to calculate the exposure's effective LGD and aggregated risk-weighted amount.

(d) *Guarantees*

(i) *Minimum requirements*

As a minimum, a bank that adopted the foundation IRB approach for the recognition of risk mitigation in respect of guarantees-

- (A) shall continuously comply with the relevant requirements specified in subregulation (7)(c)(iv) above;
- (B) shall, except in the case of retail exposures and purchased retail receivables, use the LGD ratios specified in writing by the Registrar in respect of the bank's various exposures;
- (C) shall not in the calculation of the bank's risk-weighted exposure reflect the effect of double default otherwise than in accordance with the relevant requirements specified in paragraph (g) below, that is, the adjusted risk weight relating to a particular exposure shall not be less than a comparable direct exposure to the relevant guarantor unless the bank calculates the said adjusted risk weight in accordance with the relevant requirements specified in paragraph (g) below,

provided that whenever a guarantee obtained in respect of an exposure results in a higher capital requirement for the reporting bank than before the recognition of such guarantee, the reporting bank may ignore the effect of the said guarantee.

(ii) *Eligible guarantors*

In addition to the eligible guarantors specified in the standardised approach in subregulation (7)(c), a bank that adopted the foundation IRB approach for the recognition of risk mitigation relating to guarantees obtained in respect of its exposures to corporate institutions, sovereigns, banks or purchased receivables may also recognise the effect of a guarantee obtained from a guarantor internally rated by the bank, provided that-

- (A) the said guarantee shall comply with the relevant minimum requirements specified in subregulation (7)(c) above;

- (B) for purposes of calculating the minimum required amount of capital and reserve funds of a branch in terms of the provisions of the Banks Act, 1990, read with these Regulations, no guarantee received from the parent foreign institution or any other branch of the parent foreign institution in respect of an exposure incurred by the branch in the Republic shall be regarded as an eligible guarantee.

(iii) *Risk weighting*

When a bank that adopted the foundation IRB approach for the measurement of the bank's risk-weighted credit exposure obtains-

- (A) protection from an eligible guarantor in respect of the bank's credit exposure to a corporate institution, sovereign or bank the bank-
- (i) shall divide the relevant exposure into a protected portion and an unprotected portion;
 - (ii) shall in respect of the protected portion apply-
 - (aa) the risk-weight function relating to the relevant guarantor; and
 - (bb) the PD ratio relating to the relevant guarantor, or a higher PD ratio relating to a risk grade between the underlying obligor and the relevant guarantor when the bank deems a complete substitution approach inappropriate,

provided that, based on its seniority or any collateralisation of a guaranteed commitment, the bank may replace the LGD ratio of the underlying transaction with the relevant LGD ratio relating to the said guaranteed position;
 - (iii) shall in respect of the unprotected portion, apply the risk weight relating to the underlying obligor;
 - (iv) shall in the case of-
 - (aa) proportional protection comply with the relevant requirements specified in subregulation (9)(c)(v) above;
 - (bb) a currency mismatch between the underlying obligation and the protection obtained comply with the relevant requirements specified in subregulation (9)(c)(vi) above.

- (B) protection in the form of a guarantee in respect of a retail exposure or pool of retail exposures, the bank may reflect the risk reducing effect of the guarantee through an adjustment to the relevant PD ratio or LGD ratio, provided that the bank-
- (i) shall comply with the relevant minimum requirements specified in subregulation (14)(c)(i) below;
 - (ii) shall apply the relevant adjustment to the PD ratio or LGD ratio in a consistent manner in respect of a given type of guarantee, and over time.
- (C) protection in the form of a guarantee in respect of purchased receivables, the bank shall in the case of a guarantee-
- (i) that covers both default risk and dilution risk, substitute the risk weight relating to default risk and dilution risk for the risk weight of the guarantor;
 - (ii) that covers only default risk or dilution risk, but not both, substitute the relevant risk weight relating to default risk or dilution risk for the risk weight of the guarantor, and add the relevant capital requirement for the other component;
 - (iii) that covers only a portion of the default risk and/or dilution risk, substitute the risk weight in respect of the protected exposure in accordance with the relevant directives specified above, and add the relevant risk weights relating to the unprotected exposure.
- (D) protection against dilution risk in respect of purchased receivables, the bank may apply the double default approach specified in paragraph (g) below in order to calculate the required risk-weighted asset amount for dilution risk, provided that-
- (i) the bank shall at all times comply with the relevant requirements specified in paragraph (g) below;
 - (ii) PD_0 shall be equal to the estimated EL amount;
 - (iii) LGD_g shall be equal to 100 percent;
 - (iv) the bank shall determine the effective maturity of the relevant exposure in accordance with the relevant requirements specified in subregulation (11)(d)(vi)(A)(ii).

(e) *Credit-derivative instruments*

(i) *Minimum requirements*

As a minimum, a bank that adopted the foundation IRB approach for the recognition of risk mitigation relating to credit protection obtained in the form of a credit-derivative instrument-

- (A) shall comply with the relevant requirements specified in subregulation (9)(d);
- (B) shall, except in the case of retail exposures and purchased retail receivables, use the LGD ratios in respect of its various exposures as specified in writing by the Registrar;
- (C) shall not in the calculation of the bank's risk-weighted exposure reflect the effect of double default otherwise than in accordance with the relevant requirements specified in paragraph (g) below, that is, the adjusted risk weight relating to a particular exposure shall not be less than a comparable direct exposure to the relevant protection provider unless the bank calculates the said adjusted risk weight in accordance with the relevant requirements specified in paragraph (g) below,

provided that whenever credit protection obtained in respect of an exposure results in a higher capital requirement for the reporting bank than before the recognition of such credit protection, the reporting bank may ignore the effect of the said credit protection.

(ii) *Eligible protection providers*

In addition to the eligible protection providers specified in the standardised approach in subregulation (9)(d)(iii), a bank that adopted the foundation IRB approach for the recognition of risk mitigation relating to credit-derivative instruments obtained in respect of corporate institutions, sovereigns or banks may also recognise the effect of protection obtained from a protection provider that is internally rated, provided that the said protection shall comply with the relevant minimum requirements specified in subregulation (9)(d)(xi) above.

(iii) *Risk weighting*

When a bank that adopted the foundation IRB approach for the measurement of the bank's risk-weighted credit exposure obtains-

(A) protection from an eligible protection provider in respect of the bank's credit exposure to a corporate institution, sovereign or bank, the bank-

(i) shall divide the relevant exposure into a protected portion and an unprotected portion;

(ii) shall in respect of the protected portion, apply-

(aa) the risk-weight function relating to the relevant protection provider; and

(bb) the PD ratio relating to the relevant protection provider, or a higher PD ratio relating to a risk grade between the underlying obligor and the relevant protection provider when the bank deems a complete substitution approach inappropriate,

provided that, based on its seniority or any collateralisation of a protected exposure, the bank may replace the LGD ratio of the underlying transaction with the relevant LGD ratio relating to the said protected position;

(iii) shall in respect of the unprotected portion, apply the risk weight relating to the underlying obligor;

(iv) shall in the case of-

(aa) proportional protection comply with the relevant requirements specified in subregulation (9)(d)(x) above;

(bb) a currency mismatch between the underlying obligation and the protection obtained comply with the relevant requirements specified in subregulation (9)(d)(xi) above;

(B) protection in respect of a retail exposure or pool of retail exposures, the bank may reflect the risk reducing effect of the protection through an adjustment to the relevant PD ratio or LGD ratio, provided that the bank-

(i) shall comply with the relevant minimum requirements specified in subregulation (14)(d)(i) below;

- (ii) shall apply the relevant adjustment to the PD ratio or LGD ratio in a consistent manner in respect of a given type of credit-derivative instrument, and over time.
- (C) protection against dilution risk in respect of purchased receivables, the bank may apply the double default approach specified in paragraph (g) below in order to calculate the required risk-weighted asset amount for dilution risk, provided that-
 - (i) the bank shall at all times comply with the relevant requirements specified in paragraph (g);
 - (ii) PD_0 shall be equal to the estimated EL amount;
 - (iii) $LG D_g$ shall be equal to 100 percent;
 - (iv) the effective maturity of the relevant exposure shall be determined in accordance with the relevant requirements specified in subregulation (11)(d)(vi)(A)(ii).
- (f) *Maturity mismatches*

A bank that adopted the foundation IRB approach for the recognition of risk mitigation shall comply with the relevant requirements specified in subregulation (9)(e) in respect of any maturity mismatches between the bank's exposure to credit risk and the risk mitigation obtained in respect of the said credit exposure.
- (g) *Double default*
 - (i) In respect of each eligible exposure, a bank that obtained the prior written approval of the Registrar to adopt the foundation IRB approach for the measurement of the bank's exposure to credit risk may apply either the substitution approach envisaged in paragraphs (d) and (e) above or double default approach specified in this paragraph (g), provided that a bank that wishes to apply the double default approach-
 - (A) shall continuously comply with the relevant minimum requirements specified in this paragraph (g);
 - (B) in respect of the said eligible exposure shall calculate the relevant risk-weighted exposure amount and any related required amount of capital and reserve funds in accordance with the formulae and requirements specified in subparagraph (iv) below;

- (C) shall calculate the risk weights and required amount of capital and reserve funds relating to all exposures to a particular obligor, other than eligible exposures envisaged in this paragraph (g), in accordance with the relevant requirements specified in subregulations (11) and (12), including any risk weight or required amount of capital and reserve funds relating to any unhedged or unprotected portion of an exposure in respect of which the hedged or protected portion of the said exposure is subject to the provisions of this paragraph (g);
 - (D) may apply the said double default approach to any eligible exposure, irrespective whether the exposure is held in the bank's banking book or trading book.
- (ii) Eligible exposure

A bank that obtained the prior written approval of the Registrar to adopt the IRB approach for the measurement of the bank's exposure to credit risk may apply the double default approach only when-

- (A) the relevant underlying obligation or exposure constitutes-
 - (i) a corporate exposure as envisaged in subregulation (11)(c)(i), provided that no specialised lending exposure subject to and mapped into the risk grades specified in subregulation (11)(d)(iii)(C) shall be eligible for treatment in terms of the double default approach;
 - (ii) a claim on a public-sector entity, provided that no sovereign exposure shall be eligible for treatment in terms of the double default approach;
 - (iii) a loan extended to a small business and categorised as a retail exposure as envisaged in subregulation (11)(c)(iv)(A)(iii),

Provided that in no case shall any exposure in respect of which the underlying obligation relates to-

- (aa) a financial entity or institution as envisaged in subparagraph (iii)(B)(i) below; or
- (bb) a member of the same group as the protection provider,

be eligible for treatment in terms of the double default approach.

- (B) the protection provider is a financial entity or institution specified in subparagraph (iii)(B)(i) below;
- (C) the bank obtained protection in respect of the said underlying exposure and the protection obtained relates to-
 - (i) a single-name unfunded credit-derivative instrument such as a credit-default swap;
 - (ii) a single name guarantee;
 - (iii) a first-to-default basket product, in which case the double default approach shall be applied to the asset within the basket with the lowest risk-weighted amount;
 - (iv) an n th-to-default basket product, in which case the protection obtained shall be eligible in terms of the double default approach only when the reporting bank also obtained eligible $(n-1)$ th default protection or $(n-1)$ of the assets within the basket have already defaulted,

that is, under no circumstances shall protection relating to-

- (aa) multiple name credit derivative instruments, other than n th-to-default basket products;
- (bb) multiple name guarantees;
- (cc) index-based products;
- (dd) synthetic securitisation and other tranching products that fall within the scope of the exemption notice relating to securitisation schemes;
- (ee) covered bonds to the extent such instruments are externally rated; and
- (ff) funded credit derivative instruments such as a credit linked note,

be eligible for the double default approach.

(iii) Specific minimum requirements relating to the double default approach

A bank that obtained the prior written approval of the Registrar to adopt the IRB approach for the measurement of the bank's exposure to credit risk, which bank wishes to apply the double default approach envisaged in this paragraph (g), shall continuously comply with the requirements specified in this subparagraph (iii).

(A) The PD ratio, LGD ratio, internal rating, external rating or risk weight associated with the relevant exposure prior to the application of the double default approach shall not already factor in any aspect relating to the relevant credit protection obtained, that is, credit protection shall under no circumstances be double counted.

(B) The protection provider-

(i) shall be a financial entity or institution, which financial entity or institution may be-

(aa) a bank, but under no circumstances any public-sector entity or multilateral development bank that is treated in a manner similar to a bank in terms of these Regulations;

(bb) an investment company or institution;

(cc) an insurance or re-insurance company or entity the business of which includes the provision of credit protection on a regular basis;

(dd) any non-sovereign credit export agency, that is, the credit protection shall not in any manner benefit from any sovereign guarantee or counter-guarantee;

(ii) shall be regulated in a manner similar to a bank, that is, the protection provider shall be subject to minimum required capital or solvency requirements, appropriate supervisory oversight and transparency, that is, minimum requirements relating to market discipline, or the protection provider shall have an external rating from an eligible external credit assessment institution of no less than investment grade;

(iii) at the time the credit protection for the relevant exposure was originally obtained, or for any period of time thereafter, had an internal rating with a PD ratio equivalent to or lower than the PD ratio associated with an external credit assessment or rating of A-; and

- (iv) shall have an internal rating with a PD ratio equivalent to or lower than the PD ratio associated with an external investment grade rating or assessment.
- (C) The credit protection obtained shall comply with the relevant minimum operational requirements envisaged in paragraphs (d) and (e) above.
- (D) The reporting bank shall have the legal right and expect to receive payment from the relevant protection provider without first having to pursue the relevant obligor for payment, that is, the reporting bank shall take all reasonable steps in order to ensure that the protection provider is willing and able to promptly pay when a credit event occurs.
- (E) Once a credit event occurs, the purchased credit protection shall make provision for immediate payment in respect of all credit losses incurred by the reporting bank in respect of the hedged portion of the relevant exposure.
- (F) When the payout structure of the relevant credit protection obtained makes provision for physical settlement, the reporting bank shall have legal certainty regarding the deliverability of the relevant loan, instrument or contingent liability and when the bank intends to deliver an obligation other than the underlying exposure, the bank shall ensure that the deliverable obligation is sufficiently liquid in order for the bank to purchase the said obligation for delivery in accordance with the relevant requirements of the contract.
- (G) The terms and conditions of the relevant credit protection shall be duly documented and legally confirmed in writing by the credit protection provider and the reporting bank.
- (H) In the case of protection obtained against dilution risk, the seller of the purchased receivables shall not be a member of the same group as the protection provider.
- (I) The reporting bank shall have in place a sufficiently robust process to monitor and control situations in which the performance of the protection provider and the protected obligor or exposure are dependent upon common factors, that is, the reporting bank shall have in place a sufficiently robust process to ensure that the double default approach is not applied to any exposure in respect of which excessive correlation exists between the creditworthiness of the protection provider and the obligor of the relevant underlying exposure.

For example, situations in which a protection provider guarantees the debt of a supplier of goods or services when the supplier derives a high proportion of its income or revenue from the protection provider shall not be eligible for the double default approach.

- (iv) Matters specifically related to risk-weighted exposure and the required amount of capital and reserve funds

In respect of any hedged or protected exposure subject to the double default approach, the reporting bank shall calculate its risk-weighted exposure and related required amount of capital and reserve funds through the application of the formulae specified below, which formulae take into account the relevant risk components related to the said protected exposure.

$$RWA_{DD} = K_{DD} \times 12.5 \times EAD_g$$

where:

RWA_{DD} is the risk-weighted asset amount relating to the protected exposure subject to the double default approach

EAD_g is the relevant exposure at default amount, that is, the protected or hedged exposure amount

and

$$K_{DD} = K_0 \times (0.15 + 160 \times PD_g)$$

where:

K_{DD} is the capital requirement in respect of the hedged or protected exposure subject to the double default approach

PD_g is the PD ratio of the protection provider or guarantor, which PD ratio shall be subject to a minimum of 0,03 per cent

K_0 shall be calculated through the application of the relevant formula and in a manner similar to unprotected corporate exposure as envisaged in subregulation (11)(d)(ii), even when the underlying obligation or eligible exposure is a loan extended to a small business qualifying as a retail exposure, provided that in respect of the relevant hedged exposure the risk components specified in the formula below, which risk components relate to the LGD ratio and the maturity adjustment, shall be applied instead of the said risk components specified in the said formula in subregulation (11)(d)(ii).

$$K_0 = LGD_g \cdot \left[N \left(\frac{G(PD_0) + \sqrt{\rho_{os}} \cdot G(0.999)}{\sqrt{1 - \rho_{os}}} \right) - \frac{PD_0}{\sqrt{PD_0}} \right] \cdot \frac{1 + (M - 2.5) \cdot b}{1 - 1.5 \cdot b}$$

where:

PD₀ is the PD ratio of the obligor, which PD ratio shall be subject to a minimum of 0,03 per cent

ρ_{os} is a correlation factor, which correlation factor shall be calculated in accordance with the relevant formula and requirements for the calculation of "R", specified in subregulation (11)(d)(ii), with PD being equal to PD₀

LGD_g is the LGD ratio associated with the protected or hedged exposure, that is, the LGD ratio relating to a direct exposure to the relevant protection provider or guarantor, provided that when evidence indicates that in the event both the guarantor and the obligor default during the life of the protected exposure the amount recovered depends upon the financial condition of the obligor, the bank shall apply the LGD ratio relating to an unprotected and direct exposure to the said obligor

b is the maturity adjustment coefficient, calculated according to the relevant formula specified in subregulation (11)(d)(ii), provided that PD shall be the lower of PD₀ and PD_g

M is the effective maturity of the credit protection, which maturity shall in no case be less than one year

(13) Method 2: Calculation of credit-risk exposure in terms of the advanced IRB approach

- (a) Unless specifically otherwise provided in this subregulation (13), a bank that obtained the prior written approval of the Registrar to adopt the advanced IRB approach for the measurement of the bank's credit risk exposure in respect of positions held in the bank's banking book-
- (i) shall continuously comply with the relevant minimum requirements specified in subregulation (11)(b) above and paragraph (b) below, and such further conditions as may be specified in writing by the Registrar;
 - (ii) shall comply with the relevant disclosure requirements specified in regulation 43(2);
 - (iii) shall categorise its exposures in accordance with the relevant requirements specified in subregulation (11)(c);
 - (iv) shall, subject to the provisions of paragraphs (b)(v) and (d) below, calculate its risk-weighted exposures in accordance with the relevant requirements, formulae and risk components specified in subregulations (11)(d) to (11)(p) above;
 - (v) shall apply the IRB approach for the measurement of the bank's exposure relating to a securitisation scheme, that is, a bank shall not use the IRB approach for the measurement of the bank's exposure in respect of a securitisation scheme unless the bank obtained the prior written approval of the Registrar to apply the IRB approach for the measurement of the bank's exposure to underlying credit exposure, provided that the bank shall in respect of the said securitisation exposures comply with the relevant requirements specified in subregulation (11)(b)(xii);
 - (vi) shall risk weight the relevant amounts specified in subregulations (6)(j) and (11)(q) above or deduct the relevant amounts from the bank's common equity tier 1 capital and reserve funds.
- (b) *Minimum requirements*
- (i) Subject to such conditions as may be specified in writing by the Registrar, a bank that adopted the advanced IRB approach for the measurement of the bank's exposure to credit risk shall apply the said approach in respect of all material asset classes and business units.
 - (ii) For a minimum period of three years or such lesser minimum period as may be specified in writing by the Registrar, prior to a bank's implementation of the advanced IRB approach for the measurement of the bank's exposure to credit risk, the rating and risk estimation systems and processes of the bank should have-

- (A) provided a meaningful assessment of borrower and transaction characteristics;
 - (B) provided a meaningful differentiation of risk;
 - (C) provided materially accurate and consistent quantitative estimates of risk, including PD ratios, LGD ratios and EAD amounts;
 - (D) produced internal ratings and default and loss estimates that formed an integral part of the bank's-
 - (i) credit approval process;
 - (ii) risk management process;
 - (iii) internal capital allocation process;
 - (iv) corporate governance process;
 - (E) been subjected to appropriate independent review;
 - (F) been broadly in compliance with the relevant minimum requirements specified in subregulation (11) above.
- (iii) A facility rating of a bank that adopted the advanced IRB approach for the measurement of the bank's exposure to credit risk shall exclusively reflect the LGD ratio of the particular exposure, provided that-
- (A) a facility rating shall include all factors that may have an influence on the LGD ratio, such as the type of collateral, the product, the industry or the purpose;
 - (B) any borrower characteristics shall be included as LGD rating criteria only to the extent that such characteristics are predictive of LGD;
 - (C) the bank shall maintain a sufficient number of facility grades in order to avoid the grouping of facilities with widely varying LGD ratios into a single grade.

- (iv) A bank that adopted the advanced IRB approach for the measurement of the bank's exposure to credit risk shall in the case of exposures to corporate institutions, sovereigns and banks collect and store data in respect of-
- (A) the LGD ratios and EAD estimates associated with each relevant facility;
 - (B) the key data that was used to derive a particular risk estimate;
 - (C) the person or model responsible for a particular risk estimate;
 - (D) the estimated and realised LGD ratios and EAD amounts associated with each relevant defaulted facility;
 - (E) the credit risk mitigating effects of guarantees or credit-derivative instruments on LGD ratios, that is, the bank shall retain data in respect of the LGD ratio of the facility before and after the effect of a guarantee or credit-derivative instrument was taken into consideration;
 - (F) the components of loss or recovery for each defaulted exposure such as the amounts recovered, the source of recovery, for example, collateral, liquidation proceeds and guarantees, the time period required for recovery and administrative costs.

(v) Risk quantification

Unless specifically otherwise provided in this subregulation (13), a bank that adopted the advanced IRB approach for the measurement of the bank's exposure to credit risk-

- (A) shall in the case of exposures to corporate institutions, sovereigns or banks estimate a PD ratio in respect of each internal borrower grade, which PD estimate shall comply with the relevant minimum requirements specified in subregulation (11)(b)(vi)(A) above;
- (B) shall in the case of retail exposures estimate a PD ratio in respect of each relevant retail pool of exposures, which PD estimate shall comply with all the minimum requirements specified in subregulation (11)(b)(vi)(B) above;

(C) shall estimate an appropriate LGD ratio in respect of all relevant facilities and asset classes, which LGD ratio-

- (i) shall incorporate all relevant and material data and information, including conditions relating to an economic downturn when such information is necessary to duly capture the relevant risk;
- (ii) shall not be less than the long-run default-weighted average loss rate given default, based on the average economic loss of all observed defaults within the data source for a particular type of facility, which default-weighted average loss rate given default shall be calculated in accordance with the formula specified below:

$$\text{LGD (\%)} = \frac{1}{n} \sum_{i=1}^n \frac{\text{Economic loss}_i}{\text{Amount at default}_i}$$

For example, when a bank's pool of defaulted exposures consists of 75 defaults where the exposure at default is R10 000 and the bank suffered a complete loss, that is, an LGD ratio of 100%, and 25 defaults where the exposure at default was R1 000 000 but the bank lost only R200 000, that is, an LGD ratio of 20%, the bank's default-weighted average LGD shall be calculated as:

$$\frac{(75 \times 100\%) + (25 \times 20\%)}{100} = 80\%$$

- (iii) shall be based on the definition of default, specified in regulation 67;
- (iv) may be based on averages of loss severities observed during periods of high credit losses, obtained from internal and/or external data, provided that the data shall be representative of long run experience;
- (v) shall appropriately incorporate any potential correlation or dependence between the risk relating to the borrower and the collateral, collateral provider or protection provider;
- (vi) shall incorporate the effect of a currency mismatch between the underlying obligation and any collateral obtained;
- (vii) shall be based on historical recovery rates and empirical evidence and not, for example, solely on the estimated market value of collateral;
- (viii) shall be based on a population of exposures that closely matches or is at least comparable to the bank's existing exposures and lending standards;

- (ix) shall be based on economic and market conditions that are relevant and current;
 - (x) shall be based on a sufficient number of exposures and data periods that will ensure accurate and robust LGD estimates;
 - (xi) shall be based on an estimation technique that performs well in out-of-sample tests;
 - (xii) shall be reviewed on a regular basis but not less frequently than once a year, or when material new information is obtained;
 - (xiii) shall in the case of-
 - (aa) defaulted assets reflect the possibility that the bank may have to recognise additional, unexpected losses during the recovery period;
 - (bb) exposures to corporate institutions, sovereigns or banks be based on a minimum data observation period that covers a complete economic cycle but which observation period shall in no case be less than seven years in respect of at least one of the bank's data sources;
 - (cc) retail exposures be based on a minimum data observation period of no less than five years, provided that the bank may with the prior written approval of the Registrar place more reliance on recent data when the said data better reflects loss rates in respect of the bank's retail exposures;
- (D) shall estimate an appropriate EAD amount in respect of all relevant facilities and asset classes, which EAD amount-
- (i) shall in the case of-
 - (aa) on-balance-sheet items be no less than the current drawn amount after the effect of set-off in terms of the provisions of regulation 13 has been taken into consideration;
 - (bb) off-balance-sheet items, excluding derivative instruments, be based on the bank's internal estimates for each facility type provided that the said internal estimates shall incorporate the possibility that further amounts may be drawn by the obligor up to and after the time of default;

- (cc) derivative instruments be calculated in accordance with the relevant directives and requirements specified in subregulations (15) to (19) below;
- (dd) exposures to corporate institutions, sovereigns or banks be based on a complete economic cycle, provided that-
 - (i) the time period on which the EAD amount is based shall in no case be less than seven years;
 - (ii) the EAD estimates shall be based on a default-weighted average and not a time-weighted average amount;
- (ee) retail exposures be based on a data observation period of no less than five years, provided that the bank may with the prior written approval of the Registrar place more reliance on recent data when the said data better reflect likely draw-downs in respect of the bank's retail exposures;
- (ii) shall be an estimate of the long-run default-weighted average EAD amounts in respect of similar facilities and borrowers over a sufficiently long period of time;
- (iii) shall incorporate any correlation between the default frequency and the extent of EAD amounts;
- (iv) shall incorporate the effects of downturns in the economy, that is, the risk drivers of the bank's internal model or the bank's internal data or external data shall incorporate the cyclical nature of each facility;
- (v) shall be based on criteria that are plausible and intuitive;
- (vi) shall appropriately take into consideration all relevant and material information;
- (vii) shall be based on the definition of default, specified in regulation 67;
- (viii) shall be based on a population of exposures that closely matches or is at least comparable to the bank's existing exposures and lending standards;
- (ix) shall be based on economic and market conditions that are relevant and current;
- (x) shall be based on a sufficient number of exposures and data periods that will ensure accurate and robust estimates of EAD amounts;

- (xi) shall be based on an estimation technique that performs well in out-of-sample tests;
 - (xii) may take into account data from external sources, including pooled data, provided that the EAD estimates shall represent long-run experience;
 - (xiii) shall be based on historical experience and empirical evidence;
 - (xiv) shall be reviewed on a regular basis, but not less frequently than once a year, or when material new information is obtained;
 - (xv) shall be based on comprehensive policies, systems and procedures, which policies, systems and procedures shall be adequate-
 - (aa) to prevent further drawings in circumstances short of payment default, such as covenant violations or other technical default events;
 - (bb) to monitor, on a daily basis, facility amounts and current outstanding amounts against committed lines;
 - (cc) to monitor any changes in outstanding amounts per borrower, and per risk grade;
 - (E) shall in the case of exposures to corporate institutions, sovereigns or banks calculate the effective maturity in respect of each relevant exposure, which effective maturity shall be calculated in accordance with and comply with the relevant minimum requirements specified in paragraph (d)(ii)(B) below.
- (vi) Validation of internal estimates

As a minimum, a bank that adopted the advanced IRB approach for the measurement of the bank's exposure to credit risk-

- (A) shall comply with the relevant requirements specified in subregulation (11)(b)(x) above and such further conditions as may be specified in writing by the Registrar;
- (B) shall for each relevant risk grade regularly compare realised PD ratios, LGD ratios and EAD amounts with estimated PD ratios, LGD ratios and EAD amounts, and demonstrate to the satisfaction of the Registrar that the realised risk components are within the expected range of risk components for a particular grade;

- (C) shall duly document the data and methods used to compare realised default rates, LGD ratios and EAD amounts with estimated PD ratios, LGD ratios and EAD amounts in respect of each relevant risk grade, including the periods that were covered and any changes in the data and methods that were used, which analysis and documentation shall be updated at appropriate intervals but not less frequently than once every year;
- (D) shall have in place sufficiently robust internal standards to deal with situations where realised PD ratios, LGD ratios and EAD amounts substantially deviate from expected PD ratios, LGD ratios and EAD amounts provided that when the realised values continue to be higher than the expected values, the bank shall adjust its estimates of risk components upward in order to reflect the appropriate default and loss experiences of the bank.

(c) *Categorisation of exposures*

A bank that adopted the advanced IRB approach for the measurement of the bank's exposure to credit risk shall categorise its credit exposures in accordance with the relevant requirements specified in subregulation (11)(c) above.

(d) *Risk-weighted exposure*

- (i) Unless specifically otherwise provided in this subregulation (13), in order to calculate its risk-weighted credit exposure, a bank that adopted the advanced IRB approach-

(A) shall in the case of-

- (i) exposures to corporate institutions, sovereigns or banks calculate its own estimates of probability-of-default ("PD"), loss-given-default ("LGD"), exposure-at-default ("EAD") and effective maturity ("M") in respect of each relevant borrower grade or credit exposure, provided that the bank shall comply with the relevant minimum requirements specified in respect of the said risk components in subregulations (11)(b) and (11)(d) above and in this subregulation (13);
- (ii) retail exposures and purchased retail receivables calculate its own estimates of PD, LGD and EAD in respect of each relevant retail pool of exposures, provided that the bank shall comply with the relevant minimum requirements specified in respect of the said risk components in subregulations (11)(b) and (11)(d) above and in this subregulation (13);
- (iii) equity exposures apply the market-based approach or PD/LGD approach respectively specified in regulations 31(6)(b) and 31(6)(c), provided that the Registrar may direct the bank to use a particular approach;

(B) shall apply the risk-weight functions and risk components in respect of the various exposure categories in accordance with the relevant requirements specified in this subregulation (13) read with subregulation (11)(d) above.

(ii) Corporate, sovereign and bank exposures

A bank that adopted the advanced IRB approach for the measurement of the bank's exposure to credit risk shall calculate its risk-weighted assets in respect of corporate, sovereign or bank exposures through the application of the relevant formulae and risk components specified in subregulation (11)(d)(ii) above, provided that-

(A) when the bank calculates the EAD amount of a particular exposure, the bank may use its own internally estimated credit-conversion factors in respect of the bank's off-balance-sheet exposures, provided that-

(i) when the credit-conversion factor of the said off-balance-sheet exposure is equal to 100 per cent in terms of the provisions of the foundation IRB approach, the bank shall apply the said credit-conversion factor of 100 per cent;

(ii) the bank shall comply with the relevant requirements relating to the use of own estimates of EAD specified in paragraph (b)(v)(D) above.

(B) unless the Registrar granted an exemption from the requirement to calculate an effective maturity in respect of specified small domestic corporate borrowers, which exemption shall be granted only in exceptional cases and shall be subject to such conditions as may be specified in writing by the Registrar, in which case the bank shall apply to the said exempted corporate exposure an average maturity of 2,5 years, the bank shall calculate the effective maturity of each relevant exposure in accordance with the relevant requirements specified below:

(i) In the case of an exposure with an original maturity of more than or equal to one year, which exposure has determinable cash flows, the effective maturity of the exposure shall be equal to the higher of-

(aa) one year; or

(bb) the remaining effective maturity of the exposure, which remaining effective maturity shall be calculated in years through the application of the formula specified below, provided that the calculated maturity shall be limited to five years.

$$M = \frac{\sum_t t * CF_t}{\sum_t CF_t}$$

where:

M is the effective maturity of the exposure

CF_t is the cash flow, that is, principal, interest payments and fees, contractually payable by the obligor in period t

When a bank is unable to calculate the effective maturity of the contracted payments in accordance with the formula specified above, the effective maturity shall be equal to the maximum remaining time, in years, available to the obligor to fully discharge its contractual obligation, that is, principal, interest and fees, in terms of the loan agreement.

- (ii) In the case of an exposure with an original maturity of less than one year, other than exposures in terms of which an obligor obtains ongoing finance from the relevant bank, which first-mentioned exposure relates to issued or confirmed short-term self-liquidating letters of credit, a fully collateralised capital market transaction such as an OTC derivative transaction or a margin lending agreement, or a repo-style transaction such as a repurchase or resale agreement or a securities lending or borrowing transaction, the effective maturity of the exposure shall be equal to the higher of-
- (aa) one day; or
 - (bb) the remaining effective maturity of the exposure, calculated in accordance with the formula and conditions specified in sub-item (i)(bb) above.

Provided that-

- (i) the relevant documentation of the said exposure or transaction shall make provision for daily remargining;
- (ii) the relevant documentation of the said exposure or transaction shall require daily revaluation;
- (iii) the relevant documentation of the said exposure or transaction shall make provision for the prompt liquidation or setoff of collateral in the event of default or failure to remargin;

- (iv) subject to such conditions as may be specified in writing by the Registrar, in addition to the transactions specified in this sub-item (ii), the Registrar may specify other exposures with an original maturity of less than one year that do not form part of a bank's ongoing financing of an obligor to be subject to the provision of this sub-item (ii).
- (iii) In the case of derivative instruments subject to a master netting agreement, the bank shall use the notional amount of each transaction to calculate the weighted average maturity of the transactions, which weighted average maturity shall be used in respect of the explicit maturity adjustment, provided that the effective maturity of the relevant exposure shall be equal to the higher of-
 - (aa) one year; or
 - (bb) the remaining effective maturity of the exposure,provided that the calculated maturity shall be limited to five years.
- (iv) In the case of transactions falling within the ambit of sub-item (ii) above, that is, transactions with an original maturity of less than one year that, for example, relate to a fully collateralised capital market transaction or repo-style transaction, which transaction or exposure is subject to a master netting agreement, the bank shall apply the notional amount of each transaction in order to determine the weighted average maturity of the relevant transactions, which weighted average maturity shall be used in respect of the required explicit maturity adjustment, provided that-
 - (aa) in respect of the relevant transaction type and said average, the bank shall apply a floor equal to the minimum holding period specified in subregulation (9)(b)(xiv)(A);
 - (bb) when more than one transaction type is contained in the said master netting agreement, the bank shall apply to the said average a floor equal to the highest relevant holding period specified in subregulation (9)(b)(xiv)(A).
- (v) In the case of other exposures, that is, exposures not subject to an explicit maturity adjustment, the bank shall assign to the said exposure an effective maturity of 2,5 years unless the exposure is subject to further commitment, that is, a repurchase or resale agreement, in which case the bank shall assign to the said exposure an effective maturity of six months.

(iii) Specialised lending

- (A) Subject to the provisions of items (B) and (C) below, a bank shall calculate its risk-weighted exposure in respect of specialised lending in accordance with the relevant requirements relating to corporate exposure specified in subparagraph (ii) above, provided that the bank shall comply with the relevant requirements for the estimation of PD, LGD and EAD specified in subregulation (11)(b)(vi)(A) and in paragraphs (b)(v)(C) and (b)(v)(D) above;
- (B) In the case of exposures relating to high-volatility commercial real estate, a bank shall apply the asset correlation formula specified below instead of the asset correlation formula that would otherwise apply to corporate exposure.

$$R = \frac{0.12 \times (1 - \text{EXP}(-50 \times \text{PD}))}{(1 - \text{EXP}(-50))} + 0.30 \times \left[\frac{1 - (1 - \text{EXP}(-50 \times \text{PD}))}{(1 - \text{EXP}(-50))} \right]$$

(C) When-

- (i) a bank is unable to comply with the prescribed requirements in order to estimate the PD ratio, LGD ratio and EAD amount in terms of the advanced approach for corporate exposure; or
- (ii) the Registrar directs a bank to map its internal risk grades to the risk grades specified in subregulation (11)(d)(iii)(C) above,

the bank shall map its internal risk grades in accordance with the relevant requirements specified in subregulation (11)(d)(iii)(C) above, provided that when the bank is unable to comply with the prescribed requirements in order to estimate the LGD ratio and EAD amount in respect of exposure relating to high-volatility commercial real estate in terms of the advanced approach for corporate exposure, the bank shall use the relevant estimates specified in writing by the Registrar in respect of the LGD ratio and EAD amount relating to corporate exposure.

(iv) Retail exposures

A bank that adopted the advanced IRB approach for the measurement of the bank's exposure to credit risk shall calculate its risk-weighted assets in respect of retail exposures through the application of the relevant formulae and risk components specified in subregulation (11)(d)(iv) above.

(v) Equity exposures

A bank shall calculate its risk-weighted exposure in respect of equity investments in accordance with the relevant requirements of this subregulation (13) read with the relevant requirements specified in subregulation (11)(d)(v) above and regulation 31, provided that no investment in a significant minority or majority owned or controlled commercial entity, which investment amounts to less than 15 per cent of the sum of the bank's issued common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds, as reported in items 41, 65 and 78 of the form BA 700, shall be assigned a risk weight lower than 100 per cent;

(vi) Purchased corporate receivables

A bank shall calculate its risk-weighted exposure in respect of purchased corporate receivables through the application of the relevant formulae and risk components specified in subregulation (11)(d)(ii) relating to corporate exposure, provided that-

- (A) the risk weights shall be determined by using the bank's own estimates of PD and LGD as inputs to the corporate risk-weight function;
- (B) in the case of-
 - (i) an exposure other than a revolving facility, the EAD amount shall be equal to the EAD amount determined by the bank, minus the capital requirement relating to the risk of dilution;
 - (ii) a revolving facility the EAD amount shall be equal to the amount of the purchased receivable **plus** 75 per cent of any undrawn purchased commitments **minus** the capital requirement relating to the risk of dilution, that is, in respect of undrawn purchased commitments, the bank shall not use its own estimate of the EAD amount;
- (C) when the purchasing bank is able to estimate in a reliable manner the pool's default-weighted average loss rates given default or average PD, the bank may estimate the other risk component based on an estimate of the expected long-run loss rate, that is, the bank may use an appropriate PD estimate to infer the long-run default-weighted average loss rate given default or use a long-run default-weighted average loss rate given default to infer the appropriate PD ratio, provided that-
 - (i) the LGD ratio used in order to calculate the bank's risk exposure shall in no case be lower than the long-run default-weighted average loss rate given default;

- (ii) the bank shall comply with the relevant requirements specified in paragraph (b)(v)(C) above relating to LGD estimates.
- (D) the effective maturity in respect of purchased corporate receivables-
 - (i) shall in the case of drawn amounts, be equal to the pool's exposure-weighted average effective maturity, calculated in accordance with the relevant provisions of paragraph (d)(ii)(B) above;
 - (ii) shall in the case of undrawn amounts in respect of a committed purchased facility, be the same value as for drawn amounts provided that the facility shall contain effective covenants, early amortisation triggers or other features that protect the bank against a significant deterioration in the quality of the future receivables that the bank is required to purchase;
 - (iii) shall in all other cases of undrawn amounts, be equal to the sum of the longest dated potential receivable in terms of the purchase agreement and the remaining maturity of the purchase facility.

(vii) Purchased retail receivables

A bank that adopted the advanced IRB approach for the measurement of the bank's exposure to credit risk shall calculate its risk-weighted assets in respect of purchased retail receivables through the application of the relevant formulae and risk components specified in subregulation (11)(d)(vi) read with the relevant provisions of subregulation (11)(d)(iv) above.

(viii) Securitisation or resecuritisation exposures

A bank shall calculate its risk-weighted assets in respect of a securitisation scheme or resecuritisation exposure in accordance with the relevant requirements specified in subregulations (11)(e) to (11)(p).

(e) *Risk weighted exposure equivalent to a deduction against capital and reserve funds*

A bank that adopted the advanced IRB approach for the measurement of the bank's exposure to credit risk shall risk weight any exposure specified in subregulation (11)(q) in accordance with the relevant requirements specified in the said subregulation (11)(q).

(14) *Credit-risk mitigation: advanced IRB approach*

(a) On-balance-sheet netting

When a bank that adopted the advanced IRB approach for the measurement of the bank's exposure to credit risk in respect of positions held in the bank's banking book enters into a netting agreement in respect of loans and deposits, the bank may recognise the effect of such a netting agreement when the bank calculates the EAD amount of the relevant exposure, provided that the bank-

- (i) shall at all times comply with the relevant conditions specified in subregulation (7)(a) above;
- (ii) shall recognise the effect of any currency mismatch in accordance with the relevant requirements specified in subregulation (9)(b) above;
- (iii) shall recognise the effect of maturity mismatch in accordance with the relevant requirements specified in subregulation (9)(e) above.

(b) Collateral

- (i) Unless specifically otherwise provided in this subregulation (14), a bank that adopted the advanced IRB approach for the measurement of the bank's exposure to credit risk shall in addition to the minimum requirements specified below, comply with the relevant requirements specified in subregulation (7)(b)(iii) above.

(ii) *Risk weighting*

When a bank that adopted the advanced IRB approach for the measurement of the bank's exposure to credit risk obtains collateral in respect of the bank's exposure to corporate institutions, sovereigns or banks the bank may calculate its own LGD ratios in respect of the said protected exposure, provided that-

- (A) the bank shall comply with the relevant minimum conditions specified in subregulation (13)(b)(v)(C) above, provided that when the bank is unable to comply with the said minimum requirements relating to the use of the bank's own estimates of LGD, the bank shall calculate the relevant exposure's LGD ratios in accordance with the relevant requirements of the foundation IRB approach specified in subregulation (11)(d)(ii) above;
- (B) the bank shall measure the LGD ratio as a percentage of the exposure's EAD amount;

- (C) when the bank wishes to recognise the effect of a master netting agreement in respect of repurchase and resale agreements concluded with corporate institutions, sovereigns or banks, the bank shall calculate an adjusted exposure (E^*) in accordance with the relevant requirements specified in subregulation (9)(b)(ix) above, which adjusted exposure shall be deemed to represent the exposure's EAD amount, provided that the bank may calculate its own estimate of LGD in respect of the relevant unsecured portion of the relevant exposure;
 - (D) irrespective of its credit rating, a securitisation instrument shall in no case constitute an eligible instrument for risk mitigation purposes in terms of these Regulations.
- (c) Guarantees
- (i) *Minimum requirements*

As a minimum, a bank that adopted the advanced IRB approach for the recognition of risk mitigation in respect of guarantees-

 - (A) shall comply with the relevant requirements specified in subregulations (7)(c)(iv), (11)(b)(v) and (11)(b)(vi) above;
 - (B) shall assign to all relevant obligors and eligible guarantors a borrower rating and calculate its own estimates of LGD in respect of the bank's various exposures, provided that the bank shall have in place duly specified criteria-
 - (i) to adjust its borrower grades;
 - (ii) to adjust its LGD estimates;
 - (iii) to allocate exposures to relevant retail or receivable pools,which criteria-
 - (aa) shall comply with the relevant minimum requirements for assigning borrower or facility ratings specified in subregulation (11)(b) above;
 - (bb) shall be plausible and intuitive;
 - (cc) shall take into account all relevant information;
 - (dd) shall incorporate-
 - (i) the guarantor's ability and willingness to honour its commitments in terms of the guarantee;

- (ii) any correlation between the guarantor's ability to honour its commitments in terms of the guarantee and the obligor's ability to repay any amounts due;
 - (iii) the effect of any residual risk, such as a currency mismatch between the guarantee and the underlying exposure;
- (C) shall not in the calculation of the bank's risk-weighted exposure reflect the effect of double default otherwise than in accordance with the relevant requirements specified in paragraph (f) below, that is, the adjusted risk weight relating to a particular exposure shall not be less than a comparable direct exposure to the relevant guarantor unless the bank calculates the said adjusted risk weight in accordance with the relevant requirements specified in paragraph (f) below,

provided that whenever a guarantee obtained in respect of an exposure results in a higher capital requirement for the reporting bank than before the recognition of such guarantee, the reporting bank may ignore the effect of the said guarantee.

(ii) *Eligible guarantors*

A bank that adopted the advanced IRB approach for the recognition of risk mitigation relating to guarantees may recognise the effect of a guarantee obtained from any guarantor, provided that-

- (A) the guarantee shall comply with the relevant minimum requirements specified in subregulation (7)(c)(iv) above;
- (B) the bank shall have in place a comprehensive policy and criteria in respect of the types of guarantors acceptable to the bank for risk mitigation purposes;
- (C) for purposes of calculating the minimum required amount of capital and reserve funds of a branch in terms of the provisions of the Banks Act, 1990, read with these Regulations, no guarantee received from the parent foreign institution or any other branch of the parent foreign institution in respect of an exposure incurred by the branch in the Republic shall be regarded as an eligible guarantee.

(iii) *Risk weighting*

When a bank that adopted the advanced IRB approach for the measurement of the bank's risk-weighted credit exposure obtains-

- (A) protection from a guarantor in respect of the bank's credit exposure to a corporate institution, sovereign or bank, the bank-
 - (i) shall reflect the risk mitigation effect of the guarantee by way of an adjustment either to the PD ratio or LGD ratio of the relevant exposure provided that the bank shall apply the adjustments to the PD ratio or LGD ratio in a consistent manner; or
 - (ii) may reflect the risk mitigation effect of the guarantee in accordance with the relevant requirements relating to the recognition of guarantees in terms of the foundation IRB approach prescribed in subregulation (12)(d) above.
- (B) protection in the form of a guarantee in respect of a retail exposure or pool of retail exposures, the bank may reflect the risk reducing effect of the guarantee through an adjustment to the relevant PD ratio or LGD ratio provided that the bank shall apply the relevant adjustments to PD or LGD in a consistent manner in respect of a given type of guarantee, and over time;
- (C) protection against dilution risk in respect of purchased receivables, the bank may apply the double default approach specified in paragraph (f) below in order to calculate the required risk-weighted asset amount for dilution risk provided that the bank shall comply with the relevant requirements specified in subregulation (12)(d)(iii)(D).

(d) *Credit-derivative instruments*

(i) *Minimum requirements*

As a minimum, a bank that adopted the advanced IRB approach for the recognition of risk mitigation relating to credit protection obtained in the form of a credit-derivative instrument-

- (A) shall comply with the relevant minimum requirements specified in subregulation (9)(d)(xi) above;

(B) shall in the case of single-name credit-derivative instruments assign to all relevant obligors and eligible protection providers a borrower rating and calculate its own estimates of LGD in respect of its various exposures, provided that the bank shall have in place duly specified criteria-

- (i) to adjust its borrower grades;
- (ii) to adjust its LGD estimates;
- (iii) to allocate exposures to relevant retail or receivable pools,

which criteria-

(aa) shall comply with the relevant minimum requirements for assigning borrower or facility ratings specified in subregulation (11)(b) above;

(bb) shall be plausible and intuitive;

(cc) shall take into account all relevant information;

(dd) shall comprehensively address matters relating to payment, including the impact that payments may have on the level and timing of recoveries;

(ee) shall duly state that the reference asset shall not differ from the underlying asset unless-

(i) the reference asset and the underlying exposure relate to the same obligor, that is, the same legal entity;

(ii) the reference asset ranks *pari passu* with or more junior than the underlying asset in the event of bankruptcy;

(iii) legally effective cross-default clauses, for example, cross-default or cross-acceleration clauses apply;

provided that the terms and conditions of the credit-derivative contract shall at no time contravene the terms and conditions of the underlying asset or reference asset;

- (ff) shall incorporate-
 - (i) the protection provider's ability and willingness to honour its commitments in terms of the protection provided;
 - (ii) any correlation between the protection provider's ability to honour its commitments in terms of the protection provided and the obligor's ability to repay any amounts due;
 - (iii) the effects of any residual risk, such as a currency mismatch between the protection and the underlying exposure;
- (C) shall not in the calculation of the bank's risk-weighted exposure reflect the effect of double default otherwise than in accordance with the relevant requirements specified in paragraph (f) below, that is, the adjusted risk weight relating to a particular exposure shall not be less than a comparable direct exposure to the relevant protection provider unless the bank calculates the said adjusted risk weight in accordance with the relevant requirements specified in paragraph (f) below,

provided that whenever credit protection obtained in respect of an exposure results in a higher capital requirement for the reporting bank than before the recognition of such credit protection, the reporting bank may ignore the effect of the said credit protection.

(ii) *Eligible protection providers*

A bank that adopted the advanced IRB approach for the recognition of risk mitigation relating to credit-derivative instruments may recognise the effect of protection obtained from any protection provider, provided that-

- (A) the credit-derivative instrument shall comply with the relevant minimum requirements specified in subregulation (9)(d)(xi) above;
- (B) the bank shall have in place a comprehensive policy and criteria in respect of the types of protection providers acceptable to the bank for risk mitigation purposes.

(iii) *Risk weighting*

When a bank that adopted the advanced IRB approach for the measurement of the bank's risk-weighted credit exposure obtains-

- (A) protection from a protection provider in respect of the bank's credit exposure to a corporate institution, sovereign or bank, the bank-
 - (i) shall reflect the risk mitigation effect of the protection by way of an adjustment either to the PD ratio or LGD ratio of the relevant exposure provided that the bank shall apply the adjustments to the PD ratio or LGD ratio of the exposure in a consistent manner; or
 - (ii) may reflect the risk mitigation effect of the protection in accordance with the relevant requirements relating to the recognition of credit-derivative instruments in terms of the foundation IRB approach prescribed in subregulation (12)(e) above.
- (B) protection in respect of a retail exposure or pool of retail exposures, the bank may reflect the risk reducing effect of the protection through an adjustment to the relevant PD ratio or LGD ratio provided that the bank shall apply the relevant adjustment to the PD ratio or LGD ratio in a consistent manner in respect of a given type of guarantee, and over time;
- (C) protection against dilution risk in respect of purchased receivables, the bank may apply the double default approach specified in paragraph (f) below in order to calculate the required risk-weighted asset amount for dilution risk provided that the bank shall comply with the relevant requirements specified in subregulation (12)(e)(iii)(C).

(e) *Maturity mismatches*

A bank that adopted the advanced IRB approach for the recognition of risk mitigation shall comply with the relevant requirements specified in subregulation (9)(e) above in respect of any maturity mismatches between the bank's exposure to credit risk and the risk mitigation obtained in respect of the said credit exposure.

(f) Double default

(i) Minimum requirements

In respect of each eligible exposure as envisaged in subregulation (12)(g)(ii), a bank that obtained the prior written approval of the Registrar to adopt the advanced IRB approach for the measurement of the bank's exposure to credit risk may apply either the substitution approach envisaged in paragraphs (c) and (d) above or the double default approach specified in this paragraph (f), provided that a bank that wishes to apply the double default approach-

- (A) shall continuously comply with the relevant requirements specified in subregulation (12)(g);
- (B) in respect of eligible exposure shall calculate the relevant risk-weighted exposure amount and any related required amount of capital and reserve funds in accordance with the relevant formulae and requirements specified in subregulation (12)(g) read with the relevant provisions of this paragraph (f);
- (C) shall calculate the risk weights and required amount of capital and reserve funds relating to all exposures to a particular obligor, other than eligible exposures specified in this paragraph (f), in accordance with the relevant requirements specified in subregulations (13) and (14), including any risk weight and required amount of capital and reserve funds relating to any unhedged or unprotected portion of an exposure in respect of which the hedged or protected portion is subject to the provisions of this paragraph (f);
- (D) may apply the said approach to any eligible exposure, irrespective whether the said exposure is held in the bank's banking book or trading book.

(ii) Matters specifically related to risk-weighted exposure and the required amount of capital and reserve funds

In respect of any hedged or protected exposure subject to the double default approach, the reporting bank shall calculate its risk-weighted exposure and related required amount of capital and reserve funds through the application of the relevant formulae specified in subregulation (12)(g), provided that-

- (A) when estimating any of the required LGD ratios the bank may recognise collateral posted exclusively against the relevant exposure or credit protection, provided that the bank shall in all cases comply with the relevant minimum requirements relating to LGD, specified in subregulation (13)(b)(v);

- (B) the bank shall in no case apply a principle of double recovery when the bank estimates any required LGD ratio.

(15) Counterparty credit risk and related matters

- (a) Subject to the provisions of paragraphs (b) and (c) below, for the measurement of a bank's exposure amount or EAD, risk-weighted exposure and related required amount of capital and reserve funds in respect of instruments, contracts or transactions that expose the reporting bank to counterparty credit risk, the bank may-
- (i) at the discretion of the reporting bank, use the current exposure method specified in subregulation (17) below, which current exposure method shall be available only for the measurement of the reporting bank's exposure to counterparty credit risk arising from OTC derivative instruments, that is, exposure to credit risk arising from securities financing transactions shall be calculated, amongst other things, in accordance with the relevant requirements specified in subregulations (8) and (9), irrespective whether the said OTC derivative transaction, contract or agreement is recorded in the reporting bank's banking book or trading book;
 - (ii) at the discretion of the bank, use the standardised method specified in subregulation (18) below, which standardised method-
 - (A) shall be available only for the measurement of the reporting bank's exposure to counterparty credit risk arising from OTC derivative instruments, that is, exposure to credit risk arising from securities financing transactions shall be calculated, amongst other things, in accordance with the relevant requirements specified in subregulations (8) and (9), irrespective whether the said OTC derivative transaction, contract or agreement is recorded in the reporting bank's banking book or trading book;
 - (B) is more risk sensitive than the current exposure method,

Provided that-

- (i) when the bank wishes to adopt the standardised method the bank shall in writing inform the Registrar of its decision, and comply with such further conditions as may be specified in writing by the Registrar;
- (ii) when the standardised method, in the Registrar's discretion, does not duly capture the risk inherent in the bank's relevant transactions, the Registrar may require the bank to apply the current exposure method or the standardised method on a transaction-by-transaction basis, that is, without recognising any effect of netting.

- (iii) subject to the prior written approval of and such further conditions as may be specified in writing by the Registrar in addition to the requirements specified in subregulation (19) below, use the internal model method specified in the said subregulation (19), provided that-
- (A) only under exceptional circumstances or in respect of immaterial exposures, shall a bank that obtained approval from the Registrar to adopt the internal model method be allowed to revert to either the current exposure method or standardised method for all or part of its exposure, provided that the bank shall in all cases demonstrate to the satisfaction of the Registrar that the said reversion to a less sophisticated method does not lead to arbitrage in respect of the bank's required amount of capital and reserve funds;
 - (B) the internal model method may be applied by a bank that adopted the standardised approach or the IRB approach for the measurement of the bank's other exposures to credit risk;
 - (C) the internal model method shall be applied to all relevant exposures in a particular category of exposures that are subject to counterparty credit risk, except exposures that arise from long settlement transactions;
 - (D) the internal model method may be applied to measure the bank's exposure or EAD amount relating to-
 - (i) only OTC derivative instruments;
 - (ii) only securities financing transactions; or
 - (iii) OTC derivative instruments and securities financing transactions,irrespective whether the said transaction, contract or agreement is recorded in the reporting bank's banking book or trading book.
- (iv) subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, use a combination of the aforementioned methods, provided that-
- (A) subject to the provisions of item (D) below, the said approval of the Registrar shall be granted only in exceptional cases and only during the initial implementation period of the internal model method;

- (B) a bank that wishes to apply such a combination of methods shall together with its application to obtain the approval of the Registrar to adopt the internal model method submit a plan to include all material counterparty exposures relating to a particular category of instruments or transactions in the said internal model method;
 - (C) in respect of all OTC derivative transactions and all long settlement transactions in respect of which the reporting bank has not obtained approval from the Registrar to use the internal model method, the bank shall apply either the standardised method or the current exposure method;
 - (D) the Registrar may allow a combination of the current exposure method and the standardised method on a permanent basis within a banking group.
- (b) Irrespective of the method adopted by the reporting bank for the measurement of-
- (i) the bank's exposure to counterparty credit risk, when the bank purchases credit derivative protection against a banking book exposure or against an exposure to counterparty credit risk, the bank shall in respect of the hedged exposure calculate its required amount of capital and reserve funds in accordance with the relevant requirements relating to credit derivative instruments specified in subregulations (9)(d), (12)(e), (12)(g), (14)(d) and (14)(f), that is, in accordance with the relevant substitution or double default requirements;
 - (ii) the bank's exposure to counterparty credit risk arising from OTC derivative instruments or securities financing transactions, the bank may adopt any of the three methods envisaged in paragraph (a) above for the measurement of the bank's exposure or EAD arising from long settlement transactions, provided that-
 - (A) the bank shall continuously comply with the relevant requirements specified in these Regulations or by the Registrar in respect of the selected method;
 - (B) notwithstanding the materiality of a long settlement transaction or position, in order to calculate the bank's required amount of capital and reserve funds relating to the said long settlement transaction or position, a bank that obtained the approval of the Registrar to adopt the IRB approach for the measurement of the bank's exposure to credit risk may apply the risk weights specified in the standardised approach, in subregulation (8);

- (iii) the bank's exposure to counterparty credit risk, the exposure amount or EAD relating to a particular counterparty shall be equal to the sum of the relevant exposure amounts or EADs calculated in respect of each relevant netting set relating to the said counterparty, provided that-
 - (A) for purposes of calculating the relevant amount of required capital and reserve funds for default risk in terms of the relevant requirements specified in this subregulation (15) read with the relevant requirements specified in subregulations (16) to (19), the relevant outstanding exposure or EAD amount shall be net of any incurred credit valuation adjustment (CVA) losses;
 - (B) unless specifically otherwise provided in this subregulation (15) read with the relevant requirements specified in subregulations (16) to (19), the relevant outstanding exposure or EAD amount for a given OTC derivative counterparty shall be the higher of-
 - (i) zero; or
 - (ii) the difference between the sum of all relevant exposure amounts or EADs across all relevant netting sets with the counterparty and the credit valuation adjustment (CVA) for that counterparty which has already been recognised by the bank as an incurred write-down or incurred CVA loss, which CVA loss shall be calculated without taking into account any offsetting debit valuation adjustments related to changes in the fair value of liabilities that are due to a change in the bank's own credit risk which have been deducted from capital, that is-
 - (aa) the incurred CVA loss deduced from exposure to determine outstanding exposure or EAD shall be the CVA loss gross of all relevant debit value adjustments related to changes in the fair value of liabilities that are due to a change in the bank's own credit risk which have been separately deducted from capital;
 - (bb) to the extent that the aforesaid debit value adjustments have not been separately deducted from the bank's capital, the incurred CVA loss used to determine outstanding exposure or EAD shall be net of such debit value adjustments;
 - (C) the aforesaid reduction of exposure or EAD by incurred CVA losses shall not apply in the calculation of the relevant amount of required capital and reserve funds for CVA risk;

- (iv) the bank's exposure to counterparty credit risk, a bank shall, in addition to any capital requirement for default risk related to counterparty credit risk, determine the relevant amount of required capital and reserve funds to cover risk related to mark-to-market losses on the bank's expected exposure to counterparty risk, which losses shall for purposes of these Regulations be referred to as CVA risk or CVA losses in respect of OTC derivatives, provided that-
- (A) a bank, other than a bank that obtained the approval of the Registrar for the use of the internal model method for the measurement of the bank's exposure to counterparty credit risk and the internal models approach for the measurement of specific risk as part of a bank's exposure to market risk, shall calculate-
- (i) the relevant required amount of capital for default risk in accordance with the relevant requirements and formulae specified in this subregulation (15) read with the relevant requirements specified in subregulations (16) to (18);
- (ii) the relevant additional required amount of capital for CVA risk in accordance with the relevant requirements and formula specified in paragraph (f) below;
- (B) a bank that obtained the approval of the Registrar for the use of the internal model method for the measurement of the bank's exposure to counterparty credit risk and the internal models approach for the measurement of specific risk as part of a bank's exposure to market risk, shall calculate the relevant additional required amount of capital for CVA risk in accordance with the relevant requirements and formula specified in subregulation (19)(h)(i) below, which approach shall be regarded as the advanced approach for the calculation of the relevant required amount of capital and reserve funds for CVA risk, capturing both general and specific credit spread risk, including stressed value-at-risk (VaR) but not incremental risk, and which formula shall form the basis of all relevant inputs into the bank's approved VaR model for bonds, that is, when the bank's approved VaR model is based on full repricing, the bank shall use the formula specified in subregulation (19)(h)(i) for its relevant calculations, provided that-
- (i) all relevant VaR amounts shall be calculated in accordance with the relevant quantitative requirements specified in regulation 28(8) of these Regulations and shall be the sum of the non-stressed VaR component and the stressed VaR component, provided that when calculating-
- (aa) the non-stressed VaR component, the bank shall use current parameter calibrations for expected exposure;

- (bb) the stressed VaR component, the bank shall use future counterparty expected exposure (EE) profiles in accordance with the stressed exposure parameter calibrations specified in these Regulations, including the relevant requirements specified in regulation 39(12), provided that the period of stress for the credit spread parameters shall be the most severe one-year stress period contained within the three-year stress period used for the bank's exposure parameters,

Provided that the three-times multiplier inherent in the calculation of VaR and stressed VaR shall also apply in respect of the aforesaid calculations;

- (ii) when the bank's approved VaR model is based on credit spread sensitivities for specific tenors, the bank shall base each relevant credit spread sensitivity on the formula specified in subregulation (19)(h)(ii)(A);
- (iii) when the bank's approved VaR model uses credit spread sensitivities to parallel shifts in credit spreads, which shall for purposes of these Regulations be referred to as regulatory CS01, the bank shall use the formula specified in subregulation (19)(h)(ii)(B);
- (iv) when the bank's approved VaR model uses second-order sensitivities to shifts in credit spreads, that is, spread gamma, the gammas shall be calculated based on the formula specified in subregulation (19)(h)(i);
- (v) a bank that uses the short cut method for collateralised OTC derivatives envisaged in subregulation (19)(e)(ii) shall calculate the relevant capital requirement for CVA risk in accordance with the requirements specified in subregulation (19)(h)(i), assuming a constant EE profile, that is, a constant expected exposure profile, where EE shall be set equal to the effective expected positive exposure of the shortcut method for a maturity equal to the maximum of-
 - (aa) half of the longest maturity occurring in the netting set;
 - and
 - (bb) the notional weighted average maturity of all relevant transactions in the netting set;

- (vi) a bank that obtained the approval of the Registrar for the use of the internal model method for the majority of its business, but the bank uses the Current Exposure Method (CEM) or Standardised Method (SM) for certain smaller portfolios, which bank also obtained the approval of the Registrar for the use of the internal models approach for the measurement of specific risk as part of a bank's exposure to market risk, shall include these non-internal-model-method netting sets into the CVA risk capital requirements in accordance with the relevant requirements specified in subregulation (19)(h)(i), provided that-
 - (aa) the Registrar may instruct the bank in writing to use the method envisaged in paragraph (f) below for the relevant portfolios specified by the Registrar;
 - (bb) any relevant non-internal-model-method netting set shall be included into the advanced CVA risk capital requirement assuming a constant EE profile, where EE shall be set equal to the EAD as calculated in terms of the CEM or SM for a maturity equal to the maximum of-
 - (i) half of the longest maturity occurring in the netting set;
 - and
 - (ii) the notional weighted average maturity of all relevant transactions in the netting set,
 - (cc) when a bank's internal model does not produce an expected exposure profile, the bank shall in the calculation of the relevant required amount apply the same approach as set out in sub-item (bb) above;
- (vii) when the bank's approved market risk VaR model does not appropriately reflect the risk of credit spread changes, because the bank's VaR model, for example, does not appropriately reflect the specific risk of debt instruments issued by a particular counterparty, the bank shall not use the advanced approach for CVA envisaged in subregulation (19)(h)(i) for those relevant exposures, and the bank shall instead determine the required amount of capital for CVA risk through the application of the standardised method specified in paragraph (f) below, that is, the bank shall include in its advanced approach calculations only those exposures to counterparties for which the bank obtained approval from the Registrar to apply its internal model in respect of specific risk for relevant exposures arising from debt instruments;

- (viii) the additional required amount of capital for CVA risk shall be a standalone market risk requirement, calculated on the set of CVAs envisaged in this item (B) read with the relevant requirements specified in subregulation (19)(h)(i) for all relevant collateralised and uncollateralised OTC derivative counterparties, together with eligible CVA hedges, provided that, unless expressly otherwise provided in these Regulations, within the standalone required amount of capital for CVA risk, the bank shall not apply any offset against any other instrument on the bank's balance sheet;
- (C) only hedges used by the bank to mitigate its exposure to CVA risk, and managed as such by the bank, shall be eligible for inclusion in the calculation of the bank's relevant required amount of capital for CVA risk, irrespective whether the relevant required amount is calculated in terms of the standardised or VaR approach, provided that-
 - (i) the only hedges eligible for inclusion in the calculation of the bank's required amount of capital for CVA risk in terms of the standardised or VaR approach shall be single-name credit default swaps (CDSs), single-name contingent CDSs, other equivalent hedging instruments referencing the counterparty directly, and index CDSs, that is, counterparty risk hedges other than the instruments specified above shall be excluded from the calculation of the bank's relevant required amount of capital for CVA risk;
 - (ii) in the case of index CDSs-
 - (aa) the basis between any individual counterparty spread and the spreads of index CDS hedges shall in all relevant cases be reflected in the bank's VaR amount, even when a proxy is used for the spread of a counterparty, since idiosyncratic basis still needs to be reflected in such situations, provided that for all counterparties with no available spread, the bank shall use reasonable basis time series out of a representative bucket of similar names for which a spread is available;
 - (bb) when the envisaged basis is not reflected to the satisfaction of the Registrar, the bank shall include in its relevant VaR amount only 50 per cent of the notional amount of the index hedge;
 - (iii) no tranching or nth-to-default CDS shall constitute an eligible CVA hedge;

- (iv) any eligible hedge included in the relevant required amount of capital for CVA risk shall be removed from the bank's relevant calculation of required capital and reserve funds for market risk;
 - (v) when a CDS referencing an issuer is in the bank's inventory, and that issuer also happens to be an OTC counterparty but the CDS is not managed by the bank as a hedge of CVA risk, that CDS shall not be eligible to offset the CVA within the bank's relevant standalone VaR calculation of the required amount of capital for CVA risk;
- (D) the bank shall exclude from the aforesaid additional required amount of capital for CVA risk-
- (i) all relevant transactions with intragroup banks or other formally regulated intragroup financial entities that are subject to capital requirements similar or equivalent to these Regulations, which banks or entities are included in the consolidated amounts calculated in accordance with the relevant requirements specified in these Regulations in respect of consolidated supervision, provided that the Registrar may in writing instruct a bank to include in its relevant calculations for CVA risk all such transactions with intragroup banks or other formally regulated intragroup financial entities as may be specified in writing by the Registrar;
 - (ii) transactions with a central counterparty (CCP); and
 - (iii) securities financing transactions (SFT), provided that when SFT exposures are deemed by the Registrar to be material, the Registrar may in writing instruct a bank to include in its relevant calculations CVA loss exposures arising from SFT transactions;
- (E) the bank shall calculate the relevant aggregate amount of required capital and reserve funds for counterparty credit risk and credit valuation adjustments in accordance with the relevant requirements specified in paragraph (g) below;
- (v) the bank's exposure to counterparty credit risk arising from OTC derivative instruments or securities financing transactions, the bank shall calculate its required amount of capital and reserve funds relating to any delivery-versus-payment transaction and any non-delivery-versus-payment or free-delivery transaction in accordance with the relevant requirements specified in subregulation (20) below.

(c) *Exposure to central counterparties and related matters*

A bank shall calculate its exposure to central counterparties arising from any relevant OTC derivative instrument, exchange traded derivative instrument or securities financing transaction, and the bank's related required amount of capital and reserve funds, in accordance with the relevant requirements specified in this paragraph (c), provided that-

- (i) any relevant exposures arising from the settlement of cash transactions in respect of equities, fixed income, spot FX or spot commodities shall be calculated in accordance with the relevant requirements specified in subregulation (20);
- (ii) when the clearing member-to-client leg of any relevant exchange traded derivative transaction is conducted in terms of a bilateral agreement, both the client bank and the relevant clearing member shall calculate the relevant exposure amount and required amount of capital and reserve funds in accordance with the relevant requirements related to an OTC derivative instrument;
- (iii) a bank shall ensure that it continuously maintains sufficient capital and reserve funds for all relevant exposures related to counterparty credit risk, including in respect of any relevant exposure to a qualifying central counterparty, that is, the bank shall, for example, consider whether it needs to maintain capital in excess of the minimum required capital and reserve funds specified in terms of the provisions of these Regulations when the bank's relevant transactions with a central counterparty give rise to more risky exposures than what is envisaged in these Regulations or when the bank is uncertain whether or not the relevant counterparty may indeed be regarded as a qualifying central counterparty;
- (iv) when a bank acts as a clearing member, the bank shall continuously assess through appropriate scenario analysis and stress testing whether the level of capital held against the bank's exposures to a central counterparty adequately addresses the risks inherent in the relevant transactions, provided that the bank's assessment shall, for example, include all relevant potential future exposure or contingent exposure resulting from future drawings on default fund commitments, and/or from secondary commitments to take over or replace offsetting transactions from clients of another clearing member when that clearing member defaults or becomes insolvent;
- (v) the bank shall on a regular basis monitor and report to its senior management and the appropriate committee of the bank's board of directors, all relevant exposures to central counterparties, including all relevant exposures arising from trading through a central counterparty and exposures arising from central counterparty membership obligations, such as default fund contributions;

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- (vi) when a bank conducts business with a qualifying central counterparty, the bank shall calculate its relevant exposure and the related required amount of capital and reserve funds in accordance with the relevant requirements specified in paragraph (d) below, provided that, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, when a central counterparty no longer meets the relevant requirements related to a qualifying central counterparty, the bank may continue to treat all relevant transactions with that counterparty in accordance with the relevant requirements specified in paragraph (d) below, for a maximum period of up to three months following the date on which that counterparty no longer meets the said requirements, whereafter the bank shall calculate its relevant exposure and the related required amount of capital and reserve funds in accordance with the relevant requirements specified in paragraph (e) below;
 - (vii) when a bank conducts business with a non-qualifying central counterparty, the bank shall calculate its relevant exposure and the related required amount of capital and reserve funds in accordance with the relevant requirements specified in paragraph (e) below.
- (d) *Exposures to qualifying central counterparties*
- (i) Subject to the provisions of subparagraph (v) below, when a bank acts as a clearing member of a qualifying central counterparty for its own purposes, the bank shall in respect of all relevant OTC derivative instruments, exchange traded derivative instruments and securities financing transactions apply a risk weight of 2 per cent to the bank's relevant trade exposure to the qualifying central counterparty, provided that-
 - (A) when the said bank acting as a clearing member offers clearing services to clients, the 2 per cent risk weight shall also apply to the clearing member's trade exposure to the qualifying central counterparty that arises when the clearing member is obligated to reimburse the client for any losses suffered due to changes in the value of its transactions in the event that the qualifying central counterparty defaults;
 - (B) the bank shall calculate the relevant exposure amount for such trade exposure in accordance with the relevant requirements related to the current exposure method, standardised method or internal model method, respectively specified in subregulations (17) to (19) below, read with the relevant requirements specified in subregulation (9) in respect of collateralised exposure, provided that in the case of banks that apply the internal model method the 20-day floor for the margin period of risk will not apply, provided that the relevant netting set does not contain illiquid collateral or exotic trades and provided there are no disputed trades;

- (C) when settlement is legally enforceable on a net basis in an event of default and regardless of whether the counterparty is insolvent or bankrupt, the bank may calculate the relevant total replacement cost of all contracts relevant to the trade exposure on a net replacement cost basis, provided that the relevant close-out netting sets-
- (i) shall in the case of all relevant repo-style transactions comply with all the relevant requirements specified in subregulation (9)(b)(xvi);
 - (ii) shall in the case of all relevant transactions in derivative instruments comply with all the relevant requirements specified in subregulation (17)(b);
 - (iii) shall in all relevant cases of cross-product netting comply with all the relevant requirements specified in subregulation (19)(d),

Provided that when a bank is unable to demonstrate to the satisfaction of the Registrar that all relevant netting agreements meet the aforesaid requirements, the bank shall regard each relevant single transaction as a netting set of its own for purposes of calculating its relevant trade exposure amount.

- (ii) Without derogating from the provisions of subparagraph (v) below, a bank that acts as a clearing member shall in all relevant cases calculate its relevant exposures, including any potential CVA risk exposure, to clients as bilateral trades, irrespective whether the clearing member guarantees the trade or acts as an intermediary between the client and the relevant qualifying central counterparty, provided that, in order to recognise the shorter close-out period for cleared transactions-
 - (A) a bank that adopted the internal model method and that acts as a clearing member may calculate its relevant exposure amount to clients and the related required amount of capital and reserve funds by applying a margin period of risk of no less than 5 days;
 - (B) a bank that adopted the current exposure method or standardised method may multiply the relevant exposure amount or EAD with a scaling factor of no less than 0.71, provided that when the margin period of risk is greater than 5 days the relevant scaling factor shall be as follows:

Margin period of risk	Scaling factor
6 days	0.77
7 days	0.84
8 days	0.89
9 days	0.95
10 days	1.00

- (iii) When a bank is a client of a clearing member, and the bank enters into a transaction with the said clearing member acting as a financial intermediary, that is, the clearing member completes an offsetting transaction with a qualifying central counterparty, the bank's exposures to the clearing member shall be calculated in accordance with the relevant requirements specified in subparagraph (i) above, provided that-
- (A) the relevant qualifying central counterparty shall identify the relevant offsetting transactions as client transactions and the qualifying central counterparty and/or the clearing member, as the case may be, shall hold collateral to support the relevant transactions, in a manner that prevents any losses to the client due to-
- (i) the default or insolvency of the clearing member;
 - (ii) the default or insolvency of the clearing member's other clients; and
 - (iii) the joint default or insolvency of the clearing member and any of its other clients.

That is, upon the insolvency of the clearing member, there shall be no legal impediment, other than the need to obtain a court order to which the client shall be entitled, to the transfer of the collateral belonging to clients of a defaulting clearing member to the qualifying central counterparty, to one or more other surviving clearing members or to the client or the client's nominee.

- (B) when requested, the bank shall provide the Registrar with an independent, written and reasoned legal opinion that concludes that, in the event of legal challenge, the relevant courts and administrative authorities would find that the client would bear no losses on account of the insolvency of an intermediary clearing member or of any other clients of such intermediary in terms of-
- (i) the law of the jurisdiction(s) of the client, clearing member and qualifying central counterparty;
 - (ii) the law of the jurisdiction(s) in which the branch is located when the foreign branch of the client, clearing member or qualifying central counterparty is involved;
 - (iii) the law that governs the individual transactions and collateral; and
 - (iv) the law that governs any contract or agreement necessary to meet the respective requirements specified in these items (A) and (B);

- (C) relevant laws, regulation, rules, contractual, or administrative arrangements shall provide that the offsetting transactions with the defaulted or insolvent clearing member are highly likely to continue to be indirectly transacted through the qualifying central counterparty, or by the qualifying central counterparty, should the clearing member default or become insolvent, and in which case the client positions and collateral with the qualifying central counterparty shall be transferred at market value unless the client requests to close out the position at market value;
 - (D) when all the conditions and requirements specified in the preceding items (A) to (C) are met, but the client is not protected from losses in the case that the clearing member and another client of the clearing member jointly default or become jointly insolvent, the bank shall apply a risk weight of 4 per cent to the relevant client's exposure to the clearing member;
 - (E) when the bank is a client of the clearing member and the conditions and requirements envisaged in items (A) to (D) above are not met, the bank shall calculate all relevant exposures and the related required amount of capital and reserve funds, including any relevant CVA risk exposure, to the relevant clearing member on a bilateral trade basis.
- (iv) When a bank that is a client of a clearing member enters into a transaction with a qualifying central counterparty, and the clearing member guarantees the bank's performance, the bank's exposures to the qualifying central counterparty shall be calculated in accordance with the relevant requirements specified in subparagraph (i) above, provided that-
- (A) the relevant qualifying central counterparty shall identify the relevant offsetting transactions as client transactions and the qualifying central counterparty and/or the clearing member, as the case may be, shall hold collateral to support the relevant transactions, in a manner that prevents any losses to the client due to-
 - (i) the default or insolvency of the clearing member;
 - (ii) the default or insolvency of the clearing member's other clients; and
 - (iii) the joint default or insolvency of the clearing member and any of its other clients.

That is, upon the insolvency of the clearing member, there shall be no legal impediment, other than the need to obtain a court order to which the client shall be entitled, to the transfer of the collateral belonging to clients of a defaulting clearing member to the qualifying central counterparty, to one or more other surviving clearing members or to the client or the client's nominee.

- (B) when requested, the bank shall provide the Registrar with an independent, written and reasoned legal opinion that concludes that, in the event of legal challenge, the relevant courts and administrative authorities would find that the client would bear no losses on account of the insolvency of an intermediary clearing member or of any other clients of such intermediary in terms of-
 - (i) the law of the jurisdiction(s) of the client, clearing member and qualifying central counterparty;
 - (ii) the law of the jurisdiction(s) in which the branch is located when the foreign branch of the client, clearing member or qualifying central counterparty is involved;
 - (iii) the law that governs the individual transactions and collateral; and
 - (iv) the law that governs any contract or agreement necessary to meet the respective requirements specified in these items (A) and (B);
 - (C) relevant laws, regulation, rules, contractual, or administrative arrangements shall provide that the offsetting transactions with the defaulted or insolvent clearing member are highly likely to continue to be indirectly transacted through the qualifying central counterparty, or by the qualifying central counterparty, should the clearing member default or become insolvent, and in which case the client positions and collateral with the qualifying central counterparty shall be transferred at market value unless the client requests to close out the position at market value;
 - (D) when all the conditions and requirements specified in the preceding items (A) to (C) are met, but the client is not protected from losses in the case that the clearing member and another client of the clearing member jointly default or become jointly insolvent, the bank shall apply a risk weight of 4 per cent to the relevant client's exposure to the clearing member;
 - (E) when the bank is a client of the clearing member and the conditions and requirements envisaged in items (A) to (D) above are not met, the bank shall calculate all relevant exposures and the related required amount of capital and reserve funds, including any relevant CVA risk exposure, to the relevant clearing member on a bilateral trade basis.
- (v) In all relevant cases, any asset or collateral posted or provided shall, from the perspective of the bank posting or providing such collateral, be assigned the relevant risk weight that otherwise applies to such asset or collateral in terms of the relevant provisions or requirements specified in these Regulations, regardless of the fact that such asset has been posted or provided as collateral, provided that-

- (A) when an asset or collateral of a clearing member or client is posted with or provided to a qualifying central counterparty or a clearing member, and the asset or collateral is not held in a bankruptcy remote manner, the bank posting or providing such asset or collateral shall also recognise the related credit risk, based upon the asset or collateral being exposed to risk of loss that is based on the creditworthiness of the entity or person holding such asset or collateral, provided that-
- (i) when the entity or person holding such asset or collateral is the qualifying central counterparty, a risk weight of 2 per cent shall apply to collateral included in the definition of trade exposure;
 - (ii) the relevant risk weight of the qualifying central counterparty shall apply to assets or collateral posted or provided for any purpose other than the situation provided for in sub-item (i) above;
- (B) collateral posted or provided by a clearing member, including cash, securities, other pledged assets, and excess initial or variation margin, which is often being referred to as overcollateralisation, that is held by a custodian, and is bankruptcy remote from the relevant qualifying central counterparty, shall not be subject to a capital requirement for counterparty credit risk exposure to such bankruptcy remote custodian, provided that for purposes of this item (B), custodian includes a trustee, agent, pledgee, secured creditor or any other person that holds property in a manner that does not give such person a beneficial interest in such property and will not result in such property being subject to legally-enforceable claims by such person's creditors, or to a court-ordered stay of the return of such property, should such person become insolvent or bankrupt;
- (C) collateral posted by a client, that is held by a custodian, and is bankruptcy remote from the relevant qualifying central counterparty, the clearing member and other clients, shall not be subject to a capital requirement for counterparty credit risk, provided that when the collateral is held at the qualifying central counterparty on a client's behalf and is not held on a bankruptcy remote basis-
- (i) a risk weight of 2 per cent shall apply to that collateral when all the relevant conditions and requirements envisaged in paragraph (d)(iii)(A) to (d)(iii)(C) above are met;
 - (ii) a risk weight of 4 per cent shall apply to that collateral when the relevant conditions envisaged in paragraph (d)(iii)(D) apply;

- (vi) When a default fund is shared between products or types of business with settlement risk only, such as in the case of equities and bonds, and products or types of business which give rise to counterparty credit risk, such as OTC derivative instruments, exchange traded derivative instruments or securities financing transactions, the risk weight determined in accordance with the relevant formulae and methodology specified in subparagraph (vii) or (viii) below shall be assigned to all relevant default fund contributions, without any apportionment to different classes or types of business or products, provided that-
- (A) when default fund contributions from clearing members are segregated by product types and only accessible for specific product types, the relevant capital requirements for those default fund exposures shall be determined for each relevant product giving rise to counterparty credit risk in accordance with the formulae and methodology specified in subparagraphs (vii) and (viii) below;
 - (B) when the relevant qualifying central counterparty's prefunded own resources are shared among product types, the qualifying central counterparty shall allocate those funds to each of the relevant calculations, in proportion to the respective product specific exposure or EAD amount;
 - (C) a bank acting as a clearing member shall calculate its relevant required amount of capital and reserve funds related to exposures arising from default fund contributions to a qualifying central counterparty in accordance with-
 - (i) the formulae and methodology related to method 1, set out in subparagraph (vii) below; or
 - (ii) the formulae and methodology related to method 2, set out in subparagraph (viii) below.
- (vii) *Method 1: calculations in respect of default fund exposure*
- (A) Based on the risk sensitive formulae specified in item (B) below, which formulae incorporate-
 - (i) the size and quality of a qualifying central counterparty's financial resources;
 - (ii) the counterparty credit risk exposures of such qualifying central counterparty; and
 - (iii) the application of such financial resources via the qualifying central counterparty's loss bearing waterfall, in the case of one or more clearing member defaults,

a bank that acts as a clearing member may calculate a risk weight for its default fund contributions, provided that the bank's risk sensitive capital requirement for its default fund contribution, denoted by K_{CMI} , shall be calculated using the formulae and methodology specified in item (B) below, which calculation-

- (aa) may also be performed by any relevant qualifying central counterparty, supervisor or other person with access to the relevant required data;
- (bb) shall be made only when the relevant conditions and requirements specified in item (E) below, are met.
- (B) Any person that wishes to calculate the capital requirement and related risk weight shall firstly calculate the qualifying central counterparty's hypothetical capital requirement due to its counterparty credit risk exposures to all of its relevant clearing members, through the application of the formula specified below:

$$K_{CCP} = \sum_{\substack{\text{clearing} \\ \text{members } i}} \max(EBRM_i - IM_i - DF_i; 0) \cdot RW \cdot \text{Capital ratio}$$

where:

K_{CCP} is the hypothetical capital requirement for a qualifying central counterparty, calculated for the sole purpose of determining the capitalisation of clearing member default fund contributions, that is, K_{CCP} does not represent the actual capital requirements for a qualifying central counterparty, which may be determined by the relevant qualifying central counterparty and/or its relevant supervisor

RW is a minimum risk weight of 20 per cent, or such higher risk weight as may be specified in writing by the Registrar when, for example, the clearing members in a qualifying central counterparty are not highly rated

Capital ratio shall be 8 per cent

$$\max(EBRM_i - IM_i - DF_i; 0)$$

is the exposure amount of the qualifying central counterparty to clearing member 'i', with all values relating to the valuation at the end of the day before the margin called on the final margin call of that day is exchanged, and

- $EBRM_i$ is the exposure value to clearing member 'i' before the application of risk mitigation in terms of the current exposure method for derivative instruments or the comprehensive approach envisaged in subregulation (9)(b), or for securities financing transactions as envisaged in subregulation (9)(b)(xvi), and where, for purposes of this calculation, variation margin that has been exchanged (before the margin called on the final margin call of that day) enters into the mark-to-market value of the transactions
- IM_i is the initial margin collateral posted by the clearing member with the qualifying central counterparty
- DF_i is the prefunded default fund contribution by the clearing member that will be applied upon such clearing member's default, either along with or immediately following such member's initial margin, to reduce the qualifying central counterparty loss

and in respect of which first step-

- (i) each relevant exposure amount shall be the counterparty credit risk exposure amount that a qualifying central counterparty has to a clearing member, calculated as a bilateral trade exposure for OTC derivatives and exchange traded derivatives, either in terms of the relevant requirements related to the current exposure method, or the standard supervisory haircut method for securities financing transactions, provided that the holding periods for securities financing transaction calculations specified in subregulation (9)(b)(xiv) shall apply even if more than 5000 trades are within one netting set, that is, the higher specified supervisory floor for more than 5000 trades shall not apply in this case;
- (ii) for purposes of calculating K_{CCP} via the current exposure method (CEM), the relevant formula specified in subregulation (17) shall be replaced with the formula:

$$A_{Net} = 0.15 * A_{Gross} + 0.85 * NGR * A_{Gross}$$

where, for the purposes of this calculation-

- (aa) the numerator of the NGR shall be $EBRM_i$, as specified hereinbefore, without the CEM add-on in case of OTC derivatives, and the denominator shall be the gross replacement cost, provided that when the minimum variation margin settlement frequency is daily, but the qualifying central counterparty calls margin intraday, then NGR shall be calculated just before margin is actually exchanged at the end of the day, with NGR expected to be non-zero;
- (bb) the NGR shall be calculated on a counterparty by counterparty basis;
- (cc) when NGR cannot be calculated as required, the bank shall apply a transitional default value for NGR of 0.30, until 31 March 2013, whereafter the bank shall follow the relevant approach specified in respect of non-qualifying central counterparties;
- (iii) the potential future exposure calculation under the CEM for options and swaptions that are transacted through a qualifying central counterparty shall be adjusted by multiplying the relevant notional amount of the contract by the absolute value of the option's delta, which shall be calculated according to the relevant requirements and formula specified in subregulation (18)(b);
- (iv) the netting sets that are applicable to regulated clearing members shall be the same as those envisaged in paragraph (d)(i)(C) above, provided that, for all other clearing members, the netting rules specified by the relevant qualifying central counterparty and based upon notification of each of its clearing members, or such requirements related to netting sets as may be specified in writing by the Registrar, shall apply.
- (C) Following the first-step calculation envisaged in item (B) above, the aggregate capital requirement for all relevant clearing members, prior to any relevant concentration and/or granularity adjustment, shall be calculated, assuming a scenario where two average clearing members default and therefore their default fund contributions are not available to mutualise losses, which scenario is incorporated in the risk-sensitive formulae specified below:

$$K_{CM}^* = \begin{cases} c_2 \cdot \mu \cdot (K_{CCP} - DF') + c_2 \cdot DF'_{CM} & \text{if } DF' < K_{CCP} \quad (i) \\ c_2 \cdot (K_{CCP} - DF_{CCP}) + c_1 \cdot (DF' - K_{CCP}) & \text{if } DF_{CCP} < K_{CCP} \leq DF' \quad (ii) \\ c_1 \cdot DF'_{CM} & \text{if } K_{CCP} \leq DF_{CCP} \quad (iii) \end{cases}$$

where:

K_{CM}^* is the aggregate capital requirement on default fund contributions from all relevant clearing members prior to the application of any relevant granularity and/or concentration adjustment

DF_{CCP} is the qualifying central counterparty's prefunded own resources, such as contributed capital, retained earnings, etc., that are required to be used by the relevant qualifying central counterparty to cover its losses before clearing members' default fund contributions are used to cover such losses

DF_{CM} is the prefunded default fund contributions from surviving clearing members available to mutualise losses under the assumed scenario. Specifically:

$$DF_{CM}' = DF_{CM} - 2 \cdot \overline{DF}_i$$

where \overline{DF}_i is the average default fund contribution

DF' is the total prefunded default fund contributions available to mutualise losses under the assumed scenario. Specifically:

$$DF' = DF_{CCP} + DF_{CM}'$$

c_1 is a decreasing capital factor, between 0.16 per cent and 1.6 per cent, applied to the excess prefunded default funds provided by clearing members, that is, DF_{CM}' :

$$c_1 = \text{Max} \left\{ \frac{1.6\%}{(DF'/K_{CCP})^{0.5}}; 0.16\% \right\}$$

c_2 is 100 per cent; a capital factor applied when a qualifying central counterparty's own resources (DF_{CCP}) are less than such qualifying central counterparty's hypothetical capital requirements (K_{CCP}), and, as a result, the clearing member default funds are expected to assist in the coverage of the qualifying central counterparty's hypothetical capital requirements (K_{CCP})

μ is 1.2; an exposure scalar that is applied in respect of the unfunded part of the qualifying central counterparty's hypothetical capital requirements (K_{CCP})

and

Equation (i) shall apply when a qualifying central counterparty's total prefunded default fund contributions (DF) are less than the qualifying central counterparty's hypothetical capital requirements (K_{CCP}), in which case the clearing members' unfunded default fund commitments are expected to bear such loss and the exposure for a clearing member bank is expected to be greater than the exposure if all default funds had been prefunded, due to the potential failure of other members to make additional default fund contributions when called.

When a qualifying central counterparty's total prefunded default fund contributions (DF) are not sufficient to cover the qualifying central counterparty's hypothetical capital requirements (K_{CCP}), and clearing members do not have an obligation to contribute more default funds to offset a shortfall in qualifying central counterparty loss-absorbing resources, such clearing members shall still be subject to an additional capital requirement because their exposures to such qualifying central counterparty are, in fact, riskier than would be the case if the qualifying central counterparty had access to adequate resources to cover its hypothetical capital requirements. This requirement reflects the underlying assumption that qualifying central counterparties, through own resources and member default funds, are expected to have adequate loss-bearing, mutualised, financial resources to make defaults on their exposures highly unlikely. When such loss-bearing resources are inadequate, the members' exposures are bearing additional risk, and require additional capital.

Therefore, an exposure scalar (μ) of 1.2 is applied in respect of the unfunded part of K_{CCP} , to reflect the bank's increased exposure arising from reliance on unfunded default fund contributions. When a part of the qualifying central counterparty's own financial resources available to cover losses is used after all clearing members' default fund contributions (DF_{CM}) are used to cover losses, then this part of the qualifying central counterparty's contribution to losses shall be included as part of the total default fund (DF).

Equation (ii) shall apply when a qualifying central counterparty's own resource contributions to losses (DF_{CCP}) and the clearing members' default contributions (DF_{CM}), are both required to cover the qualifying central counterparty's hypothetical capital (K_{CCP}), but are, in the aggregate, greater than the qualifying central counterparty's hypothetical capital requirements K_{CCP} . As stated hereinbefore, for DF_{CCP} to be included in the total default fund available to mutualise losses (DF), the qualifying central counterparty's own resources have to be used before DF_{CM} . When that is not the case, and a part of the qualifying central counterparty's own financial resources is used in combination, on a pro rata or formulaic basis, with the clearing members' default fund contributions (DF_{CM}) to cover qualifying central counterparty losses, then this equation shall be adapted in accordance with such conditions or requirements as may be specified in writing by the Registrar, in order to ensure that this part of the qualifying central counterparty contribution is treated in a manner similar to a clearing member's default fund contribution.

Equation (iii) shall apply when a qualifying central counterparty's own financial resource contribution to loss (DF_{CCP}) is used first in the waterfall, and is greater than the qualifying central counterparty's hypothetical capital (K_{CCP}), so that the qualifying central counterparty's own financial resources are expected to bear all of the qualifying central counterparty's losses before the clearing members' default fund contributions (DF_{CM}) are called upon to bear any loss.

(D) Following the second calculation envisaged in item (C) above, the capital requirement for an individual clearing member 'i' (K_{CMi}) shall be calculated by distributing K_{CM}^* to individual clearing members in proportion to the individual clearing member's share of the total prefunded default fund contributions, that is, the presumption shall be that losses will be allocated proportionate to prefunded DF contributions of clearing members, provided that-

(i) when the relevant practice of the qualifying central counterparty differs, the aforesaid allocation method shall be adjusted in accordance with such conditions or requirements as may be specified in writing by the Registrar following consultation;

- (ii) the granularity and concentration of the relevant qualifying central counterparty shall be taken into account through the application of the respective factors 'N', which accounts for the number of members, and 'β', as follows:

$$K_{CM_i} = \left(1 + \beta \cdot \frac{N}{N-2} \right) \cdot \frac{DF_i}{DF_{CM}} \cdot K_{CM}^*$$

where:

β is equal to $\frac{A_{Net,1} + A_{Net,2}}{\sum_j A_{Net,j}}$

and subscripts 1 and 2 denote the clearing members with the two largest A_{Net} values, and A_{Net}

- (aa) for OTC derivatives is defined as in item (B) hereinbefore, that is,

$$A_{Net} = 0.15 \cdot A_{Gross} + 0.85 \cdot NGR \cdot A_{Gross}; \text{ and}$$

- (bb) for securities financing transactions shall be replaced by $E \cdot H_e + C \cdot (H_c + H_{fx})$, as defined in subregulation (9)(b)

N is the number of clearing members

DF_i is the prefunded default fund contribution from an individual clearing member 'i'

DF_{CM} is the prefunded default fund contributions from all clearing members, or any other member-contributed financial resources that are available to bear mutualised qualifying central counterparty losses

- (iii) when the aforesaid allocation method can not be applied because the relevant qualifying central counterparty does not have prefunded default fund contributions, the allocation method specified below shall apply:

- (aa) allocate K_{CM}^* based upon each relevant clearing member's proportionate liability for default fund calls, that is, unfunded DF commitment; or

- (bb) when such an allocation is not determinable, the allocation of K_{CM}^* shall be based upon the size of each clearing member's posted initial margin,

which allocation approaches shall replace (DF_i / DF_{CM}) in the aforesaid calculation of K_{CM_i} .

(E) In all relevant cases, sufficient information regarding or related to the calculation of K_{CCP} , DF_{CM} , and DF_{CCP} shall be made available-

- (i) to allow the Registrar or any relevant supervisor of the qualifying central counterparty to appropriately oversee the said calculations;
- (ii) to permit each relevant clearing member to calculate its capital requirement for the default fund; and
- (iii) for the relevant supervisor of such clearing member to review and confirm the required calculations,

provided that, as a minimum-

- (aa) K_{CCP} shall be calculated on a quarterly basis or such more frequent basis as may be specified in writing by the Registrar;
- (bb) whichever person makes the aforesaid calculations shall, whenever required, make available to the relevant supervisor of any relevant bank clearing member sufficient aggregate information regarding the composition of the qualifying central counterparty's exposures to clearing members and information provided to the clearing member for the purposes of the calculation of K_{CCP} , DF_{CM} , and DF_{CCP} ;
- (cc) relevant required information shall be made available to the relevant supervisor on a sufficiently frequent basis to allow the supervisor to duly monitor the risks incurred by the relevant clearing members;
- (dd) K_{CCP} and K_{CMI} shall be recalculated at least quarterly, or whenever material changes occur in respect of, for example, the number or exposure of cleared transactions, or the financial resources of the relevant qualifying central counterparty.

(viii) *Method 2: calculation in respect of default fund exposure*

A bank that acts as a clearing member may apply a risk weight of 1250 per cent, or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds, to its default fund exposures to the relevant qualifying central counterparty, provided that-

- (A) an overall limit shall apply in respect of the relevant aggregate amount of risk-weighted exposure related to all the bank's relevant exposures to that qualifying central counterparty, including any relevant amount of trade exposure, which limit shall be equal to 20 per cent times the relevant amount of trade exposures to that qualifying central counterparty, that is, in terms of this approach, the relevant aggregate amount of risk weighted exposure for both trade and default fund exposures of bank "i" to each relevant qualifying central counterparty shall be equal to:

$$\text{Min} \{(2\% * TE_i + 1250\% * DF_i); (20\% * TE_i)\}$$

where:

TE_i is the trade exposure of bank "i" to the relevant qualifying central counterparty, as measured by the bank in accordance with the relevant requirements specified in paragraph (d)(i) above

DF_i is the pre-funded contribution of bank "i" to the relevant qualifying central counterparty's default fund

- (B) since the equation specified in item (A) above already incorporates the 2 per cent risk weight on trade exposures specified in paragraph (d)(i), the said 2 per cent risk weight shall not otherwise apply for purposes of this calculation.

(e) Exposures to non-qualifying central counterparties

In respect of a bank's-

- (i) trade exposure to a non-qualifying central counterparty, based on the relevant type or category of counterparty credit exposure, a bank shall apply the relevant requirements specified in these Regulations for the standardised approach for the measurement of its exposure to credit risk;
- (ii) default fund contributions to a non-qualifying central counterparty, which default fund contributions shall for purposes of this paragraph (e) include both the funded and the unfunded contributions to be paid when required by the relevant central counterparty, the bank shall apply a risk weight of 1250 per cent, or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds, provided that in respect of any liability for unfunded contributions, that is, any relevant unlimited binding commitment, the Registrar shall specify in writing the relevant amount of unfunded commitment to which the bank shall apply the aforesaid risk weight of 1250 per cent or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds.

(f) *Matters related to minimum required capital and reserve funds for CVA risk, calculated in terms of the standardised approach*

- (i) A bank, other than a bank that obtained the approval of the Registrar for the use of the internal model method for the measurement of the bank's exposure to counterparty credit risk and the internal models approach for the measurement of specific risk as part of the bank's exposure to market risk, shall calculate the relevant additional required amount of capital on a portfolio basis in accordance with the formula specified below:

$$K = 2.33 * \sqrt{h} * \sqrt{(A - B)^2 + C}$$

where:

$$A = \sum_i 0.5 * w_i * (M_i * EAD_{i^{total}} - M_i^{hedge} B_i)$$

$$B = \sum_{ind} w_{ind} * M_{ind} * B_{ind}$$

$$C = \sum_i 0.75 * w_i^2 * (M_i * EAD_{i^{total}} - M_i^{hedge} B_i)^2$$

h is the one-year risk horizon, in units of a year, $h = 1$.

w_i is the weight applicable to counterparty 'i', provided that-

- (i) based on its external rating, counterparty 'i' shall be mapped to one of the seven weights specified in table 16 below:

Table 16

Rating ¹	Weight w _i
AAA	0.7%
AA	0.7%
A	0.8%
BBB	1.0%
BB	2.0%
B	3.0%
CCC	10.0%

1. The notations used in this table relate to the ratings used by a particular credit assessment institution. The use of the rating scale of a particular credit assessment institution does not mean that any preference is given to a particular credit assessment institution. The assessments/ rating scales of other external credit assessment institutions recognised as eligible institutions in South Africa, may have been used instead.

- (ii) subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, when a counterparty does not have an external rating, the bank shall map the relevant internal rating of the counterparty to one of the relevant external ratings specified above

EAD_i^{total} is the exposure at default of counterparty 'i', aggregated across all relevant netting sets, including the effect of any relevant collateral in accordance with the relevant requirements specified in these Regulations for the Standardised Method, the Current Exposure Method or the Internal Model Method, provided that in the case of-

- (i) a bank other than a bank that obtained the approval of the Registrar to adopt the Internal Model Method for the measurement of the bank's exposure to counterparty risk, the bank shall apply the following discounting factor to the exposure:

$$(1 - \exp(-0.05 * M_i)) / (0.05 * M_i);$$

- (ii) a bank that obtained the approval of the Registrar to adopt the Internal Model Method for the measurement of the bank's exposure to counterparty risk, the relevant discount factor is already included in M_i , and no further discount shall be applied

B_i is the notional amount of purchased single name CDS hedges, which notional amounts shall be aggregated in the case of more than one position referencing counterparty 'i', and used to hedge the bank's exposure to CVA risk, provided that the bank shall apply the following discounting factor to the relevant notional amount:

$$(1 - \exp(-0.05 * M_i^{hedge})) / (0.05 * M_i^{hedge})$$

B_{ind} is the full notional amount of one or more index CDS of purchased protection, used to hedge the bank's exposure to CVA risk, provided that the bank shall apply the following discounting factor to the relevant notional amount:

$$(1 - \exp(-0.05 * M_{ind})) / (0.05 * M_{ind})$$

w_{ind} is the relevant weight applicable to index hedges, provided that the bank shall map indices to one of the seven weights (w_i) specified in table 16, based on the average spread of index 'ind'

M_i is the effective maturity of the relevant transactions with counterparty 'i', provided that-

- (i) in the case of a bank other than a bank that obtained the approval of the Registrar to adopt the Internal Model Method for the measurement of the bank's exposure to counterparty risk, M_i shall be the notional weighted average maturity as envisaged in regulation 23(13)(d)(ii)(B)(iii), provided that M_i shall for purposes of this calculation not be capped at 5 years;
- (ii) a bank that obtained the approval of the Registrar to adopt the Internal Model Method for the measurement of the bank's exposure to counterparty risk shall calculate M_i in accordance with the relevant requirements specified in subregulation (19)(c)

M_i^{hedge} is the maturity of the hedge instrument with notional B_i , provided that in the case of several positions the bank shall aggregate the relevant quantities $M_i^{\text{hedge}} \cdot B_i$

M_{ind} is the maturity of the index hedge 'ind', provided that in the case of more than one index hedge position, it shall be the relevant notional weighted average maturity

Provided that, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, when a counterparty is also a constituent of an index on which a CDS is used to hedge the bank's exposure to counterparty credit risk, the notional amount attributable to that relevant single name, as per its reference entity weight, may be subtracted from the relevant index CDS notional amount and treated as a single name hedge (B_i) of the individual counterparty with maturity based on the maturity of the index.

(g) *Matters related to the calculation of the aggregate amount of required capital and reserve funds for counterparty credit risk and credit valuation adjustments*

The aggregate amount of required capital and reserve funds related to a bank's exposure to counterparty credit risk and CVA risk, that is, default risk and the risk of mark-to-market losses in respect of specified exposures, shall in the case of-

- (i) a bank that obtained the approval of the Registrar for the use of the internal model method for the measurement of the bank's exposure to counterparty credit risk and the internal models approach for the measurement of specific risk as part of a bank's exposure to market risk, be equal to the sum of-

(A) the higher of the relevant required amount of capital and reserve funds for default risk calculated in terms of the internal model method based on-

- (i) current parameter calibrations for EAD; or
- (ii) stressed parameter calibrations for EAD,

Provided that when a bank that obtained the approval of the Registrar for the use of the IRB approach can demonstrate to the satisfaction of the Registrar that in its VaR calculations made in terms of the relevant requirements specified in subregulation (19)(h)(i), the relevant specific VaR model incorporates the effects of rating migrations, the bank shall calculate the risk weights applied to its relevant OTC derivative exposures with the full maturity adjustment as a function of PD and M set equal to 1, provided that when the bank is unable to demonstrate the aforesaid to the satisfaction of the Registrar, the bank shall apply the full maturity adjustment function, through the application of the formula specified below:

$$(1 - 1.5 \times b)^{-1} \times (1 + (M - 2.5) \times b)$$

where:

M is the effective maturity; and

b is the maturity adjustment as a function of the PD,

as envisaged in subregulation (11)(d)(ii) read with the relevant requirements specified in subregulation (13)(d)(ii)(B)

and

- (B) the relevant amount of required capital and reserve funds for CVA risk calculated in accordance with the relevant requirements specified in paragraph (b)(iv) above read with the relevant requirements specified in subregulation (19)(h) below;
- (ii) a bank that obtained the approval of the Registrar for the use of the internal model method for the measurement of the bank's exposure to counterparty credit risk, but not for the use of the internal models approach for the measurement of specific risk as part of a bank's exposure to market risk, be equal to the sum of-

- (A) the higher of the relevant required amount of capital and reserve funds for default risk calculated in terms of the internal model method based on-
 - (i) current parameter calibrations for EAD; or
 - (ii) stressed parameter calibrations for EAD,and
 - (B) the relevant amount of required capital and reserve funds for CVA risk calculated in accordance with the standardised approach specified in paragraph (f) above;
- (iii) all banks other than the banks envisaged in subparagraphs (i) and (ii) above, be equal to the sum of-
- (A) the relevant aggregate required amount for default risk calculated in accordance with the relevant requirements related to the said current exposure method or standardised method for all relevant counterparties and instruments; and
 - (B) the relevant amount of required capital and reserve funds for CVA risk calculated in accordance with the standardised approach specified in paragraph (f) above.

(16) Conditions subject to which an exposure value or EAD of zero may be applied in respect of a bank's exposure to counterparty credit risk

- (a) Unless specifically otherwise provided in these Regulations, a bank may in respect of its exposure to counterparty credit risk apply an exposure value or EAD of zero, provided that-
- (i) the said exposure to counterparty credit risk shall relate to protection provided by the reporting bank in the form of a credit-default swap contract, which contract is held in the bank's banking book, provided that the said contract-
 - (A) shall be treated similar to a guarantee provided by the reporting bank and in accordance with the relevant requirements specified in subregulations (9)(d), (12)(e) or (14)(d), as the case may be;
 - (B) shall be subject to required capital and reserve funds in respect of the contract's full notional amount;
 - (ii) the said exposure to counterparty credit risk shall relate to purchased credit derivative protection and the reporting bank shall calculate its required amount of capital and reserve funds in respect of the hedged exposure in accordance with the relevant requirements specified in subregulation (15)(b)(i) above.

(17) *Method 1: Calculation of counterparty credit exposure in terms of the current exposure method*

(a) *Matters relating to the exposure amount or EAD*

A bank that adopted the current exposure method for the measurement of the bank's exposure to counterparty credit risk-

- (i) shall in respect of each relevant transaction, contract or netting set calculate the relevant replacement cost or net replacement cost of the said transaction, contract or netting set;
- (ii) shall in respect of each relevant netting set multiply the relevant notional principle amount with the relevant credit conversion factors specified in table 17 below in order to calculate the relevant required add-on amount, which add-on amount shall be calculated independent from and irrespective of the relevant replacement cost or value calculated in terms of the provisions of subparagraph (i) above.

Table 17
Credit conversion factor

Remaining maturity	Interest rates	FX and gold	Equities	Precious metals except gold	Other commodities
One year or less	0,0%	1,0%	6,0%	7,0%	10,0%
More than one year to five years	0,5%	5,0%	8,0%	7,0%	12,0%
More than five years	1,5%	7,5%	10,0%	8,0%	15,0%

- (iii) may recognise eligible collateral obtained in respect of the bank's exposure to counterparty credit risk in accordance with the relevant requirements specified in subregulation (9)(b)(iv) read with the provisions of subregulation (9)(b)(vii);
- (iv) shall in the case of any single name credit derivative contract held in the bank's trading book calculate the bank's exposure amount or EAD through the application of the relevant potential future exposure add-on factors specified in table 18 below:

Table 18
Potential future exposure add-on factor¹

Description	Protection buyer	Protection seller
Total-return swap		
Qualifying ² reference obligation	5%	5%
Non-qualifying reference obligation	10%	10%
Credit-default swap		
Qualifying ² reference obligation	5%	5% ³
Non-qualifying reference obligation	10%	10% ³

1. Add-on factors are not affected by differences in residual maturity.
2. Qualifying shall for purposes of this regulation bear the same meaning as the "qualifying" category for the treatment of specific risk relating to instruments in terms of the standardised measurement method in regulation 28(7).
3. The protection seller of a credit-default swap shall be subject to the add-on factor only when it is subject to closeout upon the insolvency of the protection buyer while the underlying is still solvent, in which case the add-on shall be limited to the amount of any unpaid premium.

- (v) shall in the case of any qualifying credit derivative instrument held in respect of a banking book exposure calculate the bank's required amount of capital and reserve funds in accordance with the relevant requirements specified in subregulation (9)(d);
- (vi) shall in the case of any-
- (A) first to default credit derivative transaction determine the relevant add-on factor based on the lowest credit quality underlying instrument in the basket, that is, when the basket contains any non-qualifying items, the bank shall apply the add-on factor relating to the said non-qualifying reference obligation;
 - (B) second and subsequent to default credit derivative transaction allocate the underlying assets based on the credit quality of the assets, that is, the second lowest credit quality shall determine the add-on factor in respect of a second to default transaction;
- (vii) may in respect of any OTC derivative transaction or contract subject to novation or a legally enforceable bilateral netting agreement recognise the effect of the said novation or netting agreement provided that the bank shall at all times comply with the relevant requirements specified in paragraph (b) below;

- (viii) shall calculate its adjusted exposure amount or EAD through the application of the formula specified below, which formula is designed to recognise the effect of collateral and any volatility in the amount relating to the collateral, and, when relevant, the effect of any legally enforceable bilateral netting agreement. The formula is expressed as:

$$E^* = (RC + \text{add-on}) - C_A$$

where:

RC is the relevant current replacement cost, or

when the bank has in place a legally enforceable netting agreement that complies with the relevant requirements specified in paragraph (b) below, the current net replacement cost of the relevant netting set, that is, when the bank has in place a legally enforceable netting agreement the bank may net off positive market values against negative market values in order to calculate a single net current exposure for all transactions covered by the said netting agreement, subject to a minimum value of zero

Add-on is the estimated amount relating to the potential future exposure, or

when the bank has in place a legally enforceable netting agreement that complies with the relevant requirements specified in paragraph (b) below, the adjusted add-on amount, that is, the add-on amount may be reduced through the application of the formula specified below, which formula is designed to recognise reductions in the volatility of current exposures resulting from netting agreements

$$A_{\text{net}} = 0.4(A_{\text{gross}}) + 0.6(\text{NGR} \times A_{\text{gross}});$$

where:

A_{net} is the adjusted add-on for all contracts subject to the bilateral netting contract

A_{gross} is the sum of the gross add-ons for the contracts covered by the netting agreement. **A_{gross}** is equal to the sum of individual add-on amounts, calculated by multiplying the relevant notional principal amount with the relevant specified add-on factor, of all transactions subject to the bilateral netting contract

NGR is the ratio of the net current exposure of the contracts included in the bilateral netting agreement to the gross current exposure of the said contracts

C_A is the volatility adjusted collateral amount calculated in accordance with the relevant requirements of the comprehensive approach specified in subregulation (9)(b), or zero in the absence of eligible collateral, provided that the bank shall apply the relevant haircut for currency risk, that is, Hfx, when a mismatch exists between the collateral currency and the settlement currency. Even when more than two currencies are involved in the exposure, collateral and settlement currency, the bank shall, based on the frequency of mark-to-market, apply a single haircut assuming a 10-business day holding period, scaled up as necessary.

(b) Matters relating to bilateral netting

A bank that adopted the current exposure method for the measurement of the bank's exposure to counterparty credit risk may in the case of OTC transactions-

- (i) net transactions subject to novation, in terms of which netting any obligation between the bank and its counterparty to deliver a given currency on a given value date is automatically amalgamated with all other obligations for the same currency and value date, legally substituting one single amount for the previous gross obligations;
- (ii) net transactions subject to any legally valid form of bilateral netting not included in subparagraph (i) above, including any other form of novation,

provided that in all cases-

- (A) the bank shall have in place a netting contract or agreement with the said counterparty which contract or agreement shall create a single legal obligation, covering all included transactions, such that the bank would have either a claim to receive or obligation to pay only the net sum of the positive and negative mark-to-market values of the said transactions in the event of counterparty failure to perform in accordance with the contractual agreement, irrespective whether or not the said failure relates to default, bankruptcy, liquidation or similar circumstances;
- (B) the bank shall have in place written and reasoned legal opinions confirming that in the event of a legal challenge the relevant courts and administrative authorities would find the bank's exposure to be the said net amount in terms of-

- (i) the law of the jurisdiction in which the counterparty is incorporated or chartered, and when the foreign branch of a counterparty is involved, also in terms of the law of the jurisdiction in which the branch is located;
 - (ii) the law that governs the individual transactions; and
 - (iii) the law that governs any contract or agreement necessary to effect the said novation or netting;
 - (C) when a national supervisor or regulator is not satisfied with the legal enforceability of the said agreement, neither counterparty shall apply netting in respect of the relevant transactions or contracts;
 - (D) the bank shall have in place robust procedures in order to continuously monitor the legal characteristics of the said netting agreement for possible changes in relevant law that may affect the legal enforceability of the said agreement;
 - (E) since the gross obligations are not in any way affected, no payment netting agreement, which agreement is designed to reduce the operational costs of daily settlements, shall be taken into consideration in the calculation of the reporting bank's exposure amount, EAD or required capital and reserve funds;
 - (F) no contract containing walk-away clauses, that is, any provision that permits a non-defaulting counterparty to make only limited payments or no payment at all to the estate of a defaulter, even when the defaulter is a net creditor, shall be eligible for netting in terms of these Regulations;
 - (G) the exposure amount or EAD shall be the sum of the net mark-to-market replacement cost, if positive, plus the said add-on amount, calculated in accordance with the relevant requirements specified in paragraphs (a) above.
- (18) *Method 2: Calculation of counterparty credit exposure in terms of the standardised method*

(a) *Matters relating to the exposure amount or EAD*

A bank that adopted the standardised method for the measurement of the bank's exposure to counterparty credit risk-

- (i) shall separately calculate its counterparty credit exposure or EAD amount in respect of each relevant netting set through the application of the formula specified below:

The exposure amount or EAD shall be equal to-

$$\beta \cdot \max \left(CMV - CMC; \sum_j \left| \sum_i RPT_{ij} - \sum_l RPC_{lj} \right| \times CCF_j \right)$$

where:

CMV is the relevant current market value of the relevant portfolio of transactions within the netting set with a particular counterparty, gross of any collateral, that is,

$$CMV = \sum_i CMV_i$$

where:

CMV_i is the relevant current market value of transaction i

CMC is the relevant current market value of the collateral assigned to the relevant netting set, that is,

$$CMC = \sum_l CMC_l$$

where:

CMC_l is the relevant current market value of collateral l

i is the index designating transaction

l is the index designating collateral

j is the index designating specified hedging sets, which hedging sets correspond to risk factors for which risk positions of opposite sign may be offset to yield a net risk position on which the exposure measure is based

RPT_{ij} is the relevant risk position from transaction i with respect to hedging set j , that is, for example, a short-term FX forward contract with one leg denominated in the domestic currency shall be mapped into three risk positions, which is, firstly an FX risk position, secondly a foreign currency interest rate risk position and finally a domestic currency risk position

RPC_{lj} is the risk position from collateral l with respect to hedging set j

CCF_j is the specified credit conversion factor with respect to the hedging set j

- β** is the beta factor, which beta factor shall be equal to 1.4, provided that based on the reporting bank's exposure to counterparty credit risk and the related risk factors, the Registrar may specify a beta factor higher than 1.4
- (ii) shall in the calculation of the exposure amount or EAD include collateral received from a counterparty as a positive amount and collateral posted to a counterparty as a negative amount, provided that only instruments qualifying as eligible collateral in accordance with the relevant provisions of subregulation (9)(b)(iv) shall be recognised as eligible collateral in terms of the provisions of this subregulation (18);
 - (iii) shall assign to any risk position that reflects a long position in respect of a transaction with a linear risk profile a positive sign, and to any risk position that reflects a short position in respect of a transaction with a linear risk profile a negative sign;
 - (iv) shall in the case of an OTC derivative transaction with a linear risk profile, such as a forward contract, future contract or swap contract, which contract requires an exchange of a financial instrument such as a bond, an equity instrument or a commodity against payment, treat the payment part of the transaction in accordance with the relevant requirements relating to payment legs specified in this subregulation (18);
 - (v) shall in the case of transactions that require the exchange of payment against payment, such as an interest-rate-swap contract or foreign-exchange forward contract, identify the relevant payment legs of the contract, which payment legs shall be represented by the contractually agreed gross payments, including the notional amount of the transaction, provided that for purposes of calculating the bank's exposure to counterparty credit risk-
 - (A) the bank may in the case of payment legs with a remaining maturity of less than one year disregard any relevant interest rate risk;
 - (B) the bank may treat transactions that consist of two payment legs denominated in the same currency, such as an interest-rate swap contract, as a single aggregate transaction;
 - (vi) shall in the case of transactions with linear risk profiles with equity, equity indices, gold, other precious metals or other commodities as the underlying financial instruments, map-
 - (A) the relevant component of the transaction to a risk position in the relevant equity, equity index or commodity hedging set, which commodity hedging set may relate to gold or other precious metals;

- (B) the relevant payment leg of the transaction to an interest rate risk position within the appropriate interest rate hedging set, provided that when the payment leg is denominated in a foreign currency the bank shall also map the relevant component of the transaction to a foreign exchange risk position in the relevant currency;
- (vii) shall in the case of transactions with linear risk profiles with a debt instrument such as a bond or loan as the underlying instrument, map the relevant transaction to an interest rate risk position with one risk position in respect of the relevant debt instrument and another risk position in respect of the payment leg, provided that-
- (A) any transaction with a linear risk profile that requires an exchange of payment against payment, including any relevant foreign exchange forward contract, shall be mapped to an interest rate risk position in respect of each of the relevant payment legs;
 - (B) when the underlying debt instrument is denominated in a foreign currency, the bank shall map the relevant debt instrument to a foreign exchange risk position in the relevant currency;
 - (C) when a payment leg is denominated in a foreign currency, the bank shall map the relevant payment leg to a foreign exchange risk position in the said currency, that is, the bank, for example, shall map a short-term FX forward contract with one leg denominated in domestic currency into three risk positions, which is, firstly an FX risk position, secondly a foreign currency interest rate risk position and finally a domestic currency risk position;
 - (D) the bank shall assign to any foreign-exchange basis swap transaction an exposure amount or EAD of zero;
- (viii) shall determine the size and sign of all relevant risk positions in accordance with the relevant formulae and requirements specified in paragraph (b) below, provided that in the case of-
- (A) any transaction with a non-linear risk profile in respect of which the reporting bank is unable to determine the required delta value; or
 - (B) any payment leg or transaction with a debt instrument as the underlying instrument and in respect of which payment leg or transaction the reporting bank is unable to determine the required modified duration,

through the application of the bank's internal model approved by the Registrar for the measurement of the bank's exposure to market risk, the Registrar may determine the size of the relevant risk position or require the bank to instead use the current exposure method, provided that in the said cases the reporting bank shall not apply any netting and shall determine the relevant exposure amount or EAD as if the netting set comprised of only the said individual transaction;

(ix) shall group all relevant risk positions into the appropriate hedging sets specified in paragraph (c) below, provided that in respect of each relevant hedging set the reporting bank-

(A) shall calculate the absolute amount of the sum of the relevant risk positions, which sum shall constitute the net risk position and in the formula specified in subparagraph (i) above be represented by the variable-

$$\left| \sum_i RPT_{ij} - \sum_l RPC_{lj} \right|$$

(B) shall in the case of option contracts include in the relevant net risk position any sold option that may increase the current market value of the relevant netting set;

(x) shall in respect of the net risk position relating to a specific hedging set apply the relevant credit conversion factors specified in paragraph (d) below, provided that in the case of-

(A) any transaction with a non-linear risk profile in respect of which the reporting bank is unable to determine the required delta value; or

(B) any payment leg or transaction with a debt instrument as the underlying instrument and in respect of which payment leg or transaction the reporting bank is unable to determine the required modified duration,

through the application of the bank's internal model approved by the Registrar for the measurement of the bank's exposure to market risk, the Registrar may determine the relevant credit conversion factor relating to the relevant risk position or require the bank to instead use the current exposure method, provided that in the said cases the reporting bank shall not apply any netting and shall determine the relevant exposure amount or EAD as if the netting set comprised of only the said individual transaction.

(b) *Further matters relating to the size and sign of an exposure amount or EAD*

In respect of any bank that adopted the standardised method for the measurement of the bank's exposure to counterparty credit risk, the size of a risk position arising from-

(i) any instrument other than a debt instrument, which risk position relate to a transaction with a linear risk profile, shall be the effective notional value, that is, the relevant market price multiplied by the relevant quantity, of the relevant underlying financial instrument, which instrument may include a commodity, converted to the bank's domestic currency;

- (ii) a debt instrument, and the payment legs of all transactions, shall be the effective notional value of the outstanding gross payments, including the notional amount, converted to the bank's domestic currency, multiplied by the modified duration of the relevant debt instrument or payment leg;
- (iii) a credit-default swap, shall be the notional value of the relevant reference debt instrument multiplied by the remaining maturity of the said credit-default swap;
- (iv) an OTC derivative instrument with a non-linear risk profile, including options and swaptions, shall be the delta equivalent effective notional value of the relevant financial instrument underlying the transaction provided that the underlying financial instrument is an instrument other than a debt instrument;
- (v) an OTC derivative instrument with a non-linear risk profile, including options and swaptions, in respect of which instrument the underlying is a debt instrument or payment leg, shall be the delta equivalent effective notional value of the relevant financial instrument or payment leg multiplied by the modified duration of the relevant debt instrument or payment leg,

provided that the reporting bank may use the formulae specified below in order to determine the size and sign of a specific risk position.

- (A) In the case of all instruments other than debt instruments, through the application of the formula specified below:

The effective notional value or delta equivalent notional value shall be equal to-

$$p_{ref} \frac{\partial V}{\partial p}$$

where:

- p_{ref}** is the relevant price of the underlying instrument, expressed in the reference currency
- v** is the relevant value of the financial instrument, that is, in the case of an option contract, the option price, and in the case of a transaction with a linear risk profile, the value of the underlying instrument itself
- p** is the price of the underlying instrument, expressed in the same currency as "v"

- (B) In the case of all debt instruments, and the payment legs of all transactions, through the application of the formula specified below:

Effective notional value multiplied by the modified duration, or

Delta equivalent in notional value multiplied by the modified duration

$$\frac{\partial V}{\partial r}$$

where:

v is the relevant value of the financial instrument, that is, in the case of an option contract, the option price, and in the case of a transaction with a linear risk profile, the value of the underlying instrument itself or of the relevant payment leg

Provided that when “**v**” is denominated in a currency other than the reference currency, the bank shall convert the derivative into the reference currency by multiplying the relevant amount with the relevant exchange rate

r is the relevant interest level

(c) *Matters relating to hedging sets*

A bank that adopted the standardised method for the measurement of the bank’s exposure to counterparty credit risk-

- (i) shall in the case of any interest rate position arising from debt instruments of low specific risk, that is, any debt instrument subject to a specific risk capital requirement of 1,6 per cent or lower in terms of the relevant requirements relating to the standardised approach for market risk envisaged in regulation 28(4) read with the relevant requirements specified in regulation 28(7), and in respect of each relevant currency, map the relevant position into one of six hedging sets specified in table 20 below, provided that-
- (A) the bank shall assign relevant interest rate positions arising from the payment legs to the same hedging sets as interest rate risk positions from debt instruments of low specific risk;

- (B) the bank shall assign interest rate positions arising from money deposits received from a counterparty as collateral to the same hedging sets as interest rate risk positions from debt instruments of low specific risk;
- (C) in the case of any underlying debt instrument such as a floating rate note, or payment legs such as floating rate legs relating to interest swaps, in respect of which the interest rate is linked to a reference interest rate that represents a general market interest level such as a government bond yield, a money market rate or swap rate, the bank shall base the rate adjustment frequency on the length of the time interval up to the next re-adjustment of the reference interest rate. Otherwise, the remaining maturity shall be the remaining life of the underlying debt instrument or, in the case of any payment leg, the remaining life of the transaction;
- (D) there shall be one hedging set in respect of each relevant issuer of a reference debt instrument that underlies a credit-default swap;
- (E) there shall be one hedging set in respect of each relevant issuer of a debt instrument of high specific risk, that is, any debt instrument subject to a specific risk capital requirement of more than 1,6 per cent in terms of the relevant requirements relating to the standardised approach for market risk envisaged in regulation 28(4) read with the relevant requirements specified in regulation 28(7), or when deposits are placed as collateral with a counterparty with no debt obligations outstanding of low specific risk;
- (F) when a payment leg emulates a debt instrument of high specific risk, such as a total-return swap contract with one leg emulating a bond, there shall be one hedging set in respect of each relevant issuer of the said reference debt instrument provided that the reporting bank may assign risk positions that arise from debt instruments relating to a specific issuer or from reference debt instruments of the same issuer that are emulated by payment legs or that underlie a credit-default swap to the same hedging set,

which hedging sets shall be defined per currency, based on a combination of-

- (i) the nature of the reference interest rate, that is, a sovereign rate or a rate other than a sovereign rate;
- (ii) the remaining maturity or rate adjustment frequency of the relevant instrument, that is, one year or less, more than one year to five years, and more than five years, as specified in table 19 below:

Table 19

Hedging sets for interest rate risk positions, per currency

Remaining maturity or rate-adjustment frequency	Sovereign-referenced interest rates	Non-sovereign referenced interest rates
One year or less	X	X
More than one year to five years	X	X
More than five years	X	X

(ii) shall in the case of underlying financial instruments other than debt instruments, such as equity instruments, precious metals or commodities, assign the relevant instrument to the same hedging set only when the said instruments are identical or similar instruments, where similar instruments in the case of-

- (A) equity instruments mean instruments issued by the same issuer provided that the reporting bank shall treat an equity index as a separate issuer;
- (B) precious metals mean instruments relating to the same metal provided that the reporting bank shall treat a precious metal index as a separate precious metal;
- (C) commodities mean instruments relating to the same commodity provided that the reporting bank shall treat a commodity index as a separate commodity;
- (D) electric power include delivery rights and obligations that relate to the same peak or off-peak load time interval within any relevant 24 hour interval.

(d) *Matters relating to credit conversion factors*

In respect of the net risk position relating to a specific hedging set, a bank that adopted the standardised method for the measurement of the bank's exposure to counterparty credit risk shall in the case of-

- (i) a net risk position arising from a debt instrument or reference debt instrument apply a credit conversion factor of-
 - (A) 0.6 percent when the risk position relates to a debt instrument or reference debt instrument of high specific risk;
 - (B) 0.3 percent when the risk position relates to a reference debt instrument that underlies a credit-default swap, which instrument is of low specific risk;

- (C) 0.2 percent when the risk position relates to a net position other than a position envisaged in item (A) or (B) above.
- (ii) underlying financial instruments other than debt instruments, and in respect of foreign exchange rates, apply the credit conversion factors specified in table 20 below:

Table 20

Exchange rates	Gold	Equity	Precious metals (excluding gold)	Electric power	Other commodities (excluding precious metals)
2.5%	5.0%	7.0%	8.5%	4%	10.0%

- (iii) underlying instruments of OTC derivative instruments, which instruments are not included in any one of the categories specified in subparagraph (i) or (ii) above, apply to the relevant notional equivalent amount a credit conversion factor of 10 per cent, provided that the reporting bank shall assign the said instrument to a separate individual hedging set in respect of each relevant category of underlying instrument.

(19) Method 3: Calculation of counterparty credit exposure in terms of the internal model method

(a) Matters relating to the exposure amount or EAD, and matters related thereto

A bank that obtained the approval of the Registrar to adopt the internal model method for the measurement of the bank's exposure to counterparty credit risk-

- (i) shall calculate its counterparty credit exposure or EAD amount at the level of each relevant netting set and through the application of the formulae specified below, provided that-
- (A) the bank shall in no case capture the effect of a reduction of EAD due to a clause in a collateral agreement that requires receipt of collateral when counterparty credit quality deteriorates;
- (B) when the bank's internal model includes the effect of collateral on changes in the market value of the netting set, the bank shall jointly model collateral other than cash of the same currency as the exposure itself with the exposure in its EAD calculations for securities financing transactions;

- (C) when the bank is unable to jointly model any relevant eligible collateral with the exposure to recognise in its EAD calculations for OTC derivatives the effect of collateral, other than cash of the same currency as the exposure itself, the bank shall apply either haircuts that meet the standards of the financial collateral comprehensive approach specified in subregulation (9) of these Regulations with own haircut estimates or the standard haircuts specified in subregulation (9)(b)(xi);
- (D) when the bank identified specific wrong way risk in respect of a counterparty, the bank shall calculate its relevant counterparty credit exposure or EAD amount and any related amount of required capital and reserve funds in accordance with the relevant requirements specified in subparagraph (ii) below.

Exposure amount or EAD = $\alpha \times \text{EEPE}$

where:

EAD is the relevant exposure amount or exposure at default

α is an alpha factor, which alpha factor shall be equal to 1.4 if the bank complies with all the relevant qualitative requirements specified in regulations 39(8) to 39(12) of these Regulations, provided that-

- (i) based on the reporting bank's exposure to counterparty credit risk, the bank's backtesting results of its model, the bank's level of compliance with the qualitative requirements specified in regulations 39(8) to 39(12) of these Regulations, and the related risk factors, the Registrar may specify a higher alpha factor, which related risk factors may include low granularity of counterparties, high exposures to general wrong-way risk or high correlation of market values across counterparties;
- (ii) subject to the prior written approval of the Registrar and in accordance with the relevant requirements specified in paragraph (b) below, the bank may estimate its own alpha factor

EEPE is the effective expected positive exposure, which effective expected positive exposure is the weighted average effective expected exposure during the first year of future exposure calculated across possible future values of relevant market risk factors such as interest rates or foreign exchange rates and in accordance with the formula specified below, provided that when all contracts in the relevant netting set mature before one year, effective expected positive exposure shall be the weighted average of effective expected exposure until all contracts in the netting set mature

$$\text{Effective EPE} = \sum_{k=1}^{\min(1 \text{ year, maturity})} \text{effective EE}_{tk} \times \Delta t_k$$

where:

EE is the expected exposure amount estimated by the bank's internal model at the relevant series of future dates

and

the weights $\Delta t_k = t_k - t_{k-1}$ make provision for the cases when future exposure is calculated at dates that are not equally spaced over time

effective expected exposure shall be calculated recursively through the application of the formula specified below

$$\text{Effective EE}_{tk} = \max(\text{effective EE}_{tk-1}, \text{EE}_{tk})$$

where:

current date shall be denoted by t_0

and

Effective EE_{t0} shall be equal to the current exposure

- (ii) shall in the case of an instrument where a connection exists between the counterparty and the underlying issuer, and for which specific wrong way risk has been identified, calculate its relevant counterparty credit exposure or EAD amount and any related required amount of capital and reserve funds in accordance with the relevant requirements specified in this subparagraph (ii), provided that-

- (A) when calculating its relevant required amount of capital and reserve funds for counterparty credit risk, the relevant aforesaid instrument in respect of which a connection exists between the counterparty and the underlying issuer shall be regarded as not being part of the same netting set as other transactions with that counterparty;
- (B) in the case of a single-name credit default swap, the exposure or EAD amount in respect of that swap counterparty shall be equal to the full expected loss in the remaining fair value of the underlying instruments assuming the underlying issuer is in liquidation;

The use of the full amount of expected loss in remaining fair value of the underlying instrument allows the bank to recognise, in respect of such swap, the market value that has already been lost and any expected recoveries.

Accordingly, for such swap transactions, a bank that adopted-

- (i) the standardised approach for the measurement of the bank's exposure to credit risk shall apply the relevant risk weight applicable to an unsecured transaction;
- (ii) the foundation or advanced IRB approach for the measurement of the bank's exposure to credit risk shall set LGD equal to 100 per cent.

Recoveries may be possible on the underlying instrument beneath such a swap. The relevant capital requirement for such underlying exposure shall be calculated without reduction for the swap that introduces wrong way risk. Normally this will result in the underlying exposure being risk weighted equivalent to an unsecured transaction, that is, assuming the underlying exposure is an unsecured credit exposure.

- (C) in the case of equity derivatives, bond options, securities financing transactions, etc., referencing a single company, EAD shall be equal to the value of the transaction under the assumption of a jump-to-default of the underlying security, provided that when this results in the re-use of possibly existing market risk calculations for IRC that already contain an LGD assumption, the LGD shall be set equal to 100 per cent;
- (iii) shall calculate an expected exposure amount or peak exposure amount based on a distribution of exposures that accounts for any non-normality in the said distribution of exposures, including any leptokurtosis, that is, fat tails;

- (iv) may, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, instead of calculating the exposure amount or EAD by multiplying effective expected positive exposure with the specified alpha factor specified in subparagraph (i) above, use a more conservative measure than effective expected positive exposure, such as a VaR model for counterparty exposure or another measure based on peak exposure instead of average exposure;
- (v) may in the calculation of its counterparty credit exposure or EAD apply any form of internal model, including a simulation model or analytical model, provided that-
 - (A) the said internal model adopted by the reporting bank shall specify the forecasting distribution for changes in the market value of a netting set attributable to changes in market variables such as interest rates or foreign exchange rates, which forecasting distribution for changes in the market value of a netting set may include eligible financial collateral specified in subregulation (9)(b)(iv), provided that the bank shall in respect of the said collateral comply with the relevant quantitative, qualitative and data requirements relating to the internal model method, specified in this subregulation (19);
 - (B) in respect of each relevant future date and based on the changes in the market variables, the model shall compute the bank's exposure to counterparty credit risk relating to a particular netting set;
 - (C) in the case of a counterparty subject to a margining agreement, the model may capture future movements in the value of collateral;
 - (D) to the extent that the reporting bank recognises collateral in the estimation of an exposure amount or EAD via current exposure, the bank shall not recognise the said benefit of collateral in its estimates of LGD, that is, the bank shall apply an LGD ratio of an otherwise similar uncollateralised facility when the bank recognises the value of collateral obtained in the estimation of an exposure amount or EAD;
 - (E) the bank shall at all times comply with the relevant requirements specified in paragraph (f) below.
- (vi) shall determine the effective maturity relating to a particular netting set in accordance with the relevant requirements specified in paragraph (c) below;

- (vii) shall not in the calculation of its exposure amount or EAD apply any cross-product netting otherwise than in accordance with the relevant requirements specified in paragraph (d) below.
- (viii) shall in respect of any netting set subject to margining calculate the relevant exposure in accordance with the relevant requirements specified in paragraph (e) below;
- (ix) may in respect of any OTC derivative transaction or contract subject to novation or a legally enforceable bilateral netting agreement recognize the effect of the said novation or netting agreement in accordance with the relevant requirements specified in subregulation (17) above.

(b) *Matters relating to own estimates of alpha*

Subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, a bank that adopted the internal model method for the measurement of the bank's exposure to counterparty credit risk may calculate its own internal estimates of alpha, provided that-

- (i) the alpha factor shall in no case be less than 1.2, that is, any internally estimated alpha factor shall be subject to an absolute minimum of 1.2;
- (ii) alpha shall constitute a ratio, calculated as-
 - (A) economic capital derived from a joint simulation of all relevant market and credit risk factors relating to counterparty exposure across all relevant counterparties, as the numerator; **divided by**
 - (B) economic capital based on expected positive exposure, as the denominator,
- (iii) any internal estimate of alpha shall take into account the granularity of the relevant exposures;
- (iv) the bank-
 - (A) shall comply with all relevant operating requirements relating to internal estimates of expected positive exposure specified in paragraph (f) below;
 - (B) shall demonstrate to the satisfaction of the Registrar that its internal estimate of alpha captures in the numerator the material sources of stochastic dependency of distributions of market values of transactions or portfolios of transactions across counterparties, such as the correlation of defaults across counterparties and between market risk and default;

- (C) shall in respect of the denominator, apply expected positive exposure in a manner similar to a fixed outstanding loan amount;
- (D) shall ensure that the numerator and denominator of alpha are calculated in a consistent manner with respect to the modelling methodology, parameter specifications and portfolio composition;
- (E) shall ensure that the approach applied by the bank in order to determine alpha is based on the internal economic capital approach adopted by the bank, which approach-
 - (i) shall be duly documented;
 - (ii) shall be subject to independent validation.
- (F) shall frequently review its internal estimates of alpha, but in no case less frequently than once a quarter or more frequently when the composition of the relevant portfolio varies over time;
- (G) shall continuously assess its model risk;
- (v) when appropriate, any volatility and correlation of market risk factors used in the joint simulation of market risk and credit risk shall be conditioned on the credit risk factor in order to reflect potential increases in volatility or correlation in an economic downturn situation.

(c) *Matters relating to effective maturity*

A bank that obtained the approval of the Registrar to adopt the internal model method for the measurement of the bank's exposure to counterparty credit risk shall in the case of-

- (i) a netting set in respect of which the original maturity of the longest-dated contract contained in the said netting set is equal to or exceeds one year, calculate the effective maturity of the relevant exposure through the application of the formula specified below, instead of the formula specified in subregulation (13)(d)(ii)(B), provided that subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, a bank that uses an internal model, amongst other things, to calculate a one-sided credit valuation adjustment relating to its counterparty credit exposure may apply the effective credit duration estimated by the bank in respect of the said exposure instead of the effective maturity calculated in accordance with the formula specified below:

$$M = \frac{\sum_{k=1}^{t_k \leq 1 \text{ year}} \text{Effective } EE_k \times \Delta t_k \times df_k + \sum_{t_k > 1 \text{ year}}^{\text{maturity}} EE_k \times \Delta t_k \times df_k}{\sum_{k=1}^{t_k \leq 1 \text{ year}} \text{Effective } EE_k \times \Delta t_k \times df_k}$$

where:

M is the effective maturity, which effective maturity shall be subject to a maximum of five years

df_k is the risk-free discount factor relating to future time period tk

- (ii) a netting set in respect of which all contracts have an original maturity of less than one year, other than any short-term exposure as envisaged in subparagraph (iii) below, calculate the effective maturity of the relevant exposure in accordance with the formula and requirements specified in subregulation (13)(d)(ii)(B), provided that the bank shall in respect of the said exposures apply a maturity floor equal to one year;
- (iii) any short-term exposure calculate the effective maturity of the relevant exposure in accordance with the formula and requirements specified in subregulation (13)(d)(ii)(B)(ii).

(d) *Matters relating to cross-product netting*

- (i) A bank that obtained the approval of the Registrar to adopt the internal model method for the measurement of the bank's exposure to counterparty credit risk may include in a particular netting set relating to a particular counterparty any exposure arising from a securities financing transaction or both a securities financing transaction and an OTC derivative contract, provided that-
 - (A) in all cases the bank shall have in place a legally sound bilateral netting agreement, which agreement shall comply with the relevant requirements and criteria specified in subparagraph (ii) below;
 - (B) at all times, the bank shall comply with such procedural requirements or additional requirements as may be specified in writing by the Registrar.
- (ii) Legal and operational criteria

A bank that wishes to include in a netting set relating to a particular counterparty, exposures that arise from securities financing transactions or both securities financing transactions and OTC derivative contracts shall have in place a legally sound written bilateral netting agreement with the said counterparty, which agreement shall create a single legal obligation covering all relevant bilateral master agreements and transactions, such that the bank would have either a claim to receive or obligation to pay only the net sum of the relevant positive and negative close-out amounts and mark-to-market values in the event of any failure of the counterparty to perform in accordance with the said transactions, contracts or agreements, irrespective whether or not the said failure relates to default, bankruptcy, liquidation or similar circumstances, provided that-

- (A) the bank shall have in place written and reasoned legal opinion that conclude with a high degree of certainty that in the event of legal challenge the relevant courts or administrative authorities would find the bank's exposure in terms of the said cross-product netting agreement to be the cross-product net amount under the laws of all relevant jurisdictions-
- (i) which legal opinions-
 - (aa) as a minimum, shall address the validity and enforceability of the said cross-product netting agreement under its terms and the impact of the cross-product netting agreement on the material provisions of any included bilateral master agreement;
 - (bb) shall generally be recognised in all relevant jurisdictions or communities.
 - (ii) which laws of all relevant jurisdictions include-
 - (aa) the law of the jurisdiction in which the counterparty is chartered or incorporated and if the foreign branch of a counterparty is involved, the law of the jurisdiction in which the branch is located;
 - (bb) the law that governs the relevant individual transactions;
 - (cc) the law that governs any contract or agreement necessary to effect the netting.
- (B) the bank shall have in place robust internal procedures to verify, prior to including a transaction in a netting set, that the transaction is covered by legal opinions that comply with the aforesaid criteria;
- (C) the bank shall regularly update all relevant legal opinions in order to ensure continued enforceability of the cross-product netting agreement in light of any possible changes in relevant law;
- (D) the cross-product netting agreement shall not contain any walk-away clause, that is, any provision that permits a non-defaulting counterparty to make only limited payments or no payment at all to the estate of the person that defaulted, even when the defaulting person is a net creditor;

- (E) each relevant bilateral master agreement and transaction included in across-product netting agreement shall continuously comply with any relevant legal requirement specified in these Regulations that may have an impact on the legal recognition or enforceability of the said bilateral agreement, contract or transaction;
 - (F) the reporting bank shall duly maintain record of all relevant and required documentation;
 - (G) the reporting bank shall aggregate the relevant credit risk amounts relating to each relevant counterparty in order to obtain the single legal exposure amount across products and transactions covered by the cross-product netting agreement, which aggregated amount, amongst other things, shall form part of the bank's risk management processes relating to credit risk, credit limits and economic capital;
 - (H) the reporting bank shall demonstrate to the satisfaction of the Registrar that the bank effectively integrates the risk-mitigating effects of cross-product netting into its risk management and other information technology systems.
- (e) *Matters relating to margin agreements*
- (i) Subject to the provisions of subparagraphs (ii) and (iii) below, when-
 - (A) a particular netting set is subject to a margin agreement and the reporting bank's internal model is able to capture the effect of margining in its estimation of expected exposure, the bank may apply for the approval of the Registrar to use the said estimated expected exposure amount directly in the formula relating to effective expected exposure, specified in paragraph (a) above;
 - (B) a particular counterparty exposure is subject to a margin agreement and the reporting bank's model is able to calculate expected positive exposure without margin agreements but the model is not sufficiently sophisticated to calculate expected positive exposure with margin agreements, the effective expected positive exposure of a counterparty that is subject to a margin agreement, re-margining and daily mark-to-market as envisaged in subparagraph (ii) below, shall be deemed to be equal to the lesser of-
 - (i) effective expected positive exposure without any held or posted margining collateral, plus any collateral that has been posted to the counterparty independent of the daily valuation and margining process or current exposure, that is, initial margin or independent amount; or

- (ii) an add-on that reflects the potential increase in exposure over the margin period of risk plus the larger of-
 - (aa) the current exposure net of and including all collateral currently held or posted, excluding any collateral called or in dispute; or
 - (bb) the largest net exposure, including all collateral held or posted under the margin agreement that would not trigger a collateral call, which amount shall reflect all relevant thresholds, minimum transfer amounts, independent amounts and initial margins under the margin agreement,

which add-on shall be calculated as:

$$E[\max(\Delta MtM, 0)]$$

where:

E[...] is the expectation, that is, the average over scenarios

ΔMtM is the possible change of the mark-to-market value of the transactions during the margin period of risk

Provided that-

- (i) changes in the value of collateral shall be reflected using the standard haircut method or own estimates of haircut method envisaged in subregulation (9)(b) of these Regulations, but no collateral payments are assumed during the margin period of risk;
- (ii) the margin period of risk shall be subject to the relevant floor specified in subparagraph (ii) below;
- (iii) through backtesting, the bank shall test whether realised exposures are consistent with the shortcut method prediction over all relevant margin periods within one year envisaged in this item (B), provided that when backtesting indicates that effective EPE is underestimated, the bank shall take appropriate action to make the method more conservative, such as, for example, scaling up risk factor moves;

- (iv) when some of the trades in the netting set have a maturity of less than one year, and the netting set has higher risk factor sensitivities without these trades, the bank shall take this fact into account;
- (ii) In the case of transactions subject to daily re-margining and mark-to-market valuation, when the bank calculates its exposure or EAD amount subject to margin agreements, the bank shall apply a floor margin period of risk of five business days for netting sets consisting only of repo-style transactions, and a floor margin period of risk of 10 business days for all other netting sets, provided that-
 - (A) in respect of all netting sets where the number of trades exceeds 5,000 at any point during a quarter, the bank shall apply a floor margin period of risk of 20 business days for the following quarter;
 - (B) in respect of netting sets containing one or more trades involving either illiquid collateral, or an OTC derivative that cannot be easily replaced, the bank shall apply a floor margin period of risk of 20 business days.

For purposes of this paragraph (e), “illiquid collateral” and “OTC derivatives that cannot be easily replaced” shall be determined in the context of stressed market conditions and shall be characterised by the absence of continuously active markets where a counterparty would, within two or fewer days, obtain multiple price quotations that would not move the market or represent a price reflecting a market discount in the case of collateral, or premium in the case of an OTC derivative.

Examples of situations where trades shall be deemed illiquid include, but are not limited to, trades that are not marked daily and trades that are subject to specific accounting treatment for valuation purposes, such as OTC derivatives or repo-style transactions referencing securities of which the fair value is determined by models with inputs that are not observed in the market.

- (C) in all cases the bank shall duly consider whether trades or securities held as collateral are concentrated in a particular counterparty, and if that counterparty suddenly exited the market, whether the bank would be able to replace its trades;
- (D) when the bank experienced more than two margin call disputes on a particular netting set during the preceding two quarters, and the disputes lasted longer than the applicable margin period of risk, before consideration of this provision, the bank shall in respect of the following two quarters apply a margin period of risk at least double the floor specified hereinbefore for that netting set;

- (E) in the case of re-margining with a periodicity of N-days, irrespective of the shortcut method or full internal model method envisaged hereinbefore, the bank shall apply a margin period of risk of at least the aforesaid specified floor plus the N days minus one day, that is:

$$\text{Margin Period of Risk} = F + N - 1.$$

where:

F is the floor number of days specified hereinbefore

N is the said periodicity of N-days for re-margining

- (iii) The requirements specified in subregulation (7)(b)(iii) of these Regulations regarding legal certainty, documentation, correlation and a robust risk management process shall, insofar as the said provisions are relevant, *mutatis mutandis* apply in respect of all relevant margin agreements.

(f) *Matters relating to model validation and operational requirements*

A bank that wishes to adopt the internal model method for the measurement of the bank's exposure to counterparty credit risk by estimating expected positive exposure, that is, a bank that wishes to apply its EPE model, shall in addition to such requirements as may be specified in writing by the Registrar comply with-

- (i) the qualitative requirements specified in regulation 39(8), which qualitative requirements include matters relating to-
- (A) the bank's EPE model;
 - (B) board and senior management oversight and involvement;
 - (C) an independent risk control function or unit; and
 - (D) backtesting.
- (ii) the operational requirements specified in regulations 39(9) to 39(12), which operational requirements include matters relating to-
- (A) the use test;
 - (B) stress testing;
 - (C) the identification of wrong-way risk; and
 - (D) internal controls and model integrity.

(g) *Matters related to minimum required capital and reserve funds for default risk*

In order to determine the minimum required amount of capital and reserve funds for default risk in respect of a bank's exposure to counterparty credit risk, a bank that obtained the approval of the Registrar to adopt the internal model method shall use the greater of-

- (i) the portfolio-level capital requirement, excluding the requirement related to credit valuation adjustments (CVA) envisaged in paragraph (h) below, based on Effective EPE using current market data; and
- (ii) the portfolio-level capital requirement based on Effective EPE using a stress calibration, provided that the stress calibration shall be a single consistent stress calibration for the whole portfolio of relevant counterparties,

Provided that the greater of Effective EPE using current market data and the stress calibration shall be applied on a total portfolio level and not on a counterparty by counterparty basis.

(h) *Matters related to minimum required capital and reserve funds for credit valuation adjustments (CVA) for a bank that obtained approval for the internal model method for the measurement of the bank's exposure to counterparty credit risk and the internal models approach for the measurement of specific risk as part of the bank's exposure to market risk*

- (i) A bank that obtained the approval of the Registrar for the use of the internal model method for the measurement of the bank's exposure to counterparty credit risk and the internal models approach for the measurement of specific risk as part of the bank's exposure to market risk shall calculate the relevant additional required amount of capital and reserve funds by modelling the impact of changes in the counterparties' credit spreads on the CVAs of all relevant OTC derivative counterparties, together with all relevant eligible CVA hedges, using the bank's value-at-risk (VaR) model for bonds, which VaR model is restricted to changes in the counterparties' credit spreads and does not model the sensitivity of CVA to changes in other market factors, such as changes in the value of the reference asset, commodity, currency or interest rate of a derivative, provided that-
 - (A) regardless of its accounting valuation method used to determine CVA, the additional required amount of capital for CVA shall for each relevant counterparty be based on the formula specified below, in which formula the first factor within the sum represents an approximation of the market implied marginal probability of a default occurring between times t_{i-1} and t_i , acknowledging that market implied default probability or risk neutral probability represents the market price of buying protection against a default, which may differ from the actual probability of a default.

$$CVA = (LGD_{MKT}) \cdot \sum_{i=1}^T \text{Max} \left(0, \exp \left(-\frac{s_{i-1} \cdot t_{i-1}}{LGD_{MKT}} \right) - \exp \left(-\frac{s_i \cdot t_i}{LGD_{MKT}} \right) \right) \left(\frac{EE_{i-1} \cdot D_{i-1} + EE_i \cdot D_i}{2} \right)$$

where:

t_i is the time of the i-th revaluation time bucket, starting from t₀=0

t_T is the longest contractual maturity across the netting sets with the counterparty

s_i is the credit spread of the counterparty at tenor t_i, used to calculate the CVA of the counterparty, provided that the bank shall use-

- (i) the CDS spread of the relevant counterparty whenever it is available; or
- (ii) an appropriate proxy spread that is based on the rating, industry and region of the counterparty when the relevant CDS spread is not available

LGD_{MKT} is the loss given default of the counterparty, which shall be based on-

- (i) the spread of a market instrument of the relevant counterparty; or
- (ii) the appropriate proxy spread that is based on the rating, industry and region of the counterparty when a counterparty instrument is not available

The aforesaid LGD_{MKT} is different from the LGD used to determine the IRB and CCR default risk requirement, as this LGD_{MKT} is a market assessment rather than an internal estimate

EE_i is the expected exposure to the counterparty at revaluation time t_i, as defined in paragraph (a) above, where exposures of different netting sets for such counterparty are added, and where the longest maturity of each netting set is given by the longest contractual maturity inside the netting set, provided that a bank that adopted the short-cut method envisaged in paragraph (e) above for margined trades shall apply the relevant requirements and formula specified in subparagraph (ii) below

D_i is the default risk-free discount factor at time t_i, where D₀ = 1

(ii) When a bank's approved VaR model-

(A) is based on credit spread sensitivities for specific tenors, the bank shall base each relevant credit spread sensitivity on the formula specified below:

$$\text{Regulatory CS01}_i = 0.0001 \cdot t_i \cdot \exp\left(-\frac{s_i \cdot t_i}{\text{LGD}_{\text{MKT}}}\right) \left(\frac{EE_{i-1} \cdot D_{i-1} - EE_{i+1} \cdot D_{i+1}}{2}\right)$$

This derivation assumes positive marginal default probabilities before and after time bucket t_i and is valid for $i < T$.

For the final time bucket $i = T$, the corresponding formula is:

$$\text{Regulatory CS01}_T = 0.0001 \cdot t_T \cdot \exp\left(-\frac{s_T \cdot t_T}{\text{LGD}_{\text{MKT}}}\right) \left(\frac{EE_{T-1} \cdot D_{T-1} + EE_T \cdot D_T}{2}\right)$$

(B) uses credit spread sensitivities to parallel shifts in credit spreads, which shall for purposes of these Regulations be referred to as regulatory CS01, the bank shall use the formula specified below, which derivation assumes positive marginal default probabilities;

$$\text{Regulatory CS01} = 0.0001 \cdot \sum_{i=1}^T \left(t_i \cdot \exp\left(-\frac{s_i \cdot t_i}{\text{LGD}_{\text{MKT}}}\right) - t_{i+1} \cdot \exp\left(-\frac{s_{i+1} \cdot t_{i+1}}{\text{LGD}_{\text{MKT}}}\right) \right) \left(\frac{EE_{i-1} \cdot D_{i-1} + EE_i \cdot D_i}{2}\right)$$

(iii) Any hedge used and managed by the bank to mitigate its exposure to CVA risk, shall be included in the bank's calculation of the relevant required amount of capital for CVA risk in accordance with the relevant requirements specified in subregulation (15)(b).

(20) *Specific matters relating to delivery-versus-payment transactions, and non-delivery-versus-payment or free-delivery transactions*

(a) A bank shall in respect of-

(i) any delivery-versus-payment transaction, that is, any transaction settled through a delivery-versus-payment system-

(A) which system makes provision for the simultaneous exchanges of securities for cash, including payment versus payment;

(B) which transaction exposes the reporting bank to a risk of loss equal to the difference between the transaction valued at the agreed settlement price and the transaction valued at current market price, that is, the positive current exposure amount;

- (C) which transaction may include-
 - (i) the settlement of commodities;
 - (ii) the settlement of foreign exchange;
 - (iii) the settlement of securities;
 - (iv) settlement through a licensed exchange, clearing house or central counterparty, and which transactions are subject to daily mark-to-market, payment of daily variation margins and involve a mismatched trade;
- (ii) any non-delivery-versus-payment or free-delivery transaction, that is, any transaction in respect of which cash is paid out without receipt of the contracted receivable, which receivable may include a security, foreign currency, gold or a commodity, or conversely, any transaction in respect of which deliverables were delivered without receipt of the contracted cash payment, which transaction exposes the reporting bank to a risk of loss equal to the full amount of the cash amount paid or deliverables delivered,

calculate its required amount of capital and reserve funds in accordance with the relevant requirements specified in paragraph (b) below, provided that-

- (A) the provisions of this subregulation (20) shall not apply-
 - (i) to any repurchase agreement, resale agreement, securities lending transaction or securities borrowing transaction that has failed to settle,
 - (ii) to any forward contract or one-way cash payment due in respect of an OTC derivative transaction,

which agreement, contract or transaction shall be subject to the relevant requirements specified in subregulations (16) to (19) above, or subregulations (6) to (14);

- (B) in the case of a system wide failure of a settlement or clearing system, or a central counterparty, the Registrar may, subject to such conditions as may be specified in writing by the Registrar, exempt a bank from the requirements specified in paragraph (b) below;
- (C) a failure of a counterparty to settle a trade as envisaged in this subregulation (20) will not necessarily fall within the ambit of default for the purpose of measuring the reporting bank's exposure to credit risk as envisaged in this regulation 23.

(b) Minimum required amount of capital and reserve funds

A bank shall in the case of-

- (i) any delivery-versus-payment transaction in respect of which payment has not taken place in the period of five business days after the contracted settlement date calculate its required amount of capital and reserve funds by multiplying the relevant positive current exposure amount with the relevant percentage specified in table 21 below.

Table 21

Number of working days after the contracted settlement date	Risk multiplier
From 5 to 15	8%
From 16 to 30	50%
From 31 to 45	75%
46 or more	100%

- (ii) any non-delivery-versus-payment or free-delivery transaction, after the first contractual date relating to payment or delivery when the relevant second leg has not been received at the end of the relevant business day, treat the relevant payment made as a loan exposure, that is, a bank that adopted-

- (A) the IRB approach shall calculate its risk-weighted exposure and related required amount of capital and reserve funds in accordance with the relevant formulae and requirements specified in subregulations (11) and (13);
- (B) the standardised approach shall calculate its risk-weighted exposure and related required amount of capital and reserve funds in accordance with the relevant requirements specified in subregulations (6) and (8),

provided that-

- (i) when the relevant exposure amount is not material, the reporting bank may choose to apply a risk weight of 100 per cent to the said exposure amount;
- (ii) when five business days have lapsed following the second contractual payment or delivery date and the second leg has not effectively taken place, the bank that made the first payment leg shall deduct from its common equity tier 1 capital and reserve funds the full amount of value transferred plus any relevant replacement cost until the said second payment or delivery leg is effectively made;

- (iii) when determining a risk weight in respect of any failed free-delivery exposure, a bank that adopted-
 - (aa) the IRB approach for the measurement of the bank's exposure to credit risk may in respect of a counterparty in respect of which the bank has no other banking book exposure assign a PD ratio, based on the relevant counterparty's external rating;
 - (bb) the advanced IRB approach for the measurement of the bank's exposure to credit risk may apply an LGD ratio of 45 per cent, in lieu of estimating an LGD ratio, provided that the bank shall apply the said ratio to all failed trade exposures; or
 - (cc) the IRB approach for the measurement of the bank's exposure to credit risk may apply the risk weights specified in the standardised approach, in subregulation (8), or a risk weight of 100 per cent.

(21) EXPECTED LOSS

A bank that adopted the IRB approach for the measurement of the bank's exposure to credit risk shall calculate an aggregate amount in respect of the bank's expected losses, which aggregate expected loss amount-

- (a) shall exclude any expected losses in respect of-
 - (i) the bank's equity exposures subject to the PD/LGD approach prescribed in regulation 31(6)(c);
 - (ii) credit exposures resulting from a securitisation scheme;
 - (b) shall be determined by multiplying the expected loss ratio relating to a particular credit exposure with the relevant EAD amount;
 - (c) shall in the case of-
 - (i) credit exposures relating to corporate institutions other than specialised lending mapped into the standardised risk grades specified in subregulation (11)(d)(iii)(C), sovereigns, banks and the bank's retail portfolios, which exposures-
 - (A) are not in default, and
 - (B) do not constitute protected exposures or eligible exposures subject to the double default approach,
- be calculated by multiplying the exposure's relevant PD ratio with its LGD ratio;

- (ii) credit exposures relating to corporate institutions, sovereigns, banks and the bank's retail portfolios, which exposures are in default, be calculated by estimating the expected loss amount through the application of the relevant LGD ratio;
- (iii) exposures relating to specialised lending mapped into the standardised risk grades specified in subregulation (11)(d)(iii)(C), excluding exposures relating to high-volatility commercial real estate, be calculated by multiplying the relevant EAD amount with the minimum required capital adequacy ratio prescribed in accordance with the relevant provisions of regulation 38(8)(b), and the risk weights specified in table 22 below:

Table 22

Rating grade				
Strong	Good	Satisfactory	Weak	Default
5%	10%	35%	100%	625%

- (iv) exposures relating to high-volatility commercial real estate mapped into the standardised risk grades specified in subregulation (11)(d)(iii)(C), be calculated by multiplying the relevant EAD amount with the minimum required capital adequacy ratio prescribed in accordance with the relevant provisions of regulation 38(8)(b), and the risk weights specified in table 23 below:

Table 23

Rating grade				
Strong	Good	Satisfactory	Weak	Default
5%	5%	35%	100%	625%

- (v) other exposures, including any protected exposure or eligible exposure subject to the double default approach, be deemed to be equal to nil.

(22) CREDIT IMPAIRMENT

- (a) As a minimum, every bank-
 - (i) shall have in place a sufficiently robust system for the calculation of credit impairment in accordance with the relevant requirements specified in Financial Reporting Standards issued from time to time;
 - (ii) shall have in place sufficiently robust processes and board-approved policies, and sufficient dedicated resources, to ensure-
 - (A) the early identification of assets of deteriorating credit quality;
 - (B) ongoing oversight of problem assets or credit exposure;

- (C) that the bank periodically reviews and assesses-
 - (i) all relevant problem assets at an individual level, or a portfolio level in the case of credit exposures with homogenous characteristics;
 - (ii) the adequacy of the bank's asset classification, provisioning and write-offs;
 - (iii) the value, adequacy and enforceability of all relevant risk mitigation instruments or contracts, including guarantees, credit-derivative instruments or other forms of collateral or credit protection;
- (D) that all relevant off-balance-sheet exposures are duly considered;
- (E) that the bank's credit impairments and write-offs reflect realistic repayment and recovery expectations;
- (F) ongoing collection of past due obligations;
- (G) that the bank's board of directors receives timely and appropriate information on the condition of the bank's relevant credit portfolios, including the classification of credit exposures, the level of provisioning and major problem assets;
- (iii) shall base its decisions in respect of credit impairment primarily on an assessment of the recoverability of individual on-balance-sheet and off-balance-sheet items or portfolios of items with similar characteristics, such as credit card receivables;
- (iv) shall identify and recognise impairments in on-balance-sheet and off-balance-sheet items when it is probable that the bank will not be able to collect, or there is no longer a reasonable assurance that the bank will collect, all amounts due according to the contractual terms of the written agreement.
- (b) When the Registrar is of the opinion that the policies and procedures applied by a bank during its assessment of asset quality, risk mitigation and related credit impairment are inadequate, the Registrar may require the relevant bank to raise a specified credit impairment amount against potential credit losses, for example, by requiring in writing the said bank to transfer a specified amount from retained earnings or distributable reserves to a non-distributable reserve.

(c) *Standardised approach*

A bank that-

- (i) adopted the standardised approach for the measurement of a portion of its exposure to credit risk shall determine the relevant portion of any general allowance for credit impairment or general loan-loss reserve that relate to the credit exposures measured in terms of the standardised approach, that is, the bank shall allocate its general allowance for credit impairment or general loan-loss reserve on a pro-rata basis based on the proportion of risk-weighted credit exposure subject to the standardised approach;
- (ii) makes exclusive use of the standardised approach to determine its risk-weighted credit exposure shall attribute the relevant total amount of general allowance for credit impairment or general loan-loss reserve raised to the standardised approach;
- (iii) adopted the standardised approach for the measurement of its exposure to credit risk may include in tier 2 unimpaired reserve funds, up to a maximum amount of 1.25 per cent of the bank's relevant risk-weighted credit exposure, the relevant gross amount of general allowance for credit impairment or general loan-loss reserve.

(d) *IRB approach*

(i) A bank that-

- (A) makes exclusive use of the IRB approach to determine its risk-weighted credit exposure shall attribute to eligible provisions the aggregate amount of any relevant general allowance or general loan-loss reserve raised for credit impairment;
- (B) adopted the IRB approach for the measurement of the bank's exposure to credit risk shall deduct from its eligible provisions the aggregate amount relating to expected loss calculated in accordance with the relevant requirements specified in subregulation (21) above, provided that when the aggregate amount relating to expected losses-
 - (i) exceeds the bank's eligible provisions, the bank shall in accordance with the relevant requirements specified in regulation 38(5) of these Regulations deduct from its capital and reserve funds the said excess amount;
 - (ii) is less than the bank's eligible provisions, the bank may include in tier 2 unimpaired reserve funds, in item 85 of the form BA 700, up to a maximum amount of 0.6 per cent of the bank's relevant risk weighted exposure amount, or such a lower percentage as may be specified in writing by the Registrar, the relevant surplus amount;

- (ii) Subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, a bank that adopted both the standardised approach and the IRB approach for the measurement of the bank's risk-weighted credit exposure may apply the bank's internal methods to allocate any general allowance for credit impairment or general loan-loss reserve for recognition in capital under either the standardised or IRB approach.

(23) Instructions relating to the completion of the monthly form BA 200 are furnished with reference to the headings and item descriptions of specified columns and line items appearing on form BA 200, as follows:

Items relating to the summary of selected credit risk related information: standardised approach

Item number	Description
2	<p>Impaired advances</p> <p>This item shall reflect the aggregate amount of impaired advances.</p> <p>As a minimum, an advance is considered to be impaired when objective evidence exists that the bank is unlikely to collect the total amount due.</p>
3 to 6	<p>Assets bought-in</p> <p>These items shall reflect the on-balance sheet carrying value of assets bought-in during the preceding five years to protect an investment, including a loan or advance, which asset has not been disposed of at the end of the reporting period.</p>
7 to 9	<p>Credit impairment</p> <p>These items shall reflect the relevant required aggregate amounts of specific credit impairments and portfolio credit impairments raised by the reporting bank in accordance with the relevant requirements specified in Financial Reporting Standards issued from time to time.</p>
11	<p>Total gross credit exposure</p> <p>This item shall reflect the relevant required gross amount of credit exposure before the application of credit risk mitigation and any relevant credit conversion factor.</p>
12	<p>Credit exposure value post credit risk mitigation</p> <p>This item shall reflect the relevant required aggregate amount of gross credit exposure after the effect of any relevant credit risk mitigation has been included.</p>
13	<p>Credit exposure post credit risk mitigation and credit conversion</p> <p>This item shall reflect the relevant required aggregate amount of gross credit exposure after the effects of any relevant credit risk mitigation and credit conversion factors have been included.</p>

Columns relating to summary of on-balance-sheet and off-balance-sheet credit exposure: standardised approach, items 14 to 34

Column number	Description
1	<p>On-balance-sheet exposure</p> <p>This column shall reflect the aggregate amount in respect of amounts drawn by clients, that is, utilised amounts, which amounts form part of the current exposure of the reporting bank, before the impact of any relevant credit risk mitigation has been taken into consideration.</p>
2	<p>Off-balance-sheet exposure</p> <p>This column shall reflect the aggregate amount relating to, for example, exposures in respect of which a facility has been granted by the reporting bank to an obligor but in respect of which no funds have been paid out and no debit balance has been created, other than any exposure arising from a derivative instrument or repo-style transaction, including any exposure amount in respect of an irrevocable commitment, prior to the application of any relevant credit conversion factor or credit risk mitigation.</p>
3	<p>Repurchase and/ or resale agreements</p> <p>This column shall reflect the aggregate amount in respect of any credit exposure arising from a repurchase and/ or resale agreement concluded by the reporting bank.</p>
4	<p>Derivative instruments</p> <p>This column shall reflect the aggregate amount in respect of any credit exposure arising from derivative instruments, including any relevant exposure amount relating to counterparty credit risk.</p>
14	<p>Credit exposure post credit risk mitigation</p> <p>This column shall reflect the relevant required aggregate amount of gross credit exposure after the impact of any relevant credit risk mitigation has been taken into consideration.</p>

Items relating to reconciliation of credit impairment: standardised approach

Item number	Description
40	<p>Interest in suspense</p> <p>Since interest relating to impaired loans may not ultimately contribute to income when doubt exists regarding the recovery of the relevant loan amount or related interest amount due, this item shall reflect the relevant amount of interest in suspense, that is, irrespective of the accounting treatment of interest income from time to time, this item shall reflect the difference between the relevant amount of interest contractually due to the reporting bank by its clients up to the end of the reporting month and the relevant amount of interest income actually included in the operating profit or loss of the bank.</p>

Item number	Description
43	<p>Recoveries</p> <p>This item shall reflect the relevant aggregate amount in respect of recoveries, net of any relevant amount relating to specific credit impairment and/ or portfolio credit impairment.</p>

Columns relating to credit capital requirements based on risk weights: standardised approach, items 47 to 69

Column number	Description
1	<p>Total gross credit exposure</p> <p>This column shall reflect the aggregate gross credit exposure amount relating to the reporting bank's-</p> <p>(a) on-balance-sheet exposure, gross of any valuation adjustment or credit impairment;</p> <p>(b) off-balance-sheet exposure, including amounts in respect of irrevocable commitments, prior to the application of any credit-conversion factor;</p> <p>(c) exposure in respect of any repurchase or resale agreement;</p> <p>(d) exposure in respect of derivative instruments, calculated in accordance with the relevant requirements specified in subregulations (15) to (19).</p>
2	<p>Specific credit impairment</p> <p>This column shall reflect the aggregate amount relating to any specific credit impairment in respect of the exposure amount reported in column 1.</p>
3	<p>Exposure amount post credit risk mitigation (CRM) and specific credit impairment</p> <p>This column shall reflect the reporting bank's relevant adjusted exposure amount, that is, the relevant amount net of any credit risk mitigation and specific credit impairment, calculated in accordance with the relevant requirements specified in these Regulations.</p>
4 to 10	<p>Breakdown of off-balance-sheet exposure based on credit conversion factors (CCF)</p> <p>Based on the relevant credit conversion factors specified in subregulation (6)(g), these columns shall reflect the appropriate breakdown of the reporting bank's adjusted exposure, that is, amounts included in column 3, relating to off-balance-sheet exposure.</p>

Columns relating to counterparty credit risk based on specified risk weights: standardised approach, items 80 to 86

Column number	Description
1	<p>Total notional principal amount</p> <p>This column shall reflect the relevant effective nominal or notional amounts underlying the reported OTC derivative instruments or contracts.</p>
2	<p>Gross replacement cost</p> <p>This column shall reflect the respective gross positive fair value amounts of the reported OTC derivative instruments, before the risk reducing effect of any netting agreement that complies with the relevant requirements specified in regulation 23(7)(a), 23(9)(a), 23(17) or 23(18), or any relevant collateral, has been taken into consideration.</p>
3	<p>Net replacement cost</p> <p>This column shall reflect the respective gross positive fair value amounts of the reported OTC derivative instruments, after the risk reducing effect of any netting agreement that complies with the relevant requirements specified in regulations 23(7)(a), 23(9)(a), 23(17) or 23(18), but before the effect of any relevant collateral, has been taken into consideration.</p>
4	<p>Gross potential future exposure add-on</p> <p>Based on the relevant OTC derivative instruments' or contracts' notional principal amounts, this column shall reflect the potential future exposure add-on amount, before the impact of any netting or collateral has been taken into consideration.</p>
5	<p>Net potential future exposure add-on</p> <p>Based on the relevant OTC derivative instruments' or contracts' notional principal amounts, this column shall reflect the adjusted add-on amount for all relevant contracts subject to eligible bilateral netting agreements or contracts.</p>
6	<p>Collateral value after haircut</p> <p>This column shall reflect the current value of eligible financial collateral obtained by the reporting bank in respect of OTC derivative instruments, after the effect of any relevant haircut has been taken into consideration.</p>
7	<p>Credit exposure value</p> <p>In the absence of an eligible master netting agreement, this column shall reflect the current value of all relevant credit exposures arising from securities financing transactions, after the effect of any relevant haircut has been taken into consideration.</p>

Columns relating to counterparty credit risk based on specified risk weights: standardised approach, items 80 to 86

Column number	Description
8	<p>Collateral value</p> <p>In the absence of an eligible master netting agreement, this column shall reflect the current value of eligible financial collateral obtained by the reporting bank in respect of all relevant securities financing transactions, after the effect of any relevant haircut has been taken into consideration.</p>
9	<p>Netting benefit</p> <p>This column shall reflect the aggregate amount of all relevant netting benefits arising from eligible master netting agreements taken into consideration in the calculation of the reporting bank's relevant adjusted credit exposure amount arising from securities financing transactions.</p>
10	<p>Current market value of portfolio</p> <p>In respect of all relevant OTC derivative instruments, this column shall reflect the relevant current market value of the relevant portfolio of transactions within the netting set with a particular counterparty, before the impact of any collateral has been taken into consideration.</p>
11	<p>Current market value of collateral</p> <p>This column shall reflect the relevant market value of the collateral assigned to the relevant netting set in respect of OTC derivative instruments.</p>
12	<p>Risk position from transaction</p> <p>This column shall reflect the relevant required risk positions arising from the relevant hedging sets related to OTC derivative instruments.</p>
13	<p>Risk position from collateral</p> <p>This column shall reflect the relevant required risk positions from collateral with respect to the relevant hedging sets related to OTC derivative instruments.</p>
14	<p>Net absolute risk position after the application of CCF's</p> <p>In respect of all relevant OTC derivative instruments, this column shall reflect the absolute aggregate amount of the required risk positions related to the relevant hedging sets, after the application of any relevant credit conversion factor.</p>

Columns relating to counterparty credit risk based on specified risk weights: standardised approach, items 80 to 86

Column number	Description
15	<p>Credit exposure value</p> <p>In the absence of an eligible master netting agreement, this column shall reflect the current value of all relevant credit exposures related to securities financing transactions, after the effect of any relevant haircut has been taken into consideration.</p>
16	<p>Collateral value</p> <p>In the absence of an eligible master netting agreement, this column shall reflect the current value of eligible financial collateral obtained by the reporting bank in respect of all relevant securities financing transactions, after the effect of any relevant haircut has been taken into consideration.</p>
17	<p>Netting benefits</p> <p>This column shall reflect the aggregate amount of all relevant netting benefits arising from eligible master netting agreements taken into consideration in the calculation of the reporting bank's relevant adjusted credit exposure amount related to securities financing transactions.</p>
18	<p>Effective expected positive exposure</p> <p>Based on the relevant requirements specified in subregulation (19)(a), this column shall reflect the relevant required effective expected positive exposure amount related to OTC derivative instruments.</p>
19	<p>Stressed effective expected positive exposure</p> <p>Based on the relevant requirements specified in, amongst others, subregulations (15) and (19) of these Regulations, this column shall reflect the relevant required effective expected positive exposure amount related to OTC derivative instruments in terms of a stressed scenario.</p>
20	<p>Effective expected positive exposure</p> <p>Based on the relevant requirements specified in subregulation (19)(a), this column shall reflect the relevant required effective expected positive exposure amount related to securities financing transactions.</p>
21	<p>Stressed effective expected positive exposure</p> <p>Based on the relevant requirements specified in, amongst others, subregulations (15) and (19) of these Regulations, this column shall reflect the relevant required effective expected positive exposure amount related to securities financing transactions in terms of a stressed scenario.</p>

Columns relating to counterparty credit risk based on specified risk weights: standardised approach, items 80 to 86

Column number	Description
22	<p>Adjusted exposure amount - OTC derivative instruments</p> <p>This column shall reflect the relevant required exposure or EAD amount for OTC derivative instruments, calculated in terms of the relevant requirements specified in these Regulations for the current exposure method, the standardised method or the internal model method, which amount shall be net of any relevant incurred CVA loss amount.</p>
23	<p>Adjusted exposure amount - securities financing transactions</p> <p>This column shall reflect the relevant required exposure or EAD amount for securities financing transactions, calculated in terms of the relevant requirements specified in these Regulations for the current exposure method, the standardised method or the internal model method, which amount shall be net of any relevant incurred CVA loss amount.</p>
24	<p>Default risk - OTC derivative instruments</p> <p>This column shall reflect the relevant required risk weighted exposure amount for OTC derivative instruments, calculated in terms of the relevant requirements specified in these Regulations for the current exposure method, the standardised method or the internal model method, which amount shall be net of any relevant incurred CVA loss amount.</p>
25	<p>Default risk - securities financing transactions</p> <p>This column shall reflect the relevant required risk weighted exposure amount for securities financing transactions, calculated in terms of the relevant requirements specified in these Regulations for the current exposure method, the standardised method or the internal model method, which amount shall be net of any relevant incurred CVA loss amount.</p>
26	<p>Standardised approach for CVA</p> <p>Based on the relevant requirements specified in subregulation (15), this column shall reflect the relevant required risk weighted exposure amount for CVA risk, calculated in terms of the standardised approach, provided that, when required by the Registrar, this column shall include any relevant amount related to CVA loss exposures arising from securities financing transactions.</p>

Columns relating to counterparty credit risk based on specified risk weights: standardised approach, items 80 to 86

Column number	Description
27	<p>Advanced approach for CVA</p> <p>Based on the relevant requirements specified in subregulation (19), this column shall reflect the relevant required risk weighted exposure amount for CVA risk, calculated in terms of the advanced approach, provided that, when required by the Registrar, this column shall include any relevant amount related to CVA loss exposures arising from securities financing transactions.</p>
28	<p>Total risk weighted exposure</p> <p>This column shall reflect the relevant required aggregate amount of risk weighted exposure for counterparty credit risk, including any relevant amount of risk weighted exposure-</p> <ul style="list-style-type: none"> (a) arising from OTC derivative instruments and securities financing transactions; (b) calculated in terms of the relevant requirements specified in these Regulations for the current exposure method, the standardised method or the internal model method; (c) related to CVA risk; (d) related to central counterparties.

Items relating to counterparty credit risk analysis of netting: standardised approach

Item number	Description
87	<p>Replacement cost</p> <p>This item shall reflect the relevant required netting benefit taken into consideration for calculating the relevant net replacement cost in respect of OTC derivative instruments.</p>
88	<p>Potential future exposure add-on</p> <p>This item shall reflect the relevant required netting benefit taken into consideration for calculating the relevant net potential future exposure add-on amount in respect of OTC derivative instruments.</p>
89	<p>Securities financing transactions</p> <p>This items shall reflect the relevant required netting benefit taken into consideration in respect of securities financing transactions.</p>
90	<p>Cross-product netting</p> <p>This item shall reflect the relevant required cross-product netting amount taken into consideration by a bank that obtained the approval of the Registrar to use the internal model method for counterparty credit risk.</p>

Columns relating to counterparty credit risk analysis of standardised CVA risk weighted exposure: standardised approach, items 92 to 99

Column number	Description
2	<p>EAD</p> <p>This column shall reflect the relevant exposure or EAD amount, calculated in terms of the relevant requirements specified in these Regulations, after the application of any relevant discount factor.</p>
3	<p>Single-name CDS</p> <p>This column shall reflect the relevant required notional amount, after the application of any relevant discount factor, of a purchased single-name CDS, single-name contingent CDS and/or other eligible instrument used to hedge CVA risk.</p>
4	<p>Index CDS</p> <p>This column shall reflect the relevant required notional amount, after the application of any relevant discount factor, of an eligible purchased index CDS used to hedge CVA risk.</p>
5	<p>Standardised CVA risk weighted exposure</p> <p>This column shall reflect the relevant required risk weighted exposure amount related to CVA risk, calculated in terms of the the relevant requirements specified in these Regulations for the standardised approach.</p>

Columns relating to analysis of central counterparty trade exposure: standardised approach, items 100 to 103

Column number	Description
1	<p>Trade exposure</p> <p>This column shall reflect the current and potential future exposure amount of a clearing member or a client to a central counterparty arising from any relevant OTC derivative instrument, exchange traded derivative transaction or securities financing transaction, calculated in accordance with the relevant requirements specified in subregulation (15) read with the relevant requirements respectively specified in subregulations (17) to (19) of these Regulations for the current exposure method, the standardised method or the internal model method.</p>
3	<p>Risk weighted exposure</p> <p>This column shall reflect the relevant required risk weighted exposure amount of a clearing member or a client to a central counterparty arising from any relevant OTC derivative instrument, exchange traded derivative transaction or securities financing transaction, calculated in accordance with the relevant requirements specified in subregulation (15) read with the relevant requirements respectively specified in subregulations (17) to (19) of these Regulations for the current exposure method, the standardised method or the internal model method.</p>
4	<p>Calculated in terms of the standardised approach</p> <p>This column shall reflect the relevant required risk weighted exposure amount calculated in terms of the standardised approach for the measurements of the bank's exposure to credit risk with regards to trade exposures to non-qualifying central counterparties.</p>

Columns relating to analysis of qualifying central counterparty default fund guarantees: standardised approach, items 104 and 105

Column number	Description
1	<p>Initial margin collateral posted with a central counterparty</p> <p>Based on the relevant requirements specified in these Regulations, this column shall reflect the relevant aggregate amount related to a clearing member's or client's funded collateral posted or provided to a central counterparty to mitigate the potential future exposure of the central counterparty to the clearing member arising from the possible future change in the value of their transactions, provided that, in accordance with the relevant requirements specified in these Regulations, initial margin shall exclude any relevant amount related to contributions to a central counterparty in terms of any mutualised loss sharing arrangement, that is, when a central counterparty uses initial margin to mutualise losses among the clearing members, the relevant amount shall be treated as a default fund exposure.</p>

Columns relating to analysis of qualifying central counterparty default fund guarantees: standardised approach, items 104 and 105

Column number	Description
2	<p>Prefunded default fund contribution</p> <p>This column shall reflect the relevant aggregate amount related to any prefunded default fund contributions made by the clearing member that will be applied upon such clearing member's default, either along with or immediately following such member's initial margin, to reduce any central counterparty loss.</p>
3	<p>Trade exposure</p> <p>This column shall reflect the relevant aggregate amount related to the current and potential future exposure of a clearing member or a client to a central counterparty arising from OTC derivatives, exchange traded derivatives transactions or securities financing transactions, calculated in accordance with the relevant requirements specified in these Regulations for the current exposure method, the standardised method or the internal model method.</p>
4	<p>Risk weighted exposure</p> <p>Based on the relevant requirements specified in subregulation (15)(d), this column shall reflect the relevant risk weighted exposure amount calculated in terms of either method 1 or method 2.</p>

Columns relating to analysis of non-qualifying central counterparty default fund guarantees: standardised approach, items 106 and 107

Column number	Description
1	<p>Prefunded default fund contribution</p> <p>This column shall reflect the relevant aggregate amount related to any prefunded default fund contribution by a clearing member that will be applied upon such clearing member's default, either along with or immediately following such member's initial margin, to reduce any central counterparty loss.</p>
2	<p>Unfunded default fund contribution</p> <p>This column shall reflect the relevant aggregate amount related to unfunded default fund contributions, which contributions-</p> <ul style="list-style-type: none"> (a) are liable to be paid by a clearing member when required by the relevant central counterparty; (b) will be applied upon such clearing member's default, either along with or immediately following such member's initial margin, to reduce any central counterparty loss.

Columns relating to analysis of non-qualifying central counterparty default fund guarantees: standardised approach, items 106 and 107

Column number	Description
3	<p>Trade exposure</p> <p>This column shall reflect the relevant aggregate amount related to the current and potential future exposure of a clearing member or a client to a central counterparty, arising from OTC derivatives, exchange traded derivatives transactions or securities financing transactions, calculated in accordance with the relevant requirements specified in these Regulations for the current exposure method, the standardised method or the internal model method.</p>
4	<p>Risk weighted exposure</p> <p>This column shall reflect the relevant aggregate risk weighted exposure amount equivalent to a deduction against capital and reserve funds.</p>

Items relating to summary of selected credit risk related information: IRB approach

Item number	Description
113	<p>Impaired advances</p> <p>This item shall reflect the aggregate amount of advances in respect of which the bank raised a specific impairment.</p> <p>As a minimum, an advance is considered to be impaired when objective evidence exists that the bank is unlikely to collect the total amount due.</p>
114 to 117	<p>Assets bought-in</p> <p>These items shall reflect the on-balance sheet carrying value of assets bought-in during the preceding five years to protect an investment, including a loan or advance, which asset has not been disposed of at the end of the reporting period.</p>
118 to 120	<p>Credit impairments</p> <p>These items shall reflect the relevant required aggregate amounts of specific credit impairments and portfolio credit impairments raised by the reporting bank in accordance with the relevant requirements specified in financial reporting standards issued from time to time.</p>
122	<p>Total credit extended</p> <p>This item shall reflect the aggregate outstanding credit exposure amount due to the reporting bank in respect of loans, advances, off-balance-sheet exposure, derivative instruments and repurchase or resale agreements, before the effect of credit risk mitigation has been taken into consideration.</p>

Items relating to summary of selected credit risk related information: IRB approach

Item number	Description
123	<p>Exposure at default (EAD)</p> <p>This item shall reflect the reporting bank's relevant aggregate EAD amount, calculated in accordance with the relevant requirements specified in these Regulations.</p>
124	<p>Average probability of default (PD, EAD weighted)</p> <p>This item shall reflect the reporting bank's relevant EAD weighted average probability of default percentage, calculated in accordance with the relevant requirements specified in these Regulations.</p>
125	<p>Average loss given default (LGD, EAD weighted)</p> <p>This item shall reflect the reporting bank's relevant EAD weighted average LGD percentage relating to credit exposure, calculated in accordance with the relevant requirements specified in these Regulations.</p>
126	<p>Total expected loss (EL)</p> <p>Based on, amongst others, the relevant requirements specified in subregulation (21), this item shall reflect the reporting bank's aggregate expected loss amount.</p>
127	<p>Best estimate of expected loss (BEEL)</p> <p>Based on a PD of 100 per cent in respect of any relevant defaulted exposure, this item shall reflect the reporting bank's best estimate of expected loss amount, which best estimate of expected loss amount is expected to be an amount equal to or higher than the amount raised by the reporting bank in respect of specific credit impairment in accordance with the relevant requirements specified in financial reporting standards issued from time to time, provided that when the aforesaid two amounts differ the reporting bank shall at the written request of the Registrar provide the Registrar with a detailed reconciliation in writing between the two said amounts, which reconciliation shall duly explain the relevant reconciliation differences.</p>

Columns relating to summary of on-balance-sheet and off-balance-sheet credit exposure: IRB approach, items 129 to 156

Column number	Description
1	<p>Utilised: on-balance-sheet exposure</p> <p>This column shall reflect the aggregate amount in respect of amounts drawn by clients, which amounts form part of the reporting bank's current on-balance-sheet exposure before the application of any credit risk mitigation (CRM).</p>
2	<p>Off-balance-sheet exposure</p> <p>This column shall reflect the aggregate amount in respect of-</p> <p>(a) facilities granted to clients but not drawn, that is, unutilized facilities in respect of which no funds have been paid out and no debit balance has been raised; and</p> <p>(b) other off-balance-sheet items such as guarantees and commitments made by the reporting bank,</p> <p>which amounts form part of the reporting bank's total current exposure, before the application of any risk mitigation or relevant credit conversion factor.</p>
3	<p>Repurchase and resale agreements</p> <p>This column shall reflect the aggregate amount in respect of any credit exposure arising from a repurchase or resale agreement concluded by the reporting bank.</p>
4	<p>Derivative instruments</p> <p>This column shall reflect the aggregate amount in respect of any credit exposure arising from derivative instruments, including any relevant amount in respect of exposure to counterparty credit risk calculated in accordance with the relevant requirements specified in subregulations (15) to (19).</p>
7	<p>Total credit exposure (EAD)</p> <p>This column shall reflect the aggregate amount in respect of the reporting bank's relevant exposure weighted EAD amount, calculated in accordance with the relevant requirements specified in subregulations (11) and (13).</p>
10	<p>Risk weighted exposure</p> <p>This column shall include any relevant risk weighted exposure amount calculated in respect of the reporting bank's exposure to credit risk, after the application of a scaling factor of 1.06.</p>
12	<p>Risk weighted exposure in respect of assets not subject to double default adjustment</p> <p>This column shall reflect the aggregate amount of credit exposure not subject to any double default adjustment as envisaged in subregulation (12)(g) or (14)(f).</p>

Columns relating to summary of on-balance-sheet and off-balance-sheet credit exposure: IRB approach, items 129 to 156

Column number	Description
13	<p>Risk weighted exposure in respect of assets subject to double default provisions, prior to adjustment</p> <p>This column shall reflect the aggregate amount of credit exposure subject to the requirements of double default envisaged in subregulation (12)(g) or (14)(f), prior to any relevant adjustment in respect of the said double default.</p>

Columns relating to capital requirement in respect of specialised lending subject to specified risk weights and specified risk grades: IRB approach, items 157 to 166

Column number	Description
1	<p>Credit exposure</p> <p>This column shall reflect the relevant current exposure amount of the reporting bank in respect of any specialised lending subject to the risk weights and risk grades specified in subregulation (11)(d)(iii).</p>
3	<p>Expected loss</p> <p>This column shall reflect the relevant expected loss amount in respect of specialised lending, calculated in accordance with the relevant requirements specified in subregulation (21)(c).</p>
4	<p>Specific credit impairment</p> <p>This column shall reflect the relevant amounts in respect of specific credit impairment raised by the reporting bank in respect of specialised lending, calculated in accordance with the relevant requirements specified in financial reporting standards issued from time to time.</p>
5	<p>Number of obligors</p> <p>This column shall reflect the relevant number of obligors included in the specified risk weight category.</p>

Items relating to reconciliation of credit impairments: IRB approach

Item number	Description
217	<p>Interest in suspense</p> <p>Since interest relating to impaired loans may not ultimately contribute to income when doubt exists regarding the recovery of the relevant loan amount or related interest amount due, this item shall reflect the relevant amount of interest in suspense, that is, irrespective of the accounting treatment of interest income from time to time, this item shall reflect the difference between the relevant amount of interest contractually due to the reporting bank by its clients up to the end of the reporting month and the relevant amount of interest income actually included in the operating profit or loss of the bank.</p>
220	<p>Recoveries</p> <p>This item shall reflect the relevant aggregate amount in respect of recoveries, net of any relevant amount relating to specific credit impairment and/ or portfolio credit impairment.</p>

Columns relating to analysis of past due exposure (EAD): IRB approach, items 224 to 251

Column number	Description
2, 4, 6 and 8	<p>Classified in default</p> <p>Based on the respective EAD amounts and in respect of the relevant specified asset classes, these columns shall reflect an analysis of the relevant past due amounts classified as being in default, that is, due to matters such as, for example, early warning signs, an exposure may be classified as being in default even when the said exposure, for example, may not be legally overdue or overdue for more than 90 days.</p>

Columns relating to counterparty credit risk: IRB approach, items 252 to 281

Column number	Description
1	<p>Total notional principal amount</p> <p>This column shall reflect the relevant effective nominal or notional amounts underlying the reported OTC derivative instruments or contracts.</p>
2	<p>Gross replacement cost</p> <p>This column shall reflect the respective gross positive fair value amounts of the reported OTC derivative instruments, before the risk reducing effect of any netting agreement that complies with the relevant requirements specified in regulation 23(7)(a), 23(9)(a), 23(17) or 23(18), or any relevant collateral, has been taken into consideration.</p>
3	<p>Net replacement cost</p> <p>This column shall reflect the respective gross positive fair value amounts of the reported OTC derivative instruments, after the risk reducing effect of any netting agreement that complies with the relevant requirements specified in regulations 23(7)(a), 23(9)(a), 23(17) or 23(18), but before the effect of any relevant collateral, has been taken into consideration.</p>
4	<p>Gross potential future exposure add-on</p> <p>Based on the relevant OTC derivative instruments' or contracts' notional principal amounts, this column shall reflect the potential future exposure add-on amount, before the impact of any netting or collateral has been taken into consideration.</p>
5	<p>Net potential future exposure add-on</p> <p>Based on the relevant OTC derivative instruments' or contracts' notional principal amounts, this column shall reflect the adjusted add-on amount for all relevant contracts subject to eligible bilateral netting agreements or contracts.</p>
6	<p>Collateral value after haircut</p> <p>This column shall reflect the current value of eligible financial collateral obtained by the reporting bank in respect of OTC derivative instruments, after the effect of any relevant haircut has been taken into consideration.</p>
7	<p>Credit exposure value</p> <p>In the absence of an eligible master netting agreement, this column shall reflect the current value of all relevant credit exposures arising from securities financing transactions, after the effect of any relevant haircut has been taken into consideration.</p>

Columns relating to counterparty credit risk: IRB approach, items 252 to 281

Column number	Description
8	<p>Collateral value</p> <p>In the absence of an eligible master netting agreement, this column shall reflect the current value of eligible financial collateral obtained by the reporting bank in respect of all relevant securities financing transactions, after the effect of any relevant haircut has been taken into consideration.</p>
9	<p>Netting benefit</p> <p>This column shall reflect the aggregate amount of all relevant netting benefits arising from eligible master netting agreements taken into consideration in the calculation of the reporting bank's relevant adjusted credit exposure amount arising from securities financing transactions.</p>
10	<p>Current market value of portfolio</p> <p>In respect of all relevant OTC derivative instruments, this column shall reflect the relevant current market value of the relevant portfolio of transactions within the netting set with a particular counterparty, before the impact of any relevant collateral has been taken into consideration.</p>
11	<p>Current market value of collateral</p> <p>This column shall reflect the relevant market value of the collateral assigned to the relevant netting set in respect of OTC derivative instruments.</p>
12	<p>Risk position from transaction</p> <p>This column shall reflect the relevant required risk positions arising from the relevant hedging sets related to OTC derivative instruments.</p>
13	<p>Risk position from collateral</p> <p>This column shall reflect the relevant required risk positions from collateral with respect to the relevant hedging sets related to OTC derivative instruments.</p>
14	<p>Net absolute risk position after the application of CCF's</p> <p>In respect of all relevant OTC derivative instruments, this column shall reflect the absolute aggregate amount of the required risk positions related to the relevant hedging sets, after the application of any relevant credit conversion factor.</p>

Columns relating to counterparty credit risk: IRB approach, items 252 to 281

Column number	Description
15	<p>Credit exposure value</p> <p>In the absence of an eligible master netting agreement, this column shall reflect the current value of all relevant credit exposures related to securities financing transactions, after the effect of any relevant haircut has been taken into consideration.</p>
16	<p>Collateral value</p> <p>In the absence of an eligible master netting agreement, this column shall reflect the current value of eligible financial collateral obtained by the reporting bank in respect of all relevant securities financing transactions, after the effect of any relevant haircut has been taken into consideration.</p>
17	<p>Netting benefits</p> <p>This column shall reflect the aggregate amount of all relevant netting benefits arising from eligible master netting agreements taken into consideration in the calculation of the reporting bank's relevant adjusted credit exposure amount related to securities financing transactions.</p>
18	<p>Effective expected positive exposure</p> <p>Based on the relevant requirements specified in subregulation (19)(a), this column shall reflect the relevant required effective expected positive exposure amount related to OTC derivative instruments.</p>
19	<p>Stressed effective expected positive exposure</p> <p>Based on the relevant requirements specified in, amongst others, subregulations (15) and (19) of these Regulations, this column shall reflect the relevant required effective expected positive exposure amount related to OTC derivative instruments in terms of a stressed scenario.</p>
20	<p>Effective expected positive exposure</p> <p>Based on the relevant requirements specified in subregulation (19)(a), this column shall reflect the relevant required effective expected positive exposure amount related to securities financing transactions.</p>
21	<p>Stressed effective expected positive exposure</p> <p>Based on the relevant requirements specified in, amongst others, subregulations (15) and (19) of these Regulations, this column shall reflect the relevant required effective expected positive exposure amount related to securities financing transactions in terms of a stressed scenario.</p>

Columns relating to counterparty credit risk: IRB approach, items 252 to 281

Column number	Description
22	<p>Adjusted exposure amount - OTC derivative instruments</p> <p>This column shall reflect the relevant required exposure or EAD amount for OTC derivative instruments, calculated in terms of the relevant requirements specified in these Regulations for the current exposure method, the standardised method or the internal model method, which amount shall be net of any relevant incurred CVA loss amount.</p>
23	<p>Adjusted exposure amount - securities financing transactions</p> <p>This column shall reflect the relevant required exposure or EAD amount for securities financing transactions, calculated in terms of the relevant requirements specified in these Regulations for the current exposure method, the standardised method or the internal model method, which amount shall be net of any relevant incurred CVA loss amount.</p>
24	<p>Default risk - OTC derivative instruments</p> <p>This column shall reflect the relevant required risk weighted exposure amount for OTC derivative instruments, calculated in terms of the relevant requirements specified in these Regulations for the current exposure method, the standardised method or the internal model method, which amount shall be net of any relevant incurred CVA loss amount.</p>
25	<p>Default risk - securities financing transactions</p> <p>This column shall reflect the relevant required risk weighted exposure amount for securities financing transactions, calculated in terms of the relevant requirements specified in these Regulations for the current exposure method, the standardised method or the internal model method, which amount shall be net of any relevant incurred CVA loss amount.</p>
26	<p>Standardised approach for CVA</p> <p>Based on the relevant requirements specified in subregulation (15), this column shall reflect the relevant required risk weighted exposure amount for CVA risk, calculated in terms of the standardised approach, provided that, when required by the Registrar, this column shall include any relevant amount related to CVA loss exposures arising from securities financing transactions.</p>

Columns relating to counterparty credit risk: IRB approach, items 252 to 281

Column number	Description
27	<p>Advanced approach for CVA</p> <p>Based on the relevant requirements specified in subregulation (19), this column shall reflect the relevant required risk weighted exposure amount for CVA risk, calculated in terms of the advanced approach, provided that, when required by the Registrar, this column shall include any relevant amount related to CVA loss exposures arising from securities financing transactions.</p>
28	<p>Total risk weighted exposure</p> <p>This column shall reflect the relevant required aggregate amount of risk weighted exposure for counterparty credit risk, including any relevant amount of risk weighted exposure-</p> <p>(a) arising from OTC derivative instruments and securities financing transactions;</p> <p>(b) calculated in terms of the relevant requirements specified in these Regulations for the current exposure method, the standardised method or the internal model method;</p> <p>(c) related to CVA risk;</p> <p>(d) related to central counterparties.</p>

Items relating to counterparty credit risk analysis of netting: IRB approach

Item number	Description
282	<p>Replacement cost</p> <p>This item shall reflect the relevant required netting benefit taken into consideration for calculating the relevant net replacement cost in respect of OTC derivative instruments.</p>
283	<p>Potential future exposure add-on</p> <p>This item shall reflect the relevant required netting benefit taken into consideration for calculating the relevant net potential future exposure add-on amount in respect of OTC derivative instruments.</p>
284	<p>Securities financing transactions</p> <p>This items shall reflect the relevant required netting benefit taken into consideration in respect of securities financing transactions.</p>
285	<p>Cross-product netting</p> <p>This item shall reflect the relevant required cross-product netting amount taken into consideration by a bank that obtained the approval of the Registrar to use the internal model method for counterparty credit risk.</p>

Columns relating to counterparty credit risk analysis of standardised CVA risk weighted exposure: IRB approach, items 287 to 294

Column number	Description
2	<p>EAD</p> <p>This column shall reflect the relevant exposure or EAD amount, calculated in terms of the relevant requirements specified in these Regulations, after the application of any relevant discount factor.</p>
3	<p>Single-name CDS</p> <p>This column shall reflect the relevant required notional amount, after the application of any relevant discount factor, of a purchased single-name CDS, single-name contingent CDS and/or other eligible instrument used to hedge CVA risk.</p>
4	<p>Index CDS</p> <p>This column shall reflect the relevant required notional amount, after the application of any relevant discount factor, of an eligible purchased index CDS used to hedge CVA risk.</p>
5	<p>Standardised CVA risk weighted exposure</p> <p>This column shall reflect the relevant required risk weighted exposure amount related to CVA risk, calculated in terms of the the relevant requirements specified in these Regulations for the standardised approach.</p>

Columns relating to analysis of central counterparty trade exposure: IRB approach, items 295 to 298

Column number	Description
1	<p>Trade exposure</p> <p>This column shall reflect the current and potential future exposure amount of a clearing member or a client to a central counterparty arising from any relevant OTC derivative instrument, exchange traded derivative transaction or securities financing transaction, calculated in accordance with the relevant requirements specified in subregulation (15) read with the relevant requirements respectively specified in subregulations (17) to (19) of these Regulations for the current exposure method, the standardised method or the internal model method.</p>

Columns relating to analysis of central counterparty trade exposure: IRB approach, items 295 to 298

Column number	Description
3	<p>Risk weighted exposure</p> <p>This column shall reflect the relevant required risk weighted exposure amount of a clearing member or a client to a central counterparty arising from any relevant OTC derivative instrument, exchange traded derivative transaction or securities financing transaction, calculated in accordance with the relevant requirements specified in subregulation (15) read with the relevant requirements respectively specified in subregulations (17) to (19) of these Regulations for the current exposure method, the standardised method or the internal model method.</p>
4	<p>Calculated in terms of the standardised approach</p> <p>This column shall reflect the relevant required risk weighted exposure amount calculated in terms of the standardised approach for the measurements of the bank's exposure to credit risk with regards to trade exposures to non-qualifying central counterparties.</p>

Columns relating to analysis of qualifying central counterparty default fund guarantees: IRB approach, items 299 and 300

Column number	Description
1	<p>Initial margin collateral posted with a central counterparty</p> <p>Based on the relevant requirements specified in these Regulations, this column shall reflect the relevant aggregate amount related to a clearing member's or client's funded collateral posted or provided to a central counterparty to mitigate the potential future exposure of the central counterparty to the clearing member arising from the possible future change in the value of their transactions, provided that, in accordance with the relevant requirements specified in these Regulations, initial margin shall exclude any relevant amount related to contributions to a central counterparty in terms of any mutualised loss sharing arrangement, that is, when a central counterparty uses initial margin to mutualise losses among the clearing members, the relevant amount shall be treated as a default fund exposure.</p>
2	<p>Prefunded default fund contribution</p> <p>This column shall reflect the relevant aggregate amount related to any prefunded default fund contributions made by the clearing member that will be applied upon such clearing member's default, either along with or immediately following such member's initial margin, to reduce any central counterparty loss.</p>

Columns relating to analysis of qualifying central counterparty default fund guarantees: IRB approach, items 299 and 300

Column number	Description
3	<p>Trade exposure</p> <p>This column shall reflect the relevant aggregate amount related to the current and potential future exposure of a clearing member or a client to a central counterparty arising from OTC derivatives, exchange traded derivatives transactions or securities financing transactions, calculated in accordance with the relevant requirements specified in these Regulations for the current exposure method, the standardised method or the internal model method.</p>
4	<p>Risk weighted exposure</p> <p>Based on the relevant requirements specified in subregulation (15)(d), this column shall reflect the relevant risk weighted exposure amount calculated in terms of either method 1 or method 2.</p>

Columns relating to analysis of non-qualifying central counterparty default fund guarantees: IRB approach, items 301 and 302

Column number	Description
1	<p>Prefunded default fund contribution</p> <p>This column shall reflect the relevant aggregate amount related to any prefunded default fund contribution by a clearing member that will be applied upon such clearing member's default, either along with or immediately following such member's initial margin, to reduce any central counterparty loss.</p>
2	<p>Unfunded default fund contribution</p> <p>This column shall reflect the relevant aggregate amount related to unfunded default fund contributions, which contributions-</p> <p>(a) are liable to be paid by a clearing member when required by the relevant central counterparty;</p> <p>(b) will be applied upon such clearing member's default, either along with or immediately following such member's initial margin, to reduce any central counterparty loss.</p>
3	<p>Trade exposure</p> <p>This column shall reflect the relevant aggregate amount related to the current and potential future exposure of a clearing member or a client to a central counterparty, arising from OTC derivatives, exchange traded derivatives transactions or securities financing transactions, calculated in accordance with the relevant requirements specified in these Regulations for the current exposure method, the standardised method or the internal model method.</p>

Columns relating to analysis of non-qualifying central counterparty default fund guarantees: IRB approach, items 301 and 302

Column number	Description
4	<p>Risk weighted exposure</p> <p>This column shall reflect the relevant aggregate risk weighted exposure amount equivalent to a deduction against capital and reserve funds.</p>

Columns relating to analysis of performing credit exposure, that is, EAD, analysed by effective maturity, items 318 to 329

Column number	Description
3 to 28	<p>EAD per specified asset class and effective maturity</p> <p>Based on the relevant principles contained in, and the relevant requirements specified in, regulation 23(13)(d)(ii)(B), but disregarding any specified prudential floor or ceiling, these columns shall reflect the bank's performing credit exposure, that is, the relevant EAD amounts, according to the specified effective maturity bands.</p>

BA 210
Quarterly

CREDIT RISK
(Confidential and not available for inspection by the public)
Name of bank:
Quarter ended:(yyyy/mm/dd)

Country:

(All amounts to be rounded off to the nearest R'000)

Standardised approach: Credit risk mitigation	Line no.	Original credit and counterparty exposure ¹	Net exposure after netting agreements	Credit risk mitigation ²						Net exposure after netting and credit risk mitigation redistribution effects (col 2+7+8 -9 -10)		
				Unfunded protection		Funded credit protection		Redistribution of net exposure after netting				
				Guarantees	Credit derivative instruments	Collateral: simple method	Collateral pledged on deposit by third party	Total inflow (+)	Total outflow ³ (-)			
Asset class	1	2	3	4	5	6	7	8	9	10	11	
Corporate exposure (total of items 2 and 3)	1											
Corporate	2											
SME corporate	3											
Public sector entities	4											
Local government and municipalities	5											
Sovereign (including central governments and central bank)	6											
Banks	7											
Securities firms	8											
Retail exposure (total of items 10, 11, 13 and 16)	9											
Residential mortgage advances	10											
Retail revolving credit ⁴	11											
of which: credit cards	12											
SME retail (total of items 14 and 15)	13											
Secured lending	14											
Unsecured lending	15											
Retail – other	16											
of which: vehicle and asset finance	17											
unsecured lending ^{5, 6}	18											
≤ R30 000												
unsecured lending ⁵	19											
> R30 000												

1. Exposure value before the application of any credit conversion factor (CCF), credit risk mitigation (CRM) and any volatility adjustment.
 2. Including redistribution effects.
 3. The aggregate amount of total outflows shall be equal to the sum of amounts reported in columns 3 to 6.
 4. As defined in regulation 23(1)(c)(iv)(B)(ii).
 5. Relates to the relevant original exposure amount, excluding relevant retail revolving credit exposure and SME retail exposure.
 6. Including loans in respect of which the maximum NCA rate applies.

Standardised approach: Credit risk mitigation	Line no.	Original credit and counterparty exposure ¹	Net exposure after netting agreements	Credit risk mitigation ²						Net exposure after netting and credit risk mitigation redistribution effects (col 2+7+8 -9 -10)		
				Unfunded credit protection		Funded credit protection		Redistribution of net exposure after netting				
				Guarantees	Credit derivative instruments	Collateral: simple method	Collateral pledged on deposit by third party	Total inflow (+)	Total outflow ³ (-)			
Asset class		1	2	3	4	5	6	7	8	9	10	11
Securitisation and resecuritisation exposure	20											
Total (of items 1, 4 to 9 and 20)	21											

1. Also refer to regulation 35 and the form BA500.

Standardised approach: Restructured credit exposure ¹ Asset class	Line no.	Actual number of restructured credit exposure transactions in this reporting quarter	Exposure value of restructured credit exposure transactions in this reporting quarter (R'000)	Restructured credit exposure as percentage of asset class exposure (%)
		1	2	3
Corporate exposure (total of items 23 and 24)	22			
Corporate	23			
SME corporate	24			
Public sector entities	25			
Local government and municipalities	26			
Sovereign (including central governments and central bank)	27			
Banks	28			
Securities firms	29			
Retail exposure (total of items 31, 32, 34 and 37)	30			
Residential mortgage advances	31			
Retail revolving credit ²	32			
of which: credit cards	33			
SME retail (total of items 35 and 36)	34			
Secured lending	35			
Unsecured lending	36			
Retail – other	37			
of which: vehicle and asset finance	38			
unsecured lending ^{3,4}				
≤ R30 000	39			
unsecured lending ³				
> R30 000	40			
Securitisation and resecuritisation exposure⁵	41			
Total (of items 22, 25 to 30 and 41)	42			

1. As defined in regulation 67. When new terms, conditions or concessions are not formalised in writing, the relevant exposure or facility shall be regarded as impaired.

2. As defined in regulation 23(1)(c)(iv)(B)(i).

3. Relates to the relevant original exposure amount, excluding relevant retail revolving credit exposure and SME retail exposure.

4. Including loans in respect of which the maximum NCA rate applies.

5. Also refer to regulation 35 and the form BA500.

(All amounts to be rounded off to the nearest R'000)

Line no.	Standardised approach: Credit risk classification and impairment Asset class	Total gross credit exposure, collateral and specific impairment													Total gross credit exposure (col. 1+4+7+10)
		Special mention			Sub-standard			Doubtful			Loss				
		Gross exposure	Collateral	Specific credit impairment	Gross exposure	Collateral	Specific credit impairment	Gross exposure	Collateral	Specific credit impairment	Gross exposure	Collateral	Specific credit impairment		
43	Corporate exposure (total of items 44 and 45)	1	2	3	4	5	6	7	8	9	10	11	12	13	
44	Corporate														
45	SME corporate														
46	Public sector entities														
47	Local government and municipalities														
48	Sovereign (including central governments and central bank)														
49	Banks														
50	Securities firms														
51	Retail exposure (total of items 52, 53, 55 and 58)														
52	Residential mortgage advances														
53	Retail revolving credit ¹														
54	of which: credit cards														
55	SME retail (total of items 56 and 57)														
56	Secured lending														
57	Unsecured lending														
58	Retail – other														
59	of which: vehicle and asset finance														
60	unsecured lending ^{2,3}														
	≤ R30 000														
	> R30 000														
61	unsecured lending ²														
62	Securitisation and resecuritisation exposure ⁴														
63	Total (of items 43, 46 to 51 and 62)														

1. As defined in regulation 23(1)(c)(iv)(B)(ii).
 2. Relates to the relevant original exposure amount, excluding relevant retail revolving credit exposure and SME retail exposure.
 3. Including loans in respect of which the maximum NCA rate applies.
 4. Also refer to regulation 35 and the form BA500.

Standardised approach: Credit risk classification and impairment Asset class	Line no.	Total impairment		
		Total (col. 15+16)	of which: specific credit impairment (col. 3+6+9+12)	of which: portfolio credit impairment
Corporate exposure (total of items 44 and 45)		14	15	16
Corporate	43			
SME corporate	44			
Public sector entities	45			
Local government and municipalities	46			
Sovereign (including central governments and central bank)	47			
Banks	48			
Securities firms	49			
Retail exposure (total of items 52, 53, 55 and 58)	50			
Residential mortgage advances	51			
Retail revolving credit ¹	52			
of which: credit cards	53			
SME retail (total of items 56 and 57)	54			
Secured lending	55			
Unsecured lending	56			
Retail – other	57			
of which: vehicle and asset finance	58			
unsecured lending ^{2,3}	59			
≤ R30 000	60			
unsecured lending ²	61			
> R30 000	62			
Securitisation and resecuritisation exposure⁴				
Total (of items 43, 46 to 51 and 62)	63			

1. As defined in regulation 23(11)(c)(iv)(B)(ii).
 2. Relates to the relevant original exposure amount, excluding relevant retail revolving credit exposure and SME retail exposure.
 3. Including loans in respect of which the maximum NCA rate applies.
 4. Also refer to regulation 35 and the form BA500.

(All amounts to be rounded off to the nearest R'000)

Standardised approach: Credit concentration risk - large exposure to a person ¹	Line no.	Asset class ²	Original credit and counterparty exposure ³						Total credit exposure as % of qualifying capital and reserve funds	Additional capital requirement
			On-balance sheet exposure	Off- balance sheet exposure	Repurchase and resale agreements	Derivative instruments	Total credit exposure			
							Total (col. 2 to 5)	Memorandum items: of which: defaulted		
Name of person	1	2	3	4	5	6	7	8	9	10
Private-sector non bank: total	64									
(Specify)	65									
	66									
	67									
Bank/regulated securities firm: total	68									
(Specify)	69									
	70									
	71									
	72									
Other: total	73									
(Specify)	74									
	75									
	76									
Total (of items 64, 68 and 72)	77									

1. Refer to section 73 of the Act and regulations 24(6) to 24(8).
 2. Based on the following specified keys: 1 = Corporate; 2 = SME corporate; 3 = Public sector entities; 4 = Local government and municipalities; 5 = Sovereign (including central governments and central bank); 6 = Banks; 7 = Securities firms; 8 = Retail; 9 = SME retail 10 = Securitisation exposure
 3. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.

(All amounts to be rounded off to the nearest R'000)

Standardised approach: Credit concentration risk - large exposure to a person ¹	Line no.	Credit risk mitigation			Redistribution of reduced exposures		Specific credit impairment	Net exposure after credit risk mitigation	Risk weighted value of net exposure	Risk weighted value as % of qualifying capital and reserve funds
		Unfunded credit protection		Outflows (-)	Inflows (+)					
		Eligible financial collateral	Guarantees			Credit derivative instruments				
Name of person		11	12	13	14	15	16	17	18	19
Private-sector non bank: total (Specify)	64									
	65									
	66									
	67									
Bank/regulated securities firm: total (Specify)	68									
	69									
	70									
	71									
	72									
	73									
	74									
	75									
	76									
Total (of items 64, 68 and 72)	77									

1. Refer to section 73 of the Act and regulations 24(6) to 24(8).

Approved by:

Board of Directors

Date

Approved by*:

Registrar of Banks*

Date

* solely relates to the relevant deduction from capital and reserve funds

(All amounts to be rounded off to the nearest R'000)

Standardised approach: Credit concentration risk - sectoral distribution ¹	Line no.	Original credit and counterparty exposure ²							Risk weighted value of net exposure	Total impairment		
		On- balance sheet exposure	Off- balance sheet exposure	Repurchase and resale agreements	Derivative instruments	Total credit exposure		Total (col. 10+11)		specific credit impairment	portfolio credit impairment	
						Total (col. 1 to 4)	Memorandum items: of which: Total equity defaulted exposure					
	1	2	3	4	5	6	7	8	9	10	11	
	78											
Agriculture, hunting, forestry and fishing												
Mining and quarrying	79											
Manufacturing	80											
Electricity, gas and water supply	81											
Construction	82											
Wholesale and retail trade, repair of specified items, hotels and restaurants	83											
Transport, storage and communication	84											
Financial intermediation and insurance	85											
Real estate	86											
Business services	87											
Community, social and personal services	88											
Private households	89											
Other	90											
Total (of items 78 to 90)	91											
<i>of which:</i>												
Sovereign (central government and central bank)	92											
Public sector entities	93											
Local government and municipalities	94											

1. The classification of credit exposure according to the sectors or industries specified in items 78 to 90 shall be based on the directives and industries specified in the Standard Industrial Classification of all Economic Activities, issued by Statistics South Africa from time to time.

2. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.

Standardised approach: Credit concentration risk Herfindahl-Hirschman Index (HHI) Wholesale - Industry ¹	Line no.	Risk weighted exposure (R'000)	Risk weighted exposure as % of total risk weighted exposure (col. 1/ total RWE) (%)	Squared value (%) (col. 2)*(col.2) ²	
		1	2	3	
Total (of items 96 to 108)	95				
Agriculture, hunting, forestry and fishing	96				
Mining and quarrying	97				
Manufacturing	98				
Electricity, gas and water supply	99				
Construction	100				
Wholesale and retail trade, repair of specified items, hotels and restaurants	101				
Transport, storage and communication	102				
Financial intermediation and insurance	103				
Real estate	104				
Business services	105				
Community, social and personal services	106				
Private households	107				
Other	108				
of which total:					
Sovereign (central government and central bank)	109				
Public sector entities	110				
Local government and municipalities	111				
Herfindahl-Hirschman Index (HHI) Retail - Product ³		Risk weighted exposure (R'000)	Number of clients	Average risk weighted exposure per client as % of total RWE ⁴ (%)	Squared value (%) * number of clients (col. 3)*(col.3) *(col.2) ⁵
		1	2	3	4
Total (of items 113 to 117)	112				
Credit cards	113				
Current accounts	114				
Mortgages	115				
Instalment sales	116				
Personal and term loans	117				

1. The wholesale HHI shall be based on specified industries.

2. Means the squared value of the percentage reported in column 2.

3. The retail HHI shall be based on specified products.

4. Means (the amount reported in column 1 divided by the number reported in column 2) divided by the total risk weighted exposure amount in column 1.

5. Means the squared value of the percentage reported in column 3, multiplied with the number of clients reported in column 2.

(All amounts to be rounded off to the nearest R'000)

Standardised approach: Credit concentration risk ↑ geographical distribution	Line no.	Original credit and counterparty exposure ²										Total impairment of which:		
		On-balance sheet exposure	Off-balance sheet exposure	Repurchase and resale agreements	Derivative instruments	Total credit exposure		Risk weighted value of net exposure	Total (col. 10+11)	specific credit impairment	portfolio credit impairment			
						Total (col. 1 to 4)	Memorandum items: defaulted exposure							
		1	2	3	4	5	6	7	8	9	10	11		
South Africa	118													
Other African countries (total of items 120 to 126)	119													
AAA to AA-	120													
A+ to A-	121													
BBB+ to BBB-	122													
BB+ to B-	123													
Below B-	124													
Unrated ³	125													
In default	126													
Europe (total of items 128 to 134)	127													
AAA to AA-	128													
A+ to A-	129													
BBB+ to BBB-	130													
BB+ to B-	131													
Below B-	132													
Unrated ³	133													
In default	134													
Asia (total of items 136 to 142)	135													
AAA to AA-	136													
A+ to A-	137													
BBB+ to BBB-	138													
BB+ to B-	139													
Below B-	140													
Unrated ³	141													
In default	142													

1. Based on the rating assigned to the relevant country in which the relevant obligor is domiciled.
2. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.
3. Not to include any exposure in default.

(All amounts to be rounded off to the nearest R'000)

Standardised approach: Credit concentration risk; geographical distribution	Line no.	Original credit and counterparty exposure ²							Risk weighted value of net exposure	Total impairment	
		On-balance sheet exposure	Off-balance sheet exposure	Repurchase and resale agreements	Derivative instruments	Total credit exposure		Total (col. 10+11)		specific credit impairment	portfolio credit impairment
						Total (col. 1 to 4)	Memorandum items: Total equity exposure of which: defaulted exposure				
	1	2	3	4	5	6	7	8	9	10	11
North America (total of items 144 to 150)	143										
AAA to AA-	144										
A+ to A-	145										
BBB+ to BBB-	146										
BB+ to B-	147										
Below B-	148										
Unrated ³	149										
In default	150										
South America (total of items 152 to 158)	151										
AAA to AA-	152										
A+ to A-	153										
BBB+ to BBB-	154										
BB+ to B-	155										
Below B-	156										
Unrated ³	157										
In default	158										
Other (total of items 160 to 166)	159										
AAA to AA-	160										
A+ to A-	161										
BBB+ to BBB-	162										
BB+ to B-	163										
Below B-	164										
Unrated ³	165										
In default	166										

1. Based on the rating assigned to the relevant country in which the relevant obligor is domiciled.
 2. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.
 3. Not to include any exposure in default.

(All amounts to be rounded off to the nearest R'000)
Original credit and counterparty exposure²

Standardised approach: Credit concentration risk - geographical distribution ¹	Line no.	Original credit and counterparty exposure ²						Total credit exposure			Risk weighted value of net exposure	Total impairment		
		On-balance sheet exposure	Off-balance sheet exposure	Repurchase and resale agreements	Derivative instruments	Total	Total	Total	Total	Total		Total	of which:	
													(col. 1 to 4)	Memorandum items: of which: defaulted
1	2	3	4	5	6	7	8	9	10	11				
Total, including South Africa (of items 168 to 174)	167													
AAA to AA-	168													
A+ to A-	169													
BBB+ to BBB-	170													
BB+ to B-	171													
Below B-	172													
Unrated ³	173													
In default	174													

1. Based on the rating assigned to the relevant country in which the relevant obligor is domiciled.
2. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.
3. Not to include any exposure in default.

(All amounts to be rounded off to the nearest R'000)

Standardised approach: Other selected geographical information ^{1, 2}	Line no.	Original credit and counterparty exposure ²						Total impairment			
		On-balance sheet exposure	Off-balance sheet exposure	Repurchase and resale agreements	Derivative instruments	Total credit exposure		Total (col. 9 plus 10)	specific credit impairment	of which: portfolio credit impairment raised in respect of specific country	
						Total (col. 1 to 4)	Memorandum items: Total equity exposure				
		1	2	3	4	5	6	7	8	9	10
Advanced economies, excluding China	175										
of which: United Kingdom	176										
Emerging market and developing countries, including China (total of items 178, 179, 185 to 187 and 190 to 192)	177										
South Africa	178										
African countries, excluding South Africa	179										
of which:	180										
Sub-Saharan Africa	181										
of which:	182										
Nigeria	183										
Kenya	184										
Namibia	185										
Mozambique	186										
Central and Eastern Europe	187										
Commonwealth of Independent States and Mongolia	188										
Developing Asia, including China	189										
of which:	190										
People's Republic of China	191										
India	192										
Middle East											
Western Hemisphere											
Other ³											
(Specify)											
Total (of items 175 and 177)	193										

1. Based on the regional classification contained in the World Economic Outlook Report issued by the International Monetary Fund from time to time, and the residence or place of incorporation of the relevant person or counterparty.

2. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.

3. Means any country other than the countries specified above and in the World Economic Outlook Report issued by the International Monetary Fund from time to time.

(All amounts to be rounded off to the nearest R'000)

Standardised approach: Credit concentration risk - 20 largest exposures in debt and with equity exposure ¹	Line no.	Debt exposure 1	Total (of col. 3+4) 2	Total equity exposure		Total debt and equity exposure (col. 1+2) 5
				of which: privately held equity exposure 3	of which: publicly traded equity exposure 4	
Name of person						
Total (of items 195 to 214) (Specify)	194					
	195					
	196					
	197					
	198					
	199					
	200					
	201					
	202					
	203					
	204					
	205					
	206					
	207					
	208					
	209					
	210					
	211					
	212					
	213					
	214					

1. This table shall be completed based on the total debt and equity exposures.

(All amounts to be rounded off to the nearest R'000)

Standardised approach: Watch list ¹	Line no.	Asset class ²	Exposure amount	Risk weighted value of net exposure	Specific impairment	Comments
Name of person		1	2	3	4	5
Total	215					
(Please submit required details on separate list)	216					
	217					
	218					
	219					
	220					
	221					
	222					
	223					
	224					
	225					
	226					
	227					
	228					

1. Means credit exposures in excess of 1% of qualifying capital and reserve funds reported in item 88 of form BA 700, which credit exposures are not in default but categorised as at least special mention due to particular circumstances that warrant more than normal attention from the reporting bank's senior management.

2. Based on the following specified keys: 1 = Corporate; 2 = SME corporate; 3 = Public sector entities; 4 = Local government and municipalities; 5 = Sovereign (including central governments and central bank); 6 = Banks; 7 = Securities firms; 8 = Retail; 9 = SME retail; 10 = Securitisation exposure

(All amounts to be rounded off to the nearest R'000)

IRB approach: Credit risk mitigation	Line no.	Original credit and counterparty exposure ¹	Net exposure after netting agreement	Credit risk mitigation ²				Net exposure after netting and credit risk mitigation effects ⁵ (col. 2+5+6 minus 7 and 8)	Credit risk mitigation subject to requirements of double default		
				Unfunded credit protection not subject to double default		Redistribution of net exposure after netting			Guarantees	Credit derivative instruments	
				Guarantees	Credit derivative instruments	Total inflows ³ (+)	Total outflows ⁴ (-)				
Asset class	1	2	3	4	5	6	7	8	9	10	11
Retail exposure (total of items 244, 245, 247, 250 and 254)	243										
Residential mortgage advances	244										
Retail revolving credit ⁶	245										
of which: credit cards	246										
SME retail (total of items 248 and 249)	247										
Secured lending	248										
Unsecured lending	249										
Retail – other	250										
of which: vehicle and asset finance	251										
unsecured lending ^{7,8}	252										
≤ R30 000											
unsecured lending ⁷	253										
> R30 000	254										
Purchased receivables – retail	255										
Securitisations and resecuritisations exposures ⁹	256										
Total (of items 229, 238 to 243, and 255)											

1. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.
2. Including redistribution effects.
3. Column 6 shall be equal to outflows under the standardised approach.
4. The aggregate amount of outflows reported in columns 7 and 8 shall be equal to the aggregate amount of items reported in columns 3 and 4.
5. Before the application of any relevant credit conversion factor.
6. As defined in regulation 23(1)(c)(iv)(B)(ii).
7. Relates to the relevant original exposure amount, excluding relevant retail revolving credit exposure and SME retail exposure.
8. Including loans in respect of which the maximum NCA rate applies.
9. Also refer to regulation 35 and the form BA500.

(All amounts to be rounded off to the nearest R'000)

Credit risk mitigation affecting LGD estimates

IRB approach: Credit risk mitigation	Line no.	Total (nominal amounts) (col. 13+14+15+18)		Unfunded credit protection		Eligible financial collateral			Other eligible collateral	
		12	13	14	15	16	17	18	19	20
Asset class		Guarantees	Credit derivative instruments	Total	of which: subject to maturity mismatch	of which: subject to currency mismatch	Total	of which: residential real estate	of which: commercial real estate	
Corporate exposure (total of items 230 to 237)	229									
Corporate	230									
Specialised lending - high volatility commercial real estate (property development)	231									
Specialised lending - income producing real estate	232									
Specialised lending - object finance	233									
Specialised lending - commodities finance	234									
Specialised lending - project finance	235									
SME corporate	236									
Purchased receivables - corporate	237									
Public sector entities	238									
Local government and municipalities	239									
Sovereign (including central government and central bank)	240									
Banks	241									
Securities firms	242									
Retail exposure (total of items 244, 245, 247, 250 and 254)	243									
Residential mortgage advances	244									
Retail revolving credit ¹	245									
of which: credit cards	246									
SME retail (total of items 248 and 249)	247									
Secured lending	248									
Unsecured lending	249									
Retail - other	250									
of which: vehicle and asset finance	251									
unsecured lending ^{2,3}										
≤ R30 000	252									
> R30 000										
unsecured lending ²										
Purchased receivables - retail	253									
Securitisation and resecutitisation exposures⁴	254									
Total (of items 229, 238 to 243, and 255)	255									
	256									

1. As defined in regulation 23(1)(c)(iv)(B)(ii).
 2. Relates to the relevant original exposure amount, excluding relevant retail revolving credit exposure and SME retail exposure.
 3. Including loans in respect of which the maximum NCA rate applies.
 4. Also refer to regulation 36 and the form BIA500.

IRB approach: Restructured credit exposure ¹ Asset class	Line no.	Actual number of restructured credit exposure transactions in this reporting quarter	Exposure value of restructured credit exposure transactions in this reporting quarter (R'000)	Restructured credit exposure as percentage of asset class exposure (%)
		1	2	3
Corporate exposure (total of items 258 to 265)				
Corporate	257			
Specialised lending - high volatility commercial real estate (property development)	258			
Specialised lending - income producing real estate	259			
Specialised lending - object finance	260			
Specialised lending - commodities finance	261			
Specialised lending - project finance	262			
Specialised lending - project finance	263			
SME corporate	264			
Purchased receivables - corporate	265			
Public sector entities	266			
Local government and municipalities	267			
Sovereign (including central government and central bank)	268			
Banks	269			
Securities firms	270			
Retail exposure (total of items 272, 273, 275, 278 and 282)	271			
Residential mortgage advances	272			
Retail revolving credit ²	273			
of which: credit cards	274			
SME retail (total of items 276 and 277)	275			
Secured lending	276			
Unsecured lending	277			
Retail – other	278			
of which: vehicle and asset finance	279			
unsecured lending ^{3, 4} ≤ R30 000	280			
unsecured lending ^{3, 4} > R30 000	281			
Purchased receivables – retail	282			
Securitisation and resecuritisation exposures ⁵	283			
Total (of items 257, 266 to 271, and 283)	284			

1. As defined in regulation 67. When new terms, conditions or concessions are not formalised in writing, the relevant exposure or facility shall be regarded as impaired.

2. As defined in regulation 23(1)(c)(iv)(B)(ii).

3. Relates to the relevant original exposure amount, excluding relevant retail revolving credit exposure and SME retail exposure.

4. Including loans in respect of which the maximum NCA rate applies.

5. Also refer to regulation 35 and the form BA500.

(All amounts to be rounded off to the nearest R'000)

IRB approach: Credit concentration risk - large exposure to a person ¹	Line no.	Asset class ²	Original credit and counterparty exposure ³						Total credit exposure as % of qualifying capital and reserve fund	Exposure value (EAD)	PD (%)	LGD (%)
			On- balance sheet exposure	Off- balance sheet exposure	Repurchase and resale agreements	Derivative instruments	Total credit exposure					
							Total (col. 2 to 5)	Memorandum items: Total equity exposure				
Name of person	1	2	3	4	5	6	7	8	9	10	11	12
Private-sector non bank: total	285											
(Specify)	286											
	287											
	288											
	289											
Bank/regulated securities	290											
firm: total	291											
(Specify)	292											
	293											
	294											
Other: total	295											
(Specify)	296											
	297											
	298											
	299											
Total (of items 285, 290 and 295)	300											

1. Refer to section 73 of the Act and regulations 24(6) to 24(8).
 2. Based on the following specified keys: 1 = Corporate; 2 = Specialised lending – high volatility commercial real estate (property development); 3 = Specialised lending – income producing real estate; 4 = Specialised lending – object finance; 5 = Specialised lending – commodities finance; 6 = Specialised lending – project finance; 7 = SME corporate; 8 = Purchased receivables – corporate; 9 = Public sector entities; 10 = Local government and municipalities; 11 = Sovereign (including central government and central bank); 12 = Banks; 13 = Securities firms; 14 = Retail mortgages (including any home equity line of credit); 15 = Retail revolving credit; 16 = Retail – other; 17 = SME retail; 18 = Purchased receivables – retail; 19 = Securitisation exposure.
 3. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.

(All amounts to be rounded off to the nearest R'000)

IRB approach: Credit concentration risk - large exposure to a person ¹	Line no.	Credit risk mitigation					Redistribution of reduced exposures				Risk weighted value as % of qualifying capital and reserve fund	Risk weighted value of net exposure	Expected loss	Additional capital requirement
		Unfunded credit protection		Other eligible collateral	Guarantees	Credit derivative instruments	Outflows (-)	Inflows (+)	Specific credit impairment					
		Total (col. 14 to 17)	Eligible financial collateral											
Name of person	13	14	15	16	17	18	19	20	21	22	23	24		
Private-sector non bank: total (Specify)	285													
	286													
	287													
	288													
	289													
Bank/regulated securities firm: total (Specify)	290													
	291													
	292													
	293													
	294													
	295													
Other: total (Specify)	296													
	297													
	298													
	299													
Total (of items 285, 290 and 295)	300													

1. Refer to section 73 of the Act and regulations 24(6) to 24(8).

Approved by:

Approved by*:

Board of Directors

Registrar of Banks*

Date

Date

* solely relates to the relevant deduction from capital and reserve funds

(All amounts to be rounded off to the nearest R'000)

IRB approach: Credit concentration risk - sectoral distribution ¹	Line no.	Original credit and counterparty exposure ²							Exposure value (EAD)	EAD weighted average PD (%)	EAD weighted average LGD (%)	Risk weighted value	Risk weighted value as % of qualifying capital and reserve fund	Specific credit impairment
		On- balance sheet exposure	Off- balance sheet exposure	Repurchase and resale agreements	Derivative instruments	Total credit exposure								
						Total (col. 1 to 4)	Memorandum items: of which: defaulted	Total equity exposure						
	1	2	3	4	5	6	7	8	9	10	11	12	13	
Agriculture, hunting, forestry and fishing	301													
Mining and quarrying	302													
Manufacturing	303													
Electricity, gas and water supply	304													
Construction	305													
Wholesale and retail trade, repair of specified items, hotels and restaurants	306													
Transport, storage and communication	307													
Financial intermediation and insurance	308													
Real estate	309													
Business services	310													
Community, social and personal services	311													
Private households	312													
Other	313													
Total (of items 301 to 313) <i>of which:</i>	314													
Sovereign (central government and central bank)	315													
Public sector entities	316													
Local government and municipalities	317													

1. The classification of credit exposure according to the sectors or industries specified in items 301 to 313 shall be based on the directives and industries specified in the Standard Industrial Classification of all Economic Activities, issued by Statistics South Africa from time to time.

2. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.

IRB approach: Credit concentration risk Herfindahl-Hirschman Index (HHI) Wholesale - Industry ¹	Line no.	Risk weighted exposure (R'000)	Risk weighted exposure as % of total risk weighted exposure (col. 1/ total RWE) (%)	Squared value (%)	
		1	2	(col. 2)*(col.2) ²	
Total (of items 319 to 331)	318				
Agriculture, hunting, forestry and fishing	319				
Mining and quarrying	320				
Manufacturing	321				
Electricity, gas and water supply	322				
Construction	323				
Wholesale and retail trade, repair of specified items, hotels and restaurants	324				
Transport, storage and communication	325				
Financial intermediation and insurance	326				
Real estate	327				
Business services	328				
Community, social and personal services	329				
Private households	330				
Other	331				
of which total:					
Sovereign (central government and central bank)	332				
Public sector entities	333				
Local government and municipalities	334				
Herfindahl-Hirschman Index (HHI) Retail - Product ³		Risk weighted exposure (R'000)	Number of clients	Average risk weighted exposure per client as % of total RWE ⁴ (%)	Squared value (%) * number of clients (col. 3)*(col.3) * (col.2) ⁵
		1	2	3	4
Total (of items 336 to 340)	335				
Credit cards	336				
Current accounts	337				
Mortgages	338				
Instalment sales	339				
Personal and term loans	340				

1. The wholesale HHI shall be based on specified industries.

2. Means the squared value of the percentage reported in column 2.

3. The retail HHI shall be based on specified products.

4. Means (the amount reported in column 1 divided by the number reported in column 2) divided by the total risk weighted exposure amount in column 1.

5. Means the squared value of the percentage reported in column 3, multiplied with the number of clients reported in column 2.

(All amounts to be rounded off to the nearest R000)

Original credit and counterparty exposure¹

IRB approach: Credit concentration risk – geographical distribution	Line no.	Original credit and counterparty exposure							Exposure value (EAD)	EAD weighted average PD (%)	EAD weighted average LGD (%)	Risk weighted value	Risk weighted value as % of qualifying capital and reserve funds	Credit impairment		
		On-balance sheet exposure	Off-balance sheet exposure	Repurchase and resale agreements	Derivatives instruments	Total (col. 1 to 4)	Memorandum items of which:							Total (of col. 14 and 15)	of which: specific impairment	of which: portfolio impairment
							Defaulted	Equity exposure								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
South Africa	341															
Other African countries (items 343 to 349)	342															
AAA to AA-	343															
A+ to A-	344															
BBB+ to BBB-	345															
BB+ to B-	346															
Below B-	347															
Unrated ³	348															
In default	349															
Europe (items 351 to 357)	350															
AAA to AA-	351															
A+ to A-	352															
BBB+ to BBB-	353															
BB+ to B-	354															
Below B-	355															
Unrated ³	356															
In default	357															
Asia (items 359 to 365)	358															
AAA to AA-	359															
A+ to A-	360															
BBB+ to BBB-	361															
BB+ to B-	362															
Below B-	363															
Unrated ³	364															
In default	365															

1. Based on the rating assigned to the relevant country in which the relevant obligor is domiciled.
 2. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.
 3. Not to include any exposure in default.

(All amounts to be rounded off to the nearest R'000)

Original credit and counterparty exposure¹

IRB approach: Credit concentration risk – geographical distribution	Line no.	Original credit and counterparty exposure ¹				Total credit exposure			Exposure value (EAD)	EAD weighted average PD (%)	EAD weighted average LGD (%)	Risk weighted value	Risk weighted value as % of qualifying capital and reserve funds	Credit impairment		
		On-balance sheet exposure	Off-balance sheet exposure	Repurchase and resale agreements	Derivatives instruments	Total (col. 1 to 4)	Memorandum items of which:							Total (of col. 14 and 15)	of which: specific impairment	of which: portfolio impairment
							Defaulted	Equity exposure								
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
North America (items 367 to 373)	366															
AAA to AA-	367															
A+ to A-	368															
BBB+ to BBB-	369															
BB+ to B-	370															
Below B-	371															
Unrated ³	372															
In default	373															
South America (items 375 to 381)	374															
AAA to AA-	375															
A+ to A-	376															
BBB+ to BBB-	377															
BB+ to B-	378															
Below B-	379															
Unrated ³	380															
In default	381															
Other (items 383 to 389)	382															
AAA to AA-	383															
A+ to A-	384															
BBB+ to BBB-	385															
BB+ to B-	386															
Below B-	387															
Unrated ³	388															
In default	389															

1. Based on the rating assigned to the relevant country in which the relevant obligor is domiciled.
 2. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.
 3. Not to include any exposure in default.

(All amounts to be rounded off to the nearest R'000)

IRB approach:	Original credit and counterparty exposure ¹										Credit impairment					
	Line no.	On-balance sheet exposure	Off-balance sheet exposure	Repurchase and resale agreements	Derivative instruments	Total credit exposure			Exposure value (EAD)	EAD weighted average PD (%)	EAD weighted average LGD (%)	Risk weighted value	Risk weighted value as % of qualifying capital and reserve funds	Memorandum items:		
						Total (col. 1 to 4)	Defaulted	Equity exposure						Total (of col. 14 and 15)	of which: specific impairment	of which: portfolio impairment
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
Total, including South Africa (of items 391 to 397)	390															
AAA to AA-	391															
A+ to A-	392															
BBB+ to BBB-	393															
BB+ to B-	394															
Below B-	395															
Unrated ³	396															
In default	397															

1. Based on the rating assigned to the relevant country in which the relevant obligor is domiciled.
 2. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.
 3. Not to include any exposure in default.

(All amounts to be rounded off to the nearest R'000)

IRB approach: Other selected geographical information ^{1,2}	Line no.	Original credit and counterparty exposure ²							Total impairment of which:			
		On-balance sheet exposure	Off-balance sheet exposure	Repurchase and resale agreements	Derivative Instruments	Total credit exposure		Exposure value (EAD)	Total (col. 10 plus 11)	specific credit impairment	portfolio credit impairment	
						Total (col. 1 to 4)	Memorandum items: Total equity exposure					
		1	2	3	4	5	6	7	8	9	10	11
Advanced economies, excluding China	398											
of which: United Kingdom	399											
Emerging market and developing countries, including China (total of items 401, 402, 408 to 410 and 413 to 415)	400											
South Africa	401											
African countries, excluding South Africa	402											
of which: Sub-Saharan Africa	403											
of which: Nigeria	404											
Kenya	405											
Namibia	406											
Mozambique	407											
Central and Eastern Europe	408											
Commonwealth of Independent States and Mongolia	409											
Developing Asia, including China	410											
of which: People's Republic of China	411											
India	412											
Middle East	413											
Western Hemisphere	414											
Other ³	415											
(Specify)												
Total (of items 398 and 400)	416											

1. Based on the regional classification contained in the World Economic Outlook Report issued by the International Monetary Fund from time to time, and the residence or place of incorporation of the relevant person or counterparty.

2. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.

3. Means any country other than the countries specified above and in the World Economic Outlook Report issued by the International Monetary Fund from time to time.

(All amounts to be rounded off to the nearest R'000)

IRB approach: Credit concentration risk - 20 largest exposures in debt and with equity exposure ¹ Name of person	Line no.	Debt exposure 1	Total (of col. 3+4) 2	Total equity exposure		Total debt and equity exposure (col. 1+2) 5	PD (%) 6	Expected loss 7
				of which: privately held equity exposure 3	of which: publicly traded equity exposure 4			
Total (of items 418 to 437) (Specify)	417							
	418							
	419							
	420							
	421							
	422							
	423							
	424							
	425							
	426							
	427							
	428							
	429							
	430							
	431							
	432							
	433							
	434							
	435							
	436							
	437							

1. This table shall be completed based on the total debt and equity exposures.

(All amounts to be rounded off to the nearest R'000)

IRB approach: Watch list ¹	Line no.	Asset class ²	PD rating ³ (%)	Credit exposure ⁴	Expected loss	Risk weighted value of EAD	Specific impairment	Comment
Name of person Total		1	2	3	4	5	6	7
	438							
	439							
	440							
	441							
	442							
	443							
	444							
	445							
	446							
	447							
	448							
	449							
	450							
	451							
	452							

1. Includes credit exposure in respect of which the expected loss exceeds 1% of qualifying capital and reserve funds reported in item 88 of form BA 700, which credit exposure is not yet classified as being in default.

2. Based on the following specified keys: 1 = Corporate; 2 = Specialised lending – high volatility commercial real estate (property development); 3 = Specialised lending – income producing real estate; 4 = Specialised lending – object finance; 5 = Specialised lending – commodities finance; 6 = Specialised lending – project finance; 7 = SME corporate; 8 = Purchased receivables – corporate; 9 = Public sector entities; 10 = Local government and municipalities; 11 = Sovereign (including central government and central bank); 12 = Banks; 13 = Securitised firms; 14 = Retail mortgages (including any home equity line of credit); 15 = Retail revolving credit; 16 = Retail – other; 17 = SME retail; 18 = Purchased receivables – retail; 19 = Securitisation exposure.

3. Means the relevant PD rating (%) assigned by the reporting bank.

4. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.

(All amounts to be rounded off to the nearest R'000)

Standardised and IRB approaches Exposure to related person ¹ Exposure to:	Line no.	Current period exposure				Prior period exposure		Variance in exposure (col. 5 minus 7)	Current exposure as % of capital and reserve funds ¹	Responses to questions in notes 2a to 2c			
		On-balance sheet exposure		Off-balance sheet exposure	Total (col. 3+4)	On-balance sheet exposure	Total exposure			2a. At arms-length	2b. Board monitoring	2c. Risk mitigation	
		Investments and loans	Other										Total (col. 1+2)
		1	2	3	4	5	6	7	8	9	10	11	12
Significant shareholder (Specify ¹)	453												
	454												
	455												
Member of the board of directors (Specify ¹)	456												
	457												
	458												
Member of senior management (Specify ¹)	459												
	460												
	461												
Company controlled by significant shareholder (Specify ¹)	462												
	463												
	464												
Associate of the bank or controlling company (Specify ¹)	465												
	466												
	467												
Other related persons (Specify ¹)	468												
	469												
	470												
Total (of items 453, 456, 459, 462, 465 and 468)	471												

Notes:

- 1 The required details shall be reported separately in respect of an exposure to a related person equal to or exceeding 0.1% of qualifying capital and reserve funds as reported in item 88 column 1 of the form BA 700. Exposures to related persons individually not equal to or exceeding 0.1% of the said amount of qualifying capital and reserve funds may be grouped together and the aggregate amount reported under "other".
- 2a. Are loans and advances to related persons conducted on an arm's-length basis? (Yes = 1; no = 2)
- When no, a separate schedule of all exposure to related persons not at arm's length shall on request be submitted in writing.
- 2b. Does the board of directors of the relevant bank or controlling company effectively monitor extension of credit to related persons? (Yes = 1; no = 2)
- 2c. Are appropriate steps taken to control or mitigate the risks relating to related person exposure? (Yes = 1; no = 2)

(All amounts to be rounded off to the nearest R'000)

IRB approach: Analysis of total credit extended ¹ , analysed by PD band	Line no.	Prescribed rating scale		Asset class												
		Lower bound (%)	Upper bound (%)	Corporate exposure ^{1,2}					Asset class							
				High volatility commercial real estate (property development)	Income producing real estate	Object finance	Commo dity finance	Project finance	SME corpo rate	Purc h a s e d c o r p o r a t e r e c e i v a b l e s	Total corporate exposure (total of col. 3 to 10)	Public sector entities ^{1,2}	Local government and municipaliti es ^{1,2}	Sovereign ^{1,2} (including central government and central banks)	Banks ^{1,2}	Securities firms ^{1,2}
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Performing (total of items 473 to 498)	472															
00	473		0.0000													
01	474	0.0001	0.0120													
02	475	0.0121	0.0170													
03	476	0.0171	0.0240													
04	477	0.0241	0.0340													
05	478	0.0341	0.0480													
06	479	0.0481	0.0670													
07	480	0.0671	0.0950													
08	481	0.0951	0.1350													
09	482	0.1351	0.1900													
10	483	0.1901	0.2690													
11	484	0.2691	0.3810													
12	485	0.3811	0.5380													
13	486	0.5381	0.7610													
14	487	0.7611	1.0760													
15	488	1.0761	1.5220													
16	489	1.5221	2.1530													
17	490	2.1531	3.0440													
18	491	3.0441	4.3050													
19	492	4.3051	6.0890													
20	493	6.0891	8.6110													
21	494	8.6111	12.1770													
22	495	12.1771	17.2220													
23	496	17.2221	24.3550													
24	497	24.3551	34.4430													
25	498	34.4431	99.9999													
Default	499	100.0000	100.0000													
Total (of items 472 and 499)	500															

1. Not on an EAD basis.
2. In respect of the relevant specified PD bands and asset classes, based on the relevant requirements specified in these Regulations, a bank shall report its relevant aggregate total amount of credit extended.

(All amounts to be rounded off to the nearest R'000)

IRB approach: Analysis of total credit extended ¹ , analysed by PD band	Line no.	Asset class											Total credit extended (col. 11 to 17)									
		Retail exposure ^{1,2}																				
		Residential mortgage advances		Retail revolving credit		SME retail		Retail other			Purchased retail receivables											
Total retail exposure (total of columns 18, 19, 21, 24 and 28)		Total		of which: secured lending		of which: unsecured lending		Total		of which: unsecured lending ≤ R30 000		of which: unsecured lending > R30 000										
17		19		20		21		22		23		24		25		26		27		28		
Performing (total of items 473 to 498)		472																				29
00		473																				
01		474																				
02		475																				
03		476																				
04		477																				
05		478																				
06		479																				
07		480																				
08		481																				
09		482																				
10		483																				
11		484																				
12		485																				
13		486																				
14		487																				
15		488																				
16		489																				
17		490																				
18		491																				
19		492																				
20		493																				
21		494																				
22		495																				
23		496																				
24		497																				
25		498																				
Default		499																				
Total (of items 472 and 499)		500																				

1. Not on an EAD basis.

2. In respect of the relevant specified PD bands and asset classes, based on the relevant requirements specified in these Regulations, a bank shall report its relevant aggregate total amount of credit extended.

IRB approach: EAD weighted average LGD (percentage) Prescribed PD band	Line no.	Prescribed rating scale		Asset class													
		Lower bound (%)	Upper bound (%)	Corporate exposure ¹													
				Specialised lending							Total corporate exposure average LGD (%)						
				High volatility commercial real estate (property development)	Income producing real estate	Object finance	Commodity finance	Project finance	SME corporate	Purchased corporate receivables	Public sector entities ¹	Local government and municipalities	Sovereign ¹ (including central government and central banks)	Banks ¹	Securities firms ¹		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		
Performing (total of items 502 to 527)	501																
00	502		0.0000														
01	503	0.0001	0.0120														
02	504	0.0121	0.0170														
03	505	0.0171	0.0240														
04	506	0.0241	0.0340														
05	507	0.0341	0.0480														
06	508	0.0481	0.0670														
07	509	0.0671	0.0950														
08	510	0.0951	0.1350														
09	511	0.1351	0.1900														
10	512	0.1901	0.2690														
11	513	0.2691	0.3810														
12	514	0.3811	0.5380														
13	515	0.5381	0.7610														
14	516	0.7611	1.0760														
15	517	1.0761	1.5220														
16	518	1.5221	2.1530														
17	519	2.1531	3.0440														
18	520	3.0441	4.3050														
19	521	4.3051	6.0890														
20	522	6.0891	8.6110														
21	523	8.6111	12.1770														
22	524	12.1771	17.2220														
23	525	17.2221	24.3550														
24	526	24.3551	34.4430														
25	527	34.4431	99.9999														
Default	528	100.0000	100.0000														
Total (of items 501 and 528)	529																

1. In respect of the relevant specified PD bands and asset classes, a bank shall report the EAD weighted average LGD percentage relating to the relevant credit exposure, calculated in accordance with the relevant requirements specified in these Regulations.

(All amounts to be rounded off to the nearest R'000)

IRB approach: Expected loss Prescribed PD band	Line no.	Prescribed rating scale		Asset class													
		Lower bound (%)	Upper bound (%)	Corporate exposure ¹													
				Corpo rate	Specialised lending			Corporate lending			SME corporate	Purchased corporate receivables	Total corporate expected loss (total of col. 3 to 10)	Public sector entities ¹	Local government and municipalities ¹	Sovereign ¹ (including central government and central banks)	Banks ¹
High volatility real estate (property development)	Income producing real estate	Object finance	Commodity finance		Project finance	5	6	7	8	9							
Performing (total of items 531 to 556)	530	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
00																	
01	531		0.0000														
02	532	0.0001	0.0120														
03	533	0.0121	0.0170														
04	534	0.0171	0.0240														
05	535	0.0241	0.0340														
06	536	0.0341	0.0480														
07	537	0.0481	0.0670														
08	538	0.0671	0.0950														
09	539	0.0951	0.1350														
10	540	0.1351	0.1900														
11	541	0.1901	0.2690														
12	542	0.2691	0.3810														
13	543	0.3811	0.5380														
14	544	0.5381	0.7610														
15	545	0.7611	1.0760														
16	546	1.0761	1.5220														
17	547	1.5221	2.1530														
18	548	2.1531	3.0440														
19	549	3.0441	4.3050														
20	550	4.3051	6.0890														
21	551	6.0891	8.6110														
22	552	8.6111	12.1770														
23	553	12.1771	17.2220														
24	554	17.2221	24.3550														
25	555	24.3551	34.4430														
Default ²	556	34.4431	99.9999														
Total expected loss (total of items 530 and 557)	557	100.000	100.000														
	558																

1. In respect of the relevant specified PD bands and asset classes, based on the relevant requirements specified in these Regulations, a bank shall report its relevant aggregate amount of expected loss.
 2. Means the reporting bank's best estimate of the relevant expected loss amount.

(All amounts to be rounded off to the nearest R'000)

IRB approach: Expected loss Prescribed PD band	Line no.	Asset class											Total expected loss (col. 11 to 17)
		Retail exposure ¹											
		Total retail expected loss (total of columns 17, 19, 21, 24 and 28)		Residential mortgage advances		Retail revolving credit		SME retail		Retail other			
17	18	19	20	21	22	23	24	25	26	27	28	29	
		Total	of which: credit cards	Total (of columns 22 and 23)	of which: secured lending	of which: unsecured lending	Total	of which: vehicle and asset finance	of which: unsecured lending ≤ R30 000	of which: unsecured lending > R30 000			
Performing (total of items 531 to 556)	530												
	531												
	532												
	533												
	534												
	535												
	536												
	537												
	538												
	539												
	540												
	541												
	542												
	543												
	544												
	545												
	546												
	547												
	548												
	549												
	550												
	551												
	552												
	553												
	554												
	555												
	556												
Default ²	557												
Total expected loss (total of items 530 and 557)	558												

1. In respect of the relevant specified PD bands and asset classes, based on the relevant requirements specified in these Regulations, a bank shall report its relevant aggregate amount of expected loss.

2. Means the reporting bank's best estimate of the relevant expected loss amount.

(All amounts to be rounded off to the nearest R'000)

IRB approach:	Prescribed rating scale		Asset class														
	Line no.	Upper bound (%)	Corporate exposure ¹														
			Specialised lending			Corporate lending				Total corporate risk weighted exposure (total of col. 3 to 10)							
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Analysis of risk weighted exposure, analysed by PD band																	
Prescribed PD band																	
Performing (total of items 560 to 585)	559																
00	560		0.0000														
01	561	0.0001	0.0120														
02	562	0.0121	0.0170														
03	563	0.0171	0.0240														
04	564	0.0241	0.0340														
05	565	0.0341	0.0480														
06	566	0.0481	0.0670														
07	567	0.0671	0.0950														
08	568	0.0951	0.1350														
09	569	0.1351	0.1900														
10	570	0.1901	0.2690														
11	571	0.2691	0.3810														
12	572	0.3811	0.5380														
13	573	0.5381	0.7610														
14	574	0.7611	1.0760														
15	575	1.0761	1.5220														
16	576	1.5221	2.1530														
17	577	2.1531	3.0440														
18	578	3.0441	4.3050														
19	579	4.3051	6.0890														
20	580	6.0891	8.6110														
21	581	8.6111	12.1770														
22	582	12.1771	17.2220														
23	583	17.2221	24.3550														
24	584	24.3551	34.4430														
25	585	34.4431	99.9999														
Default	586	100.0000	100.0000														
Total (of items 559 and 586)	587																

1. In respect of the relevant specified PD bands and asset classes, based on the relevant requirements specified in these Regulations, a bank shall report its relevant aggregate amount of risk weighted exposure.

(All amounts to be rounded off to the nearest R'000)

IRB approach:	Line no.	Asset class											Total risk weighted exposure (col. 11 to 17)
		Retail exposure											
		Total risk weighted exposure (total of columns 18, 19, 21, 24 and 28)	Residential mortgage advances	Retail revolving credit		SME retail			Retail other				
17	18	19	20	21	22	23	24	25	26	27	28	29	
				Total	of which: secured lending	of which: unsecured lending	Total	of which: vehicle and asset finance	of which: unsecured lending ≤ R30 000	of which: unsecured lending > R30 000			
Performing (total of items 560 to 585)	559												
00	560												
01	561												
02	562												
03	563												
04	564												
05	565												
06	566												
07	567												
08	568												
09	569												
10	570												
11	571												
12	572												
13	573												
14	574												
15	575												
16	576												
17	577												
18	578												
19	579												
20	580												
21	581												
22	582												
23	583												
24	584												
25	585												
Default	586												
Total (of items 559 and 586)	587												

1. In respect of the relevant specified PD bands and asset classes, based on the relevant requirements specified in these Regulations, a bank shall report its relevant aggregate amount of risk weighted exposure.

IRB approach:	Line no.	Prescribed rating scale		Asset class ²												Total ³		
		Lower bound (%)	Upper bound (%)	Corporate exposure ¹														
				Specialised lending				Public sector entities ¹				Sovereign ¹						
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
				Corpo rate	High volatility commercial real estate (property development)	Income producing real estate	Object finance	Commodity finance	Project finance	SME corporate rate	Purchased corporate receivables	Total corporate entities ¹	Local government and municipalities	Sovereign ¹ (including central government and central banks)	Banks ¹	Securities firms ¹		
Prescribed PD band																		
Performing (total of items 589 to 614)	588																	
00	589		0.0000															
01	590		0.0001															
02	591		0.0121															
03	592		0.0171															
04	593		0.0241															
05	594		0.0341															
06	595		0.0481															
07	596		0.0671															
08	597		0.0951															
09	598		0.1351															
10	599		0.1901															
11	600		0.2691															
12	601		0.3811															
13	602		0.5381															
14	603		0.7611															
15	604		1.0761															
16	605		1.5221															
17	606		2.1531															
18	607		3.0441															
19	608		4.3051															
20	609		6.0891															
21	610		8.6111															
22	611		12.1771															
23	612		17.2221															
24	613		24.3551															
25	614		34.4431															
Default	615		100.000															
Total (of items 588 and 615)	616																	

1. In respect of the relevant specified PD bands and asset classes, a bank shall report the EAD weighted effective maturity of the relevant asset class calculated in accordance with the relevant requirements specified in regulation 23(13)(d)(i)(B), which average effective maturity shall be expressed in years and rounded to two decimal places.

2. Excluding retail exposure to which an effective maturity of 2.5 years applies and any exposure other than retail exposure in respect of which a specific maturity is specified in these Regulations, in which case the said specified maturity shall be reported.

3. Means the total EAD weighted average effective maturity in respect of all relevant asset classes, including retail exposure (refer note 1), but excluding securitisation exposure.

24. Credit risk - Directives and interpretations for completion of the quarterly return concerning credit risk (Form BA 210)

- (1) The content of the return is confidential and not available for inspection by the public.
- (2) The purpose of the return is to obtain selected information in respect of-
 - (a) credit risk mitigation;
 - (b) restructured credit exposure;
 - (c) credit risk classification and related credit impairment or allowance for credit impairment raised by a bank that adopted the standardised approach for the measurement of the bank's exposure to credit risk;
 - (d) credit concentration risk;
 - (e) large exposure to a person;
 - (f) exposures included on a watch list of the reporting bank in order to duly manage the said exposures due to particular circumstances that warrant more than normal attention from the reporting bank's senior management;
 - (g) connected lending or lending to a related person.
- (3) Unless specifically otherwise provided or specified in writing by the Registrar, a bank shall in all cases other than the items specified below complete the form BA 210 based on the outstanding amount at the end of the reporting month, provided that in respect of the items specified below and any related eligible credit risk mitigation in respect of that specified item, instead of the outstanding amount at the end of the reporting month, the bank shall report the average daily balance of the said specified item and the average daily balance related to any eligible credit risk mitigation in respect of that specified item in respect of the reporting month.
 - (a) Any credit card or overdraft facility.
 - (b) Any corporate exposure related to working capital or an overdraft facility.
 - (c) Any SME working capital facility or overdraft.
 - (d) Any money market exposure to a financial institution.
 - (e) Any call or overnight loan.

(4) Matters relating to valuation of security/ collateral

(a) *Tangible security*

(i) The value of tangible security means the net realisable value of the security, that is, the current market value of the security less any realisation costs. The reporting bank shall base the market value on a reliable valuation, that is, the price at which the relevant asset might be sold on the valuation date assuming-

- a willing buyer and seller;
- the transaction is conducted at arm's length;
- a reasonable period for the sale has been allowed; and
- the asset is freely exposed to the market.

(ii) The reporting bank-

(A) shall on a regular basis but not less frequently than once a year monitor the value of its collateral received, provided that the bank shall on a more frequent basis than once a year monitor the value of its collateral received when the market value of the said collateral is subject to significant change;

(B) may apply statistical methods of evaluation such as reference to house price indices or sampling-

(i) to update its valuation estimates; or

(ii) to identify collateral in respect of which the value materially may have declined and which collateral value may need to be re-assessed,

provided that the bank shall make use of a duly qualified professional person to evaluate any relevant property when relevant information indicates that the value of the said collateral materially may have declined relative to general market prices, or when a credit event such as default occurs.

(b) *Intangible security*

The reporting bank shall include intangible security only when certainty exists in respect of the legal enforceability and value of the relevant security.

(c) *Principles that may influence the value of tangible and intangible security*

Principles that may influence the value of tangible and intangible security to be reported on the form BA 210 include the matters specified below:

(i) *Prudence*

Prudence is the inclusion of a degree of caution in the exercise of the judgements needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

(ii) *Reliability*

In order to be useful, information must also be **reliable**. Information has the quality of reliability when it is free of material error and bias and can be depended upon by users to represent faithfully that which it either purports to represent or could reasonably be expected to represent. Information may be relevant but so unreliable in nature or representation that its recognition potentially may be misleading.

(iii) *Completeness*

In order to be reliable, the information reported in the risk returns shall be **complete** within the bounds of materiality and cost. An omission may cause information to be false or misleading and thus unreliable and deficient in terms of its relevance.

(d) When the value of any relevant security or collateral exceeds the relevant exposure value to which it relates, the reporting bank shall limit the said valuation amount to be reported on the form BA 210 to the said exposure amount.

(5) For purposes of this regulation 24 and the completion of items 43 to 63 of the form BA 210, a bank that adopted the standardised approach for the measurement of the bank's exposure to credit risk shall classify all relevant exposures in accordance with the relevant requirements specified below:

(a) Any credit exposure, including on-balance-sheet items, off-balance-sheet items or credit exposure arising from repo-style transactions or derivative instruments-

- (i) shall in the case of exposures other than retail exposures be classified per person and not per account;
- (ii) may in the case of retail exposures be classified per account.

- (b) Classification of any relevant credit exposure amount shall take into account-
- (i) the current financial condition and payment capacity of the relevant obligor;
 - (ii) the payment record of the relevant obligor;
 - (iii) the current value of any relevant collateral; and
 - (iv) other factors that affect the prospects for the collection of principal and interest amounts due.

(c) *Classification categories*

(i) **Special mention**

Included in the category of special mention are credit exposures in respect of which the obligor is experiencing difficulties that may threaten the bank's position. Ultimate loss is not expected, but may occur if adverse conditions persist.

As a minimum, credit exposure that exhibits one or more of the characteristics specified below shall be included in the category of special mention:

- (A) Early signs of liquidity problems exist, such as delay in the servicing of loans.
- (B) Loan information is inadequate or incomplete. For example, the reporting bank is unable to obtain from the relevant obligor annual audited financial statements or such statements are not available.
- (C) The condition of and control over collateral is questionable.
- (D) The bank fails to obtain proper documentation from or co-operation by the obligor or finds it difficult to maintain contact with the obligor.
- (E) There is a slowdown in business activity or an adverse trend in the obligor's operations that signals a potential weakness in the financial strength of the obligor, but which may not necessarily have reached a point that threatens the ongoing servicing of the relevant exposure.
- (F) Volatility in economic or market conditions is likely to negatively affect the obligor in the future.
- (G) Poor performance persists in the industry in which the obligor conducts business.

- (H) The relevant obligor, or, in the case of a corporate borrower, a key executive, is in ill health.
- (I) The obligor is subject to litigation that is likely to have a significant impact on the financial position of the said obligor.
- (J) The obligor is experiencing difficulty with the servicing of other loans from either the reporting bank or other banks.

Provided that any relevant credit exposure amount that is overdue for more than 60 days shall as a minimum be classified as special mention.

(ii) Substandard

Any credit exposure that reflects an underlying, well defined weakness that may lead to probable loss if not corrected should be included in the category of substandard. The risk that such credit exposure may become an impaired asset is probable, and the bank is relying, to a large extent, on available security.

The primary sources of repayment are insufficient to service the remaining contractual principal and interest amounts, and the bank has to rely on secondary sources for repayment, which secondary sources may include collateral, the sale of a fixed asset, refinancing and further capital.

Credit exposures classified as substandard are likely to exhibit one or more of the characteristics specified below:

- (A) Repayment of the principal amount and/or accrued interest has been overdue for more than 90 days, and the net realisable value of security is insufficient to cover the payment of the principal amount and accrued interest.
- (B) The principal amount and accrued interest are fully secured, but the repayment of the principal amount and/or accrued interest has been overdue for more than 12 months.
- (C) Significant deficiencies exist that threaten the obligor's business, cash flow or payment capability, which deficiencies may include the items specified below:
 - (i) The credit history or performance record of the obligor is not satisfactory.
 - (ii) Labour disputes or unresolved management problems may affect the business, production or profitability of the obligor.

- (iii) Increased borrowings are not in proportion with the obligor's business.
- (iv) The obligor is experiencing difficulty with the repayment of obligations to other creditors.
- (v) Construction delays or other unplanned adverse events resulting in cost overruns are likely to require loan restructuring.
- (vi) The obligor is unemployed.

(iii) Doubtful

Credit exposure in the category of doubtful is considered to be impaired, but is not yet considered final loss due to some pending factors, such as a merger, new financing or capital injection, which factors may strengthen the quality of the relevant exposure.

Doubtful credit exposures exhibit not only all the weaknesses inherent in credit exposures classified as substandard but also have the added characteristics that the said exposures are not duly secured. The said weaknesses make collection in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. The possibility of loss is high, but due to certain important and reasonably specific factors that may strengthen the asset, the classification of the asset as an estimated loss is deferred until a more exact status may be determined.

Credit exposures classified as doubtful exhibit one or more of the characteristics specified below:

- (A) Repayment of the principal amount and/or accrued interest has been overdue for more than 180 days, and the net realisable value of security is insufficient to cover the payment of the principal amount and accrued interest.
- (B) In the case of unsecured or partially secured credit exposures that have been overdue for less than 180 days, other serious deficiencies, such as default, death, bankruptcy or liquidation of the obligor, are detected or the obligor's whereabouts are unknown.

Credit exposures that have been overdue for 180 days and longer are usually classified as doubtful unless the said exposures are well secured, legal action has actually commenced, and timely realisation of the collateral or enforcement of guarantees obtained will result in the repayment of the relevant principal and interest amounts due, including payments in respect of amounts overdue.

When an account is classified as doubtful, unless particular circumstances pertaining to the relevant obligor dictate otherwise, interest shall no longer be accrued or accrued interest shall be impaired.

(iv) Loss

Credit exposures classified as loss are considered to be uncollectable once collection efforts, such as realisation of collateral and institution of legal proceedings, have been unsuccessful. The relevant exposures are considered of such little value that the said exposures should no longer be included in the net assets of the bank.

This classification does not necessarily mean that the asset has no recovery value. Instead, it is neither practical nor desirable to defer writing off this basically worthless asset even though partial recovery may be effected in the future, that is, banks should not retain exposures on their books while attempting long-term recoveries.

Non-performing credit exposures that have been overdue for at least one year shall be classified as loss unless such exposures are well secured, legal action has actually commenced, and timely realisation of the collateral or enforcement of guarantees obtained will result in the repayment of the relevant principal and interest amounts due, including payment in respect of amounts overdue.

When an account is classified as loss, unless particular circumstances pertaining to the relevant obligor dictate otherwise, interest shall no longer be accrued or accrued interest shall be impaired.

(6) *Matters specifically related to credit concentration risk*

The purpose of items 64 to 77 and 285 to 300 of the form BA 210, amongst other things, is-

- (a) to obtain the approval of the Registrar, as contemplated in section 73(2)(a) of the Act, of any transaction in the form of an investment with or a loan, advance or other direct or indirect credit facility granted to a private-sector non-bank person, as defined in regulation 67, which transaction results in the reporting bank, controlling company, branch or branch of a bank being exposed to that person to an amount exceeding an amount representing the percentage of capital and reserve funds specified in subregulation (7)(b);
- (b) to inform the Registrar, as contemplated in section 73(2)(b) of the Act, of any transaction in the form of an investment with or a loan, advance or other direct or indirect credit facility granted to a person other than a person referred to in paragraph (a), which transaction results in the reporting bank, controlling company, branch or branch of a bank being exposed to that person to an amount exceeding an amount representing the percentage of capital and reserve funds specified in subregulation (7)(b).

(7) *Prescribed percentages relating to specified concentration risk*

The prescribed percentage of a specified amount contemplated in-

- (a) section 73(1)(a) of the Act shall in the case of a bank, controlling company, branch or branch of a bank be 10 per cent of the respective amounts specified in subparagraphs (i) to (iv) below:
- (i) In the case of a bank, joint venture or foreign subsidiary of a bank reporting on a solo basis, the specified amount shall be 10 per cent of the qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the said reporting bank, joint venture or foreign subsidiary of the bank, as the case may be, as reported in item 88 of the form BA 700, as at the month-end preceding the reporting date to which the form BA 210 relates;
 - (ii) In the case of a bank or controlling company reporting on a consolidated basis, the specified amount shall be 10 per cent of the consolidated net amount of qualifying capital and reserve funds of the said reporting bank or controlling company, as the case may be, as reported in item 88 of the form BA 700, at the latest date for which the relevant statement was submitted;
 - (iii) In the case of a foreign institution that conducts the business of a bank through a branch in the Republic, the specified amount shall be 10 per cent of the qualifying capital and reserve funds of the said foreign institution that conducts the business of a bank through its branch in the Republic;
 - (iv) In the case of a branch of a bank, the specified amount shall be 10 per cent of the qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the parent bank in the Republic, as reported in item 88 of the form BA 700, as at the month-end preceding the reporting date to which the form BA 210 relates.
- (b) section 73(2) of the Act shall in the case of a bank, controlling company, branch or branch of a bank be 25 per cent of the respective amounts specified in subparagraphs (i) to (iv) below:
- (i) In the case of a bank, joint venture or foreign subsidiary of a bank reporting on a solo basis, the specified amount shall be 25 per cent of the qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the said reporting bank, joint venture or foreign subsidiary of the bank, as the case may be, as reported in item 88 of the form BA 700, as at the month-end preceding the reporting date to which the form BA 210 relates;

- (ii) In the case of a bank or controlling company reporting on a consolidated basis, the specified amount shall be 25 per cent of the consolidated net amount of qualifying capital and reserve funds of the said reporting bank or controlling company, as the case may be, as reported in item 88 of the form BA 700, at the latest date for which the relevant statement was submitted;
- (iii) In the case of a foreign institution that conducts the business of a bank through a branch in the Republic, the specified amount shall be 25 per cent of the qualifying capital and reserve funds of the said foreign institution that conducts the business of a bank through its branch in the Republic;
- (iv) In the case of a branch of a bank, the specified amount shall be 25 per cent of the qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the parent bank in the Republic, as reported in item 88 of the form BA 700, as at the month-end preceding the reporting date to which the form BA 210 relates.

(8) *Matters specifically related to exempt exposure*

For purposes of this regulation 24, exempt exposure includes any exposure specified in writing by the Registrar, which exempt exposure shall be reported under "other exposures", in item 72 or 295, as the case may be, of the form BA 210.

(9) *Matters specifically related to connected lending or lending to a related person*

- (a) In order to prevent any potential abuse arising from connected lending or lending to a related person, every bank and every controlling company shall have in place robust processes, procedures, systems and board-approved policies to ensure, among other things, that
 - (i) the bank or controlling company, as the case may be, lends money to a related person on an arm's-length basis, that is, no exposure to a connected or related person of a bank or controlling company shall be extended on terms or under conditions more favourable than a corresponding loan or exposure to a person not related or connected to the said reporting bank or controlling company, which terms or conditions may relate to matters such as credit assessment, tenor, interest rate or a requirement for collateral, unless the related person is an employee of the bank or controlling company and the relevant loan or exposure that is granted on beneficial terms forms part of that person's remuneration package;
 - (ii) no person benefiting from a particular loan or exposure is responsible for the preparation of the loan assessment or credit decision, or the subsequent management of the exposure or any relevant matter related to that exposure;

- (iii) the monitoring and the reporting of individual and aggregate exposure(s) to related persons are subject to an independent credit review process;
 - (iv) any transaction with a related person and the write-off of any related-party exposure exceeding one per cent of the bank or controlling company's qualifying common equity tier 1 capital and reserve funds, as reported in item 64 of the form BA 700, or otherwise posing special risks, is subject to the prior written approval of the board of directors of that bank or controlling company;
 - (v) any extension of credit to a related person is duly documented and monitored;
 - (vi) the bank or controlling company takes appropriate steps to control or mitigate any risk arising from an exposure granted to a related person.
- (b) When the Registrar is of the opinion that the bank or controlling company's policies, processes, procedures and systems related to connected lending or lending to a related person are inadequate, the Registrar may require the relevant bank or controlling company-
- (i) to deduct from its capital and reserve funds such amount relating to the said transactions or exposure as may be specified in writing by the Registrar; and/or
 - (ii) to obtain adequate collateral in respect of the relevant exposure.
- (c) For the purposes of this regulation 24 "related person" means a related person as defined in regulation 36(6).

(10) Instructions relating to the completion of the quarterly form BA 210 are furnished with reference to the headings and item descriptions of certain columns and line item numbers appearing on form BA 210, as follows:

Columns relating to credit risk mitigation: standardised approach, items 1 to 21

Column number	Description
1	<p>Original credit and counterparty exposure</p> <p>In respect of the specified asset class this column shall reflect the relevant aggregate credit exposure amount relating to the reporting bank's-</p> <p>(a) on-balance-sheet exposure, gross of any valuation adjustment or credit impairment;</p> <p>(b) off-balance-sheet exposure, including amounts in respect of irrevocable commitments, prior to the application of any relevant credit-conversion factor;</p> <p>(c) exposure in respect of derivative instruments, calculated in accordance with the relevant requirements specified in regulations 23(15) to 23(19);</p> <p>(d) exposure in respect of any repurchase or resale agreement.</p>
2	<p>Net exposure after netting</p> <p>In respect of the specified asset class this column shall reflect the reporting bank's net credit exposure amount after the risk reducing effect of any netting agreement that complies with the relevant requirements specified in regulations 23(7)(a), 23(9)(a), 23(17) or 23(18) has been taken into consideration.</p>
3	<p>Unfunded credit protection: guarantees</p> <p>In respect of the specified asset class this column shall reflect the aggregate amount in respect of guarantees obtained as credit protection, which amount shall include any adjustment in respect of any mismatch between the relevant credit exposure and the protection obtained.</p>
4	<p>Unfunded credit protection: credit derivative instruments</p> <p>In respect of the specified asset class this column shall reflect the aggregate amount in respect of credit derivative instruments obtained as credit protection, which amount shall include any adjustment in respect of any mismatch between the relevant credit exposure and the protection obtained.</p>

Column number	Description
5	<p>Funded credit protection: Collateral - simple method</p> <p>In respect of the specified asset class this column shall reflect the aggregate amount in respect of collateral obtained by the reporting bank, which collateral complies with the relevant requirements specified in regulation 23(9)(b).</p>
7 and 8	<p>Redistribution of net exposure after netting: inflows</p> <p>In respect of the specified asset class this column shall reflect the aggregate net amount, that is, the relevant amount after the effect of netting has been taken into consideration, in respect of protected credit exposure that are redistributed to the asset class relating to the protection provider, including any redistribution in similar asset classes or sub-portfolios, or any transfer of exposure from the IRB approach to the standardised approach.</p>
9 and 10	<p>Redistribution of net exposure after netting: outflows</p> <p>In respect of the specified asset class this column shall reflect the aggregate net amount, that is, the relevant amount after the effect of netting has been taken into consideration, in respect of protected credit exposure that are deducted or redistributed from the original obligor's exposure class to the asset class relating to the protection provider, including any redistribution in similar asset classes or sub-portfolios, or any transfer of exposure to the IRB approach.</p>
12	<p>Volatility adjustment in respect of exposure</p> <p>In respect of the specified asset class this column shall reflect the relevant volatility adjustment that relates to the reporting bank's relevant credit exposure amount.</p>
13	<p>Adjusted value of financial collateral obtained</p> <p>In respect of the specified asset class this column shall reflect the relevant adjusted value of financial collateral obtained by the reporting bank in respect of its exposure to credit risk.</p>
14 to 17	<p>Memorandum items in respect of financial collateral</p> <p>In respect of the specified asset class these columns shall reflect the relevant required adjustments specified on the form BA 210 relating to financial collateral obtained by the reporting bank in respect of its exposure to credit risk.</p>

Column number	Description
18	<p>Credit exposure value post credit risk mitigation</p> <p>In respect of the specified asset class this column shall reflect the reporting bank's relevant credit exposure amount, which credit exposure amount-</p> <p>(a) shall not incorporate the effect of any relevant credit conversion factor relating to an off-balance-sheet item;</p> <p>(b) shall incorporate the effect of any relevant adjustment relating to financial collateral or other eligible credit risk mitigation instrument obtained by the reporting bank in respect of its said exposure to credit risk.</p>

Columns relating to restructured credit exposure: standardised approach, items 22 to 42

Column number	Description
1	<p>Actual number of restructured credit exposure transactions in this reporting quarter</p> <p>In respect of the specified asset class this column shall reflect the aggregate number of transactions in respect of which the reporting bank allowed a restructuring of the relevant credit exposure.</p>
2	<p>Exposure value of restructured credit exposure transactions in this reporting quarter</p> <p>In respect of the specified asset class this column shall reflect the aggregate drawn amount relating to transactions in respect of which the reporting bank allowed a restructuring of the relevant credit exposure.</p>
3	<p>Restructured credit exposure as percentage of asset class exposure and total credit exposure</p> <p>In respect of the specified asset class this column shall reflect the relevant percentage calculated by dividing the aggregate drawn amount relating to restructured credit exposure by the aggregate gross drawn amount in respect of the relevant asset class.</p>

Items relating to credit risk classification and impairment: standardised approach

Item number	Description
43 to 63	<p>Credit risk classification and impairment</p> <p>Based on, amongst other things, the relevant requirements specified in subregulation (5), a bank shall complete items 43 to 63 of the form BA 210.</p>

Columns relating to credit risk classification and impairment: standardised approach, items 43 to 63

Column number	Description
1, 4, 7 and 10	<p>Gross exposure</p> <p>Based on the specified asset classes, these columns shall reflect the aggregate amount in respect of the reporting bank's gross credit exposure.</p>
2, 5, 8 and 11	<p>Collateral</p> <p>Based on the specified asset classes and the relevant requirements specified in subregulation (4), these columns shall reflect the aggregate amount in respect of collateral obtained by the reporting bank in respect of the bank's gross credit exposure.</p>
3, 6, 9 and 12	<p>Specific credit impairment</p> <p>Based on the specified asset classes, these columns shall reflect the aggregate amount in respect of specific credit impairment raised by the reporting bank in accordance with financial reporting standards issued from time to time.</p>

Items relating to credit concentration risk– large exposure to a person: standardised approach

Item number	Description
64 to 77	<p>Credit concentration risk – large exposure to a person</p> <p>Based on, amongst other things, the relevant requirements specified in subregulations (6) to (8), a bank that adopted the standardised approach for the measurement of the bank's exposure to credit risk shall complete items 64 to 77 of the form BA 210.</p>

Columns relating to credit concentration risk– large exposure to a person: standardised approach, items 64 to 77

Column number	Description
2	<p>On-balance-sheet exposure</p> <p>This column shall reflect the aggregate amount in respect of the reporting bank's on-balance-sheet credit exposure to a person, other than any credit exposure arising from a derivative instrument or repo-style transaction, which amount shall be gross of any valuation adjustment or credit impairment.</p>
3	<p>Off-balance-sheet exposure</p> <p>This column shall reflect the aggregate amount in respect of the reporting bank's off-balance-sheet credit exposure to a person, other than any credit exposure arising from a derivative instrument or repo-style transaction, including any relevant exposure amount in respect of an irrevocable commitment, prior to the application of any relevant credit conversion factor.</p>

Column number	Description
4	<p>Repurchase and resale agreements</p> <p>This column shall reflect the aggregate amount in respect of any credit exposure to a person arising from a repurchase or resale agreement concluded with the said person by the reporting bank.</p>
5	<p>Derivative instruments</p> <p>This column shall reflect the aggregate amount in respect of any credit exposure to a person arising from a transaction concluded in respect of a derivative instrument, calculated in accordance with the relevant requirements specified in regulations 23(15) to 23(19).</p>
9	<p>Total credit exposure as a percentage of qualifying capital and reserve funds</p> <p>This column shall reflect the relevant required percentage by dividing the total credit exposure amount to a person reported in column 6 by the aggregate amount of qualifying tier 1 and tier 2 capital and reserve funds of the reporting bank as reported in item 88 of the form BA 700.</p>
10	<p>Additional capital requirement</p> <p>This column shall reflect the aggregate additional required amount of capital and reserve funds in respect of concentration risk arising from an exposure to a private-sector non-bank person, calculated in accordance with the relevant requirements specified in subregulations (6) to (8) read with the relevant provisions of section 73 of the Act, and such further requirements as may be specified in writing by the Registrar.</p>
11	<p>Eligible financial collateral</p> <p>This column shall reflect the current market value of eligible financial collateral obtained by the reporting bank after the effect of any relevant haircut has been taken into consideration.</p>
12 and 13	<p>Unfunded credit protection</p> <p>These columns shall reflect the relevant required aggregate amounts in respect of unfunded eligible credit protection obtained by the reporting bank in respect of the bank's relevant exposure to credit risk.</p>
14	<p>Redistribution of reduced exposure: outflows</p> <p>This column shall reflect the aggregate amount after the effect of netting has been taken into consideration in respect of protected credit exposure that are deducted or redistributed from the original obligor's exposure class to the asset class relating to the protection provider, including any redistribution in similar asset classes or sub-portfolios.</p>

Column number	Description
15	<p>Redistribution of reduced exposure: inflows</p> <p>This column shall reflect the aggregate amount after the effect of netting has been taken into consideration in respect of protected credit exposure that are redistributed to the asset class relating to the protection provider, including any redistribution in similar asset classes or sub-portfolios.</p>
16	<p>Specific credit impairment</p> <p>This column shall reflect the aggregate amount relating to any specific credit impairment raised by the reporting bank in accordance with the relevant requirements of financial reporting standards issued from time to time.</p>
17	<p>Net exposure after credit risk mitigation</p> <p>In respect of any relevant credit exposure to a person, this column shall reflect the reporting bank's net exposure amount after the effect of any relevant netting, credit risk mitigation or redistribution of exposure due to risk mitigation, and the application of any relevant credit-conversion factor, have been taken into consideration.</p>
18	<p>Risk weighted value of net exposure</p> <p>In respect of any relevant credit exposure to a person, this column shall reflect the reporting bank's relevant risk weighted net exposure amount, that is, the sum of the various types of exposure to the said person, multiplied by the respective risk weights.</p>

Items relating to credit concentration risk– sectoral distribution: standardised approach

Item number	Description
78 to 90	<p>Sectoral distribution</p> <p>Based on, amongst others, the relevant specified sectors or industries, read with the relevant directives contained in the Standard Industrial Classification of all Economic Activities issued by Statistics South Africa from time to time, a bank that adopted the standardised approach for the measurement of its exposure to credit risk shall complete the information specified in items 78 to 90.</p>

Columns relating to credit concentration risk– sectoral distribution: standardised approach, items 78 to 94

Column number	Description
1	<p>On-balance-sheet exposure</p> <p>Based on the specified sectors, this column shall reflect the aggregate amount in respect of the reporting bank's on-balance-sheet credit exposure, other than any credit exposure arising from a repurchase or resale agreement, or derivative instrument, which amount shall be gross of any valuation adjustment or credit impairment.</p>
2	<p>Off-balance-sheet exposure</p> <p>Based on the specified sectors, this column shall reflect the aggregate amount in respect of the reporting bank's off-balance-sheet credit exposure, other than any credit exposure arising from a repurchase or resale agreement, or derivative instrument, including any relevant exposure amount in respect of an irrevocable commitment, prior to the application of any relevant credit conversion factor.</p>
3	<p>Repurchase and resale agreements</p> <p>Based on the specified sectors, this column shall reflect the aggregate amount in respect of any credit exposure arising from a repurchase or resale agreement concluded by the reporting bank.</p>
4	<p>Derivative instruments</p> <p>Based on the specified sectors, this column shall reflect the aggregate amount in respect of any credit exposure arising from derivative instruments.</p>
8	<p>Risk weighted value of net exposure</p> <p>Based on the specified sectors, this column shall reflect the reporting bank's relevant risk weighted net exposure amount, that is, the sum of the various types of credit exposure relating to counterparties assigned to the said sector, multiplied by the respective risk weights.</p>
10 and 11	<p>Credit impairment</p> <p>Based on the specified sectors, these columns shall respectively reflect the aggregate amount relating to specific credit impairment and portfolio credit impairment raised by the reporting bank in accordance with the relevant requirements of financial reporting standards issued from time to time.</p>

Items relating to credit concentration risk- Herfindahl-Hirschman Index (HHI): standardised approach

Item number	Description
95 to 111	<p>Wholesale HHI</p> <p>In order to identify potential concentration in the reporting bank's relevant credit portfolios, the bank shall, based on its risk weighted assets calculated in accordance with the relevant requirements specified in these Regulations, calculate its relevant Herfindahl-Hirschman Index, which index-</p> <p>(a) is defined as $HHI = S (\text{proportion of total value})^2$</p> <p>(b) shall in the case of wholesale exposure be based on specified industries;</p> <p>(c) may range in value, with the most diversified portfolio reflecting a calculated value close to zero and the most concentrated portfolio reflecting a calculated value close or equal to 100 per cent.</p>
112 to 117	<p>Retail HHI</p> <p>In order to identify potential concentration in the reporting bank's relevant credit portfolios, the bank shall, based on its risk weighted assets calculated in accordance with the relevant requirements specified in these Regulations, calculate its relevant Herfindahl-Hirschman Index-</p> <p>(a) which risk weighted assets shall be divided by the relevant number of clients in order to determine the relevant average amount of risk weighted assets per client;</p> <p>(b) which index is defined as $HHI = S (\text{proportion of total value})^2$</p> <p>(c) which index shall in the case of retail exposure be based on specified products;</p> <p>(d) which index may range in value, with the most diversified portfolio reflecting a calculated value close to zero and the most concentrated portfolio reflecting a calculated value close or equal to 100 per cent.</p>

Columns relating to credit concentration risk – geographical distribution: standardised approach, items 118 to 174

Column number	Description
1	<p>On-balance-sheet exposure</p> <p>Based on the specified geographical areas, this column shall reflect the aggregate amount in respect of the reporting bank's on-balance-sheet credit exposure, other than any credit exposure arising from a repurchase or resale agreement, or derivative instrument, which amount shall be gross of any valuation adjustment or credit impairment.</p>
2	<p>Off-balance-sheet exposure</p> <p>Based on the specified geographical areas, this column shall reflect the aggregate amount in respect of the reporting bank's off-balance-sheet credit exposure, other than any credit exposure arising from a repurchase or resale agreement, or derivative instrument, including any relevant exposure amount in respect of an irrevocable commitment, prior to the application of any relevant credit conversion factor.</p>
3	<p>Repurchase and resale agreements</p> <p>Based on the specified geographical areas, this column shall reflect the aggregate amount in respect of any credit exposure arising from a repurchase or resale agreement concluded by the reporting bank.</p>
4	<p>Derivative instruments</p> <p>Based on the specified geographical areas, this column shall reflect the aggregate amount in respect of any credit exposure arising from derivative instruments.</p>
8	<p>Risk weighted value of net exposure</p> <p>Based on the specified geographical areas, this column shall reflect the reporting bank's relevant risk weighted net exposure amount, that is, the sum of the various types of credit exposure relating to the relevant counterparties assigned to the specified geographical area, after the effects of netting, other forms of eligible credit risk mitigation, redistribution effects or relevant credit conversion factors have been taken into consideration, multiplied by the respective risk weights.</p>
10 and 11	<p>Credit impairment</p> <p>Based on the specified geographical areas, these columns shall respectively reflect the aggregate amount relating to specific credit impairment and portfolio credit impairment raised by the reporting bank in accordance with the relevant requirements of financial reporting standards issued from time to time.</p>

Columns relating to credit concentration risk – 20 largest exposures in debt and with equity exposure: standardised approach, items 194 to 214

Column number	Description
1	<p>Debt exposure</p> <p>This column shall reflect the aggregate amount relating to the reporting bank's twenty largest debt exposures, which debt exposures also have equity exposure of which the relevant amounts are included in columns 2 to 4, calculated as the sum of any-</p> <ul style="list-style-type: none"> (a) on-balance-sheet exposure, gross of any valuation adjustment or credit impairment; (b) off-balance-sheet exposure, including any relevant amount relating to an irrevocable commitment, prior to the application of any relevant credit-conversion factor; (c) exposure in respect of any repurchase or resale agreement; and (d) exposure in respect of any relevant derivative instrument, calculated in accordance with the relevant requirements specified in regulations 23(15) to 23(19); <p>which debt exposure amount reported in column 1 shall exclude the book value of any investment held by the reporting bank deemed to be an equity exposure in accordance with the relevant requirements specified in regulation 31.</p>
2	<p>Equity exposure</p> <p>This column shall reflect the relevant aggregate equity exposure amount relating to the reporting bank's twenty largest debt exposures which also have equity exposure, gross of any valuation adjustment or credit impairment, including any publicly or privately held instrument deemed to be an equity exposure in accordance with the relevant requirements specified in regulation 31.</p>

Columns relating to watch list: standardised approach, items 215 to 228

Column number	Description
2	<p>Exposure amount</p> <p>This column shall reflect the aggregate gross credit exposure amount in respect of the relevant obligor included in the reporting bank's watch list.</p>
3	<p>Risk weighted value of net exposure</p> <p>This column shall reflect the reporting bank's relevant risk weighted net credit exposure amount, that is, the sum of the various types of credit exposure relating to the relevant counterparties on the bank's watch list, after the effects of netting, other forms of eligible credit risk mitigation, redistribution effects or relevant credit conversion factors have been taken into consideration, multiplied by the respective risk weights.</p>

Columns relating to credit risk mitigation: IRB approach, items 229 to 256

Column number	Description
1	<p>Original credit and counterparty exposure</p> <p>In respect of the specified asset class this column shall reflect the relevant aggregate credit exposure amount relating to the reporting bank's-</p> <ul style="list-style-type: none"> (a) on-balance-sheet exposure, gross of any valuation adjustment or credit impairment; (b) off-balance-sheet exposure, including amounts in respect of irrevocable commitments, prior to the application of any relevant credit-conversion factor; (c) exposure in respect of derivative instruments, calculated in accordance with the relevant requirements specified in regulations 23(15) to 23(19); (d) exposure in respect of any repurchase or resale agreement.
2	<p>Net exposure after netting agreements</p> <p>In respect of the specified asset class this column shall reflect the reporting bank's net credit exposure amount after the risk reducing effect of any netting agreement that complies with the relevant requirements specified in regulations 23(12)(a), 23(14)(a) or 23(17) to 23(19) has been taken into consideration.</p>

Columns relating to credit risk mitigation: IRB approach, items 229 to 256

Column number	Description
3	<p data-bbox="544 311 1066 338">Unfunded credit protection: guarantees</p> <p data-bbox="544 371 1345 533">In respect of the specified asset class this column shall reflect the relevant aggregate nominal amount in respect of guarantees obtained as credit protection, other than guarantees obtained that are subject to the provisions of regulations 23(12)(g) or 23(14)(f) relating to double default-</p> <ul style="list-style-type: none"> <li data-bbox="544 566 1345 658">(a) which amount shall exclude any relevant adjustment in respect of any mismatch between the relevant credit exposure and the protection obtained; <li data-bbox="544 692 1345 757">(b) which protection has not already been incorporated into an estimate of LGD; <li data-bbox="544 790 1345 880">(c) the relevant value of which protection shall in no case exceed the value of the relevant exposure to which it relates.
4	<p data-bbox="544 887 1299 913">Unfunded credit protection: credit derivative instruments</p> <p data-bbox="544 947 1345 1137">In respect of the specified asset class this column shall reflect the relevant aggregate nominal amount in respect of credit-derivative instruments obtained as credit protection, other than credit-derivative instruments obtained that are subject to the provisions of regulation 23(12)(g) or 23(14)(f) relating to double default-</p> <ul style="list-style-type: none"> <li data-bbox="544 1171 1345 1263">(a) which amount shall exclude any relevant adjustment in respect of any mismatch between the relevant credit exposure and the protection obtained; <li data-bbox="544 1296 1345 1361">(b) which protection has not already been incorporated into an estimate of LGD; <li data-bbox="544 1395 1345 1487">(c) the relevant value of which protection shall in no case exceed the value of the relevant exposure to which it relates.

Columns relating to credit risk mitigation: IRB approach, items 229 to 256

Column number	Description
5 and 6	<p>Redistribution of net exposure after netting: inflows</p> <p>In respect of the specified asset class these columns shall include the aggregate net amount, that is, the relevant amount after the effect of netting has been taken into consideration, in respect of protected credit exposure that are deducted or redistributed from the relevant obligor's exposure class to the asset class relating to the relevant protection provider, including any redistribution in similar asset classes or sub-portfolios, or any transfer of exposure from the standardised approach to the IRB approach.</p>
7 and 8	<p>Redistribution of net exposure after netting: outflows</p> <p>In respect of the specified asset class these columns shall include the aggregate net amount, that is, the relevant amount after the effect of netting has been taken into consideration, in respect of protected credit exposure that are redistributed to the asset class relating to the protection provider, including any redistribution in similar asset classes or sub-portfolios, or any transfer of exposure from the IRB approach to the standardised approach.</p>
10	<p>Credit risk mitigation subject to double default: guarantees</p> <p>In respect of the specified asset class this column shall reflect the aggregate nominal amount in respect of guarantees qualifying as credit protection in accordance with the relevant requirements relating to double default specified in regulation 23(12)(g) or 23(14)(f), which amount shall exclude any adjustment in respect of any mismatch between the relevant credit exposure and the protection obtained and which protection has not already been incorporated into an estimate of LGD.</p>
11	<p>Credit risk mitigation subject to double default: credit derivative instruments</p> <p>In respect of the specified asset class this column shall reflect the aggregate nominal amount in respect of credit derivative instruments qualifying as credit protection in accordance with the relevant requirements relating to double default specified in regulation 23(12)(g) or 23(14)(f), which amount shall exclude any adjustment in respect of any mismatch between the relevant credit exposure and the protection obtained and which protection has not already been incorporated into an estimate of LGD.</p>

Column number	Description
13	<p>Unfunded credit protection: guarantees</p> <p>In respect of the specified asset class this column shall reflect the aggregate nominal amount in respect of guarantees obtained as credit protection, other than guarantees obtained that are subject to the provisions of regulation 23(12)(g) or 23(14)(f) relating to double default, which amount shall exclude any adjustment in respect of any mismatch between the relevant credit exposure and the protection obtained and which protection has been incorporated into an estimate of LGD.</p>
14	<p>Unfunded credit protection: credit derivative instruments</p> <p>In respect of the specified asset class this column shall reflect the aggregate nominal amount in respect of credit-derivative instruments obtained as credit protection, other than credit-derivative instruments obtained that are subject to the provisions of regulation 23(12)(g) or 23(14)(f) relating to double default, which amount shall exclude any adjustment in respect of any mismatch between the relevant credit exposure and the protection obtained and which protection has been incorporated into an estimate of LGD.</p>
15 to 17	<p>Eligible financial collateral</p> <p>In respect of the specified asset class, these columns shall reflect the current market value of eligible financial collateral obtained by the reporting bank as protection against an exposure to credit risk, including any eligible financial collateral subject to adjustment due to a maturity or currency mismatch, the respective aggregate amounts of which shall separately be reported as specified on the form BA 210.</p>
18 to 20	<p>Other eligible collateral</p> <p>In respect of the specified asset class, these columns shall reflect the current market value of any eligible collateral, other than eligible financial collateral, obtained by the reporting bank as protection against an exposure to credit risk, including any relevant residential real estate or commercial real estate, the respective aggregate amounts of which shall separately be reported as specified on the form BA 210.</p>

Columns relating to restructured credit exposure: IRB approach, items 257 to 284

Column number	Description
1	<p>Actual number of restructured credit exposure transactions in this reporting quarter</p> <p>In respect of the specified asset class this column shall reflect the aggregate number of transactions in respect of which the reporting bank allowed a restructuring of the relevant credit exposure.</p>
2	<p>Exposure value of restructured credit exposure transactions in this reporting quarter</p> <p>In respect of the specified asset class this column shall reflect the aggregate drawn amount relating to transactions in respect of which the reporting bank allowed a restructuring of the relevant credit exposure.</p>
3	<p>Restructured credit exposure as percentage of asset class exposure and total credit exposure</p> <p>In respect of the specified asset class this column shall reflect the relevant percentage calculated by dividing the aggregate drawn amount relating to restructured credit exposure by the aggregate gross drawn amount in respect of the relevant asset class.</p>

Items relating to credit concentration risk– large exposure to a person: IRB approach

Item number	Description
285 to 300	<p>Credit concentration risk – large exposure to a person</p> <p>Based on, amongst other things, the relevant requirements specified in subregulations (6) to (8), a bank that adopted the IRB approach for the measurement of the bank's exposure to credit risk shall complete items 285 to 300 of the form BA 210.</p>

Columns relating to credit concentration risk – large exposure to a person: IRB approach, items 285 to 300

Column number	Description
2	<p>On-balance-sheet exposure</p> <p>This column shall reflect the aggregate amount in respect of the reporting bank's on-balance-sheet credit exposure to a person, other than any credit exposure arising from a derivative instrument or repo-style transaction, which amount shall be gross of any valuation adjustment or credit impairment.</p>
3	<p>Off-balance-sheet exposure</p> <p>This column shall reflect the aggregate amount in respect of the reporting bank's off-balance-sheet credit exposure to a person, other than any credit exposure arising from a derivative instrument or repo-style transaction, including any relevant exposure amount in respect of an irrevocable commitment, prior to the application of any relevant credit conversion factor.</p>
4	<p>Repurchase and resale agreements</p> <p>This column shall reflect the aggregate amount in respect of any credit exposure to a person arising from a repurchase or resale agreement concluded with the said person by the reporting bank.</p>
5	<p>Derivative instruments</p> <p>This column shall reflect the aggregate amount in respect of any credit exposure to a person arising from a transaction concluded in respect of a derivative instrument, calculated in accordance with the relevant requirements specified in regulations 23(15) to 23(19).</p>
9	<p>Total credit exposure as a percentage of qualifying capital and reserve funds</p> <p>This column shall reflect the relevant required percentage by dividing the relevant total credit exposure amount reported in column 6 by the relevant amount of qualifying tier 1 and tier 2 capital and reserve funds of the reporting bank as reported in item 88 of the form BA 700.</p>
14	<p>Eligible financial collateral</p> <p>This column shall reflect the current market value of eligible financial collateral obtained by the reporting bank after the effect of any relevant haircut has been taken into consideration.</p>

Column number	Description
15	<p>Other eligible collateral</p> <p>In respect of the relevant person this column shall reflect the current market value of any eligible collateral, other than eligible financial collateral, obtained by the reporting bank as protection against a large exposure to credit risk, including any relevant residential real estate or commercial real estate.</p>
16 and 17	<p>Unfunded credit protection</p> <p>These columns shall reflect the aggregate amount in respect of unfunded eligible credit protection obtained by the reporting bank in respect of the bank's relevant large exposure to credit risk.</p>
18	<p>Redistribution of reduced exposure: outflows</p> <p>This column shall reflect the aggregate amount after the effect of netting has been taken into consideration in respect of protected credit exposure that are deducted or redistributed from the original obligor's exposure class to the asset class relating to the protection provider, including any redistribution in similar asset classes or sub-portfolios.</p>
19	<p>Redistribution of reduced exposure: inflows</p> <p>This column shall reflect the aggregate amount after the effect of netting has been taken into consideration in respect of protected credit exposure that are redistributed to the asset class relating to the protection provider, including any redistribution in similar asset classes or sub-portfolios.</p>
20	<p>Specific credit impairment</p> <p>This column shall reflect the aggregate amount relating to any specific credit impairment raised by the reporting bank in accordance with the relevant requirements of financial reporting standards issued from time to time.</p>

Items relating to credit concentration risk – sectoral distribution: IRB approach

Item number	Description
301 to 314	<p>Sectoral distribution</p> <p>Based on, amongst others, the relevant specified sectors or industries, read with the relevant directives contained in the Standard Industrial Classification of all Economic Activities issued by Statistics South Africa from time to time, a bank that adopted the IRB approach for the measurement of its exposure to credit risk shall complete the relevant information specified in items 301 to 314.</p>

Columns relating to credit concentration risk – sectoral distribution: IRB approach, items 301 to 317

Column number	Description
1	<p>On-balance-sheet exposure</p> <p>Based on the specified sectors, this column shall reflect the aggregate amount in respect of the reporting bank's on-balance-sheet credit exposure, other than any credit exposure arising from a repurchase or resale agreement, or derivative instrument, which amount shall be gross of any valuation adjustment or credit impairment.</p>
2	<p>Off-balance-sheet exposure</p> <p>Based on the specified sectors, this column shall reflect the aggregate amount in respect of the reporting bank's off-balance-sheet credit exposure, other than any credit exposure arising from a repurchase or resale agreement, or derivative instrument, including any relevant exposure amount in respect of an irrevocable commitment, prior to the application of any relevant credit conversion factor.</p>
3	<p>Repurchase and resale agreements</p> <p>Based on the specified sectors, this column shall reflect the aggregate amount in respect of any credit exposure arising from a repurchase or resale agreement concluded by the reporting bank.</p>
4	<p>Derivative instruments</p> <p>Based on the specified sectors, this column shall reflect the aggregate amount in respect of any credit exposure arising from derivative instruments.</p>
11	<p>Risk weighted value</p> <p>Based on the specified sectors, this column shall reflect the reporting bank's relevant aggregate risk weighted credit exposure amount calculated in accordance with the relevant IRB approach adopted by the bank for the measurement of its exposure to credit risk.</p>
13	<p>Specific credit impairment</p> <p>This column shall reflect the aggregate amount relating to any specific credit impairment raised by the reporting bank in accordance with the relevant requirements of financial reporting standards issued from time to time.</p>

**Items relating to credit concentration risk- Herfindahl-Hirschman Index (HHI):
IRB approach**

Item number	Description
318 to 334	<p>Wholesale HHI</p> <p>In order to identify potential concentration in the reporting bank's relevant credit portfolios, the bank shall, based on its risk weighted assets calculated in accordance with the relevant requirements specified in these Regulations, calculate its relevant Herfindahl-Hirschman Index, which index-</p> <p>(a) is defined as $HHI = S$ (proportion of total value)²</p> <p>(b) shall in the case of wholesale exposure be based on specified industries;</p> <p>(c) may range in value, with the most diversified portfolio reflecting a calculated value close to zero and the most concentrated portfolio reflecting a calculated value close or equal to 100 per cent.</p>
335 to 340	<p>Retail HHI</p> <p>In order to identify potential concentration in the reporting bank's relevant credit portfolios, the bank shall, based on its risk weighted assets calculated in accordance with the relevant requirements specified in these Regulations, calculate its relevant Herfindahl-Hirschman Index-</p> <p>(a) which risk weighted assets shall be divided by the relevant number of clients in order to determine the relevant average amount of risk weighted assets per client;</p> <p>(b) which index is defined as $HHI = S$ (proportion of total value)²</p> <p>(c) which index shall in the case of retail exposure be based on specified products;</p> <p>(d) which index may range in value, with the most diversified portfolio reflecting a calculated value close to zero and the most concentrated portfolio reflecting a calculated value close or equal to 100 per cent.</p>

Columns relating to credit concentration risk – geographical distribution: IRB approach, items 341 to 397

Column number	Description
1	<p>On-balance-sheet exposure</p> <p>Based on the specified geographical areas, this column shall reflect the aggregate amount in respect of the reporting bank's on-balance-sheet credit exposure, other than any credit exposure arising from a repurchase or resale agreement, or derivative instrument, which amount shall be gross of any valuation adjustment or credit impairment.</p>
2	<p>Off-balance-sheet exposure</p> <p>Based on the specified geographical areas, this column shall reflect the aggregate amount in respect of the reporting bank's off-balance-sheet credit exposure, other than any credit exposure arising from a repurchase or resale agreement, or derivative instrument, including any relevant exposure amount in respect of an irrevocable commitment, prior to the application of any relevant credit conversion factor.</p>
3	<p>Repurchase and resale agreements</p> <p>Based on the specified geographical areas, this column shall reflect the aggregate amount in respect of any credit exposure arising from a repurchase or resale agreement concluded by the reporting bank.</p>
4	<p>Derivative instruments</p> <p>Based on the specified geographical areas, this column shall reflect the aggregate amount in respect of any credit exposure arising from derivative instruments.</p>
11	<p>Risk weighted value</p> <p>Based on the specified geographical areas, this column shall reflect the reporting bank's relevant aggregate risk weighted credit exposure amount calculated in accordance with the relevant IRB approach adopted by the bank for the measurement of its exposure to credit risk.</p>
14 and 15	<p>Credit impairment</p> <p>Based on the specified geographical areas, these columns shall respectively reflect the relevant aggregate amount relating to specific credit impairment and portfolio credit impairment raised by the reporting bank in accordance with the relevant requirements of Financial Reporting Standards issued from time to time.</p>

Columns relating to credit concentration risk – 20 largest exposures in debt and with equity exposure: IRB approach, items 417 to 437

Column number	Description
1	<p>Debt exposure</p> <p>This column shall reflect the aggregate amount relating to the reporting bank's twenty largest debt exposures, which debt exposures also have equity exposure of which the relevant amounts are included in columns 2 to 4, calculated as the sum of any-</p> <ul style="list-style-type: none"> (a) on-balance-sheet exposure, gross of any valuation adjustment or credit impairment; (b) off-balance-sheet exposure, including any relevant amount relating to an irrevocable commitment, prior to the application of any relevant credit-conversion factor; (c) exposure in respect of any repurchase or resale agreement; and (d) exposure in respect of any relevant derivative instrument, calculated in accordance with the relevant requirements specified in regulations 23(15) to 23(19); <p>which debt exposure amount reported in column 1 shall exclude the book value of any investment held by the reporting bank deemed to be an equity exposure in accordance with the relevant requirements specified in regulation 31.</p>
2 to 4	<p>Equity exposure</p> <p>These columns shall reflect the relevant required aggregate equity exposure amounts relating to the reporting bank's twenty largest debt exposures which also have equity exposure, gross of any valuation adjustment or credit impairment, including any publicly or privately held instrument deemed to be an equity exposure in accordance with the relevant requirements specified in regulation 31.</p>
6	<p>PD (%)</p> <p>In respect of the reporting bank's relevant exposure to an obligor in respect of whom the relevant debt exposure amount is included in column 1, this column shall reflect the reporting bank's relevant internally calculated PD ratio, which PD ratio shall be expressed as a percentage and shall be rounded to two decimal places.</p>

Column number	Description
7	<p>Expected loss</p> <p>In respect of the reporting bank's relevant exposure to an obligor in respect of whom the relevant debt exposure amount is included in column 1, this column shall reflect the reporting bank's relevant expected loss amount, calculated in accordance with the relevant requirements specified in these Regulations.</p>

Columns relating to watch list: IRB approach, items 438 to 452

Column number	Description
5	<p>Risk weighted value of EAD</p> <p>In respect of the total credit exposure amount relating to the relevant obligor included in the reporting bank's watch list, this column shall reflect the relevant risk weighted amount, calculated in accordance with the relevant requirements specified in these Regulations.</p>
6	<p>Specific credit impairment</p> <p>In respect of the relevant obligor included in the reporting bank's watch list, this column shall reflect the relevant aggregate amount relating to any specific credit impairment raised by the reporting bank in accordance with the relevant requirements of Financial Reporting Standards issued from time to time.</p>

BA 220
Six monthly
Country:

CREDIT RISK
(Confidential and not available for inspection by the public)
Name of bank:
Six months ended:(yyyy/mm/dd)

(All amounts to be rounded off to the nearest R'000)

Standardised and IRB approaches: Assets bought-in	Line no.	Date bought in/acquired ¹	Number of shares held	Type of shares held	Percentage interest held	Historic cost to date	Market value at date of return	Net asset value of company	Credit facilities provided by bank to each company		Attributable share of profit/(loss)
									Granted	Utilised	
Companies acquired and immovable assets bought-in		1	2	3	4	5	6	7	8	9	10
Name of company or description of asset											
Companies¹ - total (Specify)	1										
	2										
	3										
	4										
	5										
Immovable assets² - total (Specify)	6										
	7										
	8										
	9										
	10										
	11										
Total (of items 1 and 6)	12										

1. Report separate details in respect of all investments in companies bought-in, including the date on which the approval for the acquisition of the company was obtained from the Registrar, and the nature of business.
2. Report separate details of any immovable asset bought-in, in respect of which the historic cost to date exceeds 1 per cent of the reporting bank's qualifying capital and reserve funds reported in item 88 of the form BA 700 as at the month-end preceding the month to which this form BA 220 relates, and which asset has not been disposed of at the end of the reporting period.

25. Credit risk - Directives and interpretations for completion of the six-monthly return concerning credit risk (Form BA 220)

- (1) The content of the return is confidential and not available for inspection by the public.
- (2) The purpose of the return is to obtain selected information in respect of assets bought-in.
- (3) The relevant calculation of the reporting bank's required amount of capital and reserve funds in respect of assets bought-in is contained in the form BA 200. Instead of providing any information related to the required amount of capital and reserve funds in respect of assets bought-in, the form BA 220 merely provides selected credit risk related information in respect of such assets bought-in.
- (4) Instructions relating to the completion of the six-monthly form BA 220 are furnished with reference to specific headings and item descriptions appearing on the form BA 220, as follows:

*Item number***1 to 5 Companies acquired**

These items shall reflect the relevant aggregate amounts relating to companies acquired or bought-in during the preceding five years in order to protect an investment, loan or advance and which companies have not been disposed of at the end of the reporting period. After a lapse of five years any relevant company bought-in shall no longer be regarded as an asset bought-in to protect an advance or investment, and shall be reclassified to the appropriate asset class.

6 to 11 Immovable assets

These items shall reflect the relevant aggregate amounts relating to immovable assets acquired or bought-in during the preceding five years in order to protect a loan or advance and which immovable assets have not been disposed of at the end of the reporting period. After a lapse of five years any relevant asset bought-in shall no longer be regarded as an asset bought-in to protect a loan or advance, and shall be reclassified to the appropriate asset class.

LIQUIDITY RISK**Page no.**

- | | | | | |
|----|---------------|---|---|-----|
| 1. | Form BA 300 | - | Liquidity risk | 478 |
| 2. | Regulation 26 | - | Directives, definitions and interpretations for completion
of monthly return concerning liquidity risk (Form BA 300) | 489 |

(All amounts to be rounded off to the nearest R'000)

Line no.	Total	Next day	2 to 7 days	8 days to 1 month	More than 1 month to 2 months	More than 2 months to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years to 10 years	More than 10 years	Indeterminate maturity
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
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33															
34															

1. Please separately submit assumptions made and any other relevant information.

(All amounts to be rounded off to the nearest R'000)

Line no.	Total ²	Next day	2 to 7 days	8 days to 1 month	More than 1 month to 2 months	More than 2 months to 3 months
	1	2	3	4	5	6
Bank-specific stress mismatch¹						
Stressed maturity of assets (items 36 to 38)						
Advances						
Trading, hedging and other investment instruments						
Other assets						
Stressed maturity of liabilities (items 40 to 43)						
Stable deposits						
Volatile deposits						
Trading and hedging instruments						
Other liabilities						
On-balance sheet stress mismatch (item 35 less item 39)						
Cumulative on-balance sheet stress mismatch						
Stressed outflows arising from off-balance-sheet exposure³						
of which:						
Liquidity facilities provided to off-balance sheet vehicles						
Undrawn commitments (items 49 to 51)						
Unutilised portion of irrevocable lending facilities						
Unutilised portion of irrevocable letters of credit						
Indemnities and guarantees						
Cumulative stressed outflows						

1. Please separately submit assumptions made and any other relevant information.
2. Means the total for the specified item, and not the mathematical total of the specified columns.
3. Report as absolute amounts.

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(All amounts to be rounded off to the nearest R'000)

Foreign exchange contractual maturity ladder (converted to ZAR)	Line no.	Total	Next day	2 to 7 days	8 days to 1 month	More than 1 month to 2 months	More than 2 months to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	Non contractual	
		1	2	3	4	5	6	7	8	9	10
FX assets (total of items 75 to 80)	75										
USD	76										
EUR	77										
GBP	78										
Other	79										
ZAR leg of FX derivatives	80										
FX liabilities (total of items 82 to 86)	81										
USD	82										
EUR	83										
GBP	84										
Other	85										
ZAR leg of FX derivatives	86										
ZAR funding position of FX exposures (item 75 less item 81)	87										

Anticipated change in business ¹	Line no.	Total	During next 6 months	More than 6 months to 1 year
		1	2	3
Expected incremental change due to change in assets (total of items 89 to 91)	88			
Advances	89			
Trading, hedging and other investment instruments	90			
Other assets	91			
Expected incremental change due to change in liabilities (total of items 93 to 96)	92			
Stable deposits	93			
Volatile deposits	94			
Trading and hedging instruments	95			
Other liabilities	96			
Expected funding inflows / (outflows) to fund change in business (item 88 less item 92)	97			

1. During the next 12 months

(All amounts to be rounded off to the nearest R'000)

Liquidity coverage ratio (LCR): High-quality liquid assets	Line no.	Total	Specified factor ⁵	Weighted total (col.1 * 2)
		1	2	3
Total qualifying high-quality liquid assets (total of items 99 and 109 to 112)	98			
Total level one high-quality liquid assets¹ (total of items 100 to 104)	99			
Cash	100		100%	
Specified marketable securities from sovereigns, central banks, public sector entities, and multilateral development banks	101		100%	
Qualifying central bank reserves ²	102		100%	
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	103		100%	
Specified debt securities issued in foreign currency by the central government of the RSA or the Reserve Bank	104		100%	
Total level two high-quality liquid assets³ (total of items 106 to 108)	105			
Specified marketable securities from sovereign, central bank, and public sector entities	106		85%	
Specified corporate bonds	107		85%	
Other qualifying items ⁴ (please specify)	108		85%	
Total qualifying level two high-quality liquid assets⁵	109			
Committed Central Bank facility	110		As specified	
Foreign currency liquid assets	111		by the	
Additional level two high-quality liquid assets	112		Registrar	

1. Refer to regulation 26(12)(b).
2. Means such percentage or amount of central bank reserves as may be determined by the Governor of the Reserve Bank from time to time.
3. Refer to regulation 26(12)(b).
4. Relates to consolidated reporting only. Include in this line item 108 the aggregate amount of instruments qualifying as level two high-quality liquid assets for entities established in jurisdictions other than the RSA.
5. Qualifying level two high-quality liquid assets shall not exceed two-thirds of the bank's total qualifying level one high-quality liquid assets. This item 109 shall be equal to item 105 only when item 105 is less than or equal to two-thirds of item 99.
6. Or such factor as may be directed in writing by the Registrar.

(All amounts to be rounded off to the nearest R'000)

Liquidity coverage ratio (LCR): Cash outflows ¹	Line no.	Total	Specified factor ⁴	Weighted total (col.1 * 2)
		1	2	3
Retail deposits (total of items 114 and 118)	113			
Demand deposit and qualifying term deposits with residual maturity or notice period within 30 days (total of items 115 to 117)	114			
Stable deposits	115		5%	
Less stable deposits	116		10%	
Other ² (please specify)	117		Specified by the Registrar	
Term deposit with residual maturity greater than 30 days subject to withdrawal with a significant penalty, or no legal right to withdraw ³	118		Specified by the Registrar	

1. Based on the respective requirements specified in regulation 26(12)(d).
2. Means such category of retail deposits that is subject to such a run-off factor as may be directed in writing by the Registrar.
3. Means such category of term deposits that is subject to such a run-off factor as may be directed in writing by the Registrar.
4. Or such factor as may be directed in writing by the Registrar.

(All amounts to be rounded off to the nearest R'000)

Liquidity coverage ratio (LCR): Cash outflows ¹	Line no.	Total	Specified factor ³	Weighted total (col.1 * 2)
		1	2	3
Unsecured wholesale funding (total of items 120 to 127)	119			
Stable funding from small business	120		5%	
Less stable funding from small business	121		10%	
Specified term deposit with residual maturity greater than 30 days	122		Specified by the Registrar	
Legal entities with specified operational relationship	123		25%	
Portion of specified corporate deposits with specified operational relationship covered by deposit insurance	124		5%	
Specified funding from cooperative banks in an institutional network	125		25%	
Specified non-financial corporates, sovereigns, central banks and public-sector entities	126		75%	
Other legal entities	127		100%	
Secured funding (total of items 129 to 132)	128			
Secured funding backed by level one high-quality liquid assets	129		0%	
Secured funding backed by level two high-quality liquid assets	130		15%	
Secured funding from specified counterparties not backed by level one or level two high-quality liquid assets	131		25%	
Other secured funding	132		100%	
Other expected outflows (total of items 134 to 139, 144, and 149 to 151)	133			
Net payable amount related to specified derivative transactions	134		100%	
Outflow related to collateral for specified downgrade	135		100%	
Valuation changes on posted collateral securing derivative transactions that is comprised of level two high-quality liquid assets	136		20%	
Specified funding related to asset-backed securities or other structured financing instruments	137		100%	
Sum of liabilities from maturing funding related to asset-backed commercial paper, conduits, securities investment vehicles and other similar financing facilities, and required liquidity related to assets that may be returned	138		100%	
Committed undrawn credit and/ or liquidity facilities (total of items 140 to 143)	139			
Retail or small business	140		5%	
Credit facilities to non-financial corporates, sovereigns and central banks, public sector entities and multilateral development banks	141		10%	
Liquidity facilities to non-financial corporates, sovereigns and central banks, public sector entities and multilateral development banks	142		100%	
Other legal entities	143		100%	
Uncommitted undrawn credit and/ or liquidity facilities ² (total of items 145 to 148)	144			
Retail or small business	145			
Credit facilities to non-financial corporates, sovereigns and central banks, public sector entities and multilateral development banks	146		Specified by the Registrar	
Liquidity facilities to non-financial corporates, sovereigns and central banks, public sector entities and multilateral development banks	147			
Other legal entities	148			
Specified contractual lending obligations	149		100%	
Other specified outflows, such as dividend payments (please specify)	150		100%	
Other ² (please specify)	151		Specified by the Registrar	
Total outflows (total of items 113, 119, 128 and 133)	152			

1. Based on the respective requirements specified in regulation 26(12)(d).

2. Relates only to such items, instruments or facilities, and such factors, as may be directed in writing by the Registrar from time to time.

3. Or such factor as may be directed in writing by the Registrar.

(All amounts to be rounded off to the nearest R'000)

Liquidity coverage ratio (LCR): Cash inflows ¹	Line no.	Total	Specified factor ³	Weighted total (col.1 * 2)
		1	2	3
Resale and securities borrowing agreements (total of items 154 to 156)	153			
- with level one high-quality liquid assets as collateral	154		0%	
- with level two high-quality liquid assets as collateral	155		15%	
- with assets other than level one or level two high-quality liquid assets as collateral	156		100%	
Credit or liquidity facilities	157		0%	
Specified net inflows (total of items 159 to 161)	158			
- from retail and small business	159		50%	
- from wholesale clients other than financial institutions	160		50%	
- from financial institutions	161		100%	
Specified deposits held at financial institutions for operational purposes	162		0%	
Specified deposits held at a centralised institution in a cooperative banking network	163		0%	
Net receivable amount from derivative instruments	164		100%	
Other contractual cash inflows²	165			
Total inflows (total of items 153; 157; 158; and 162 to 165)	166			

1. Based on the respective requirements specified in regulation 26(12)(e).
2. Relates only to such inflows and such factors as may be directed in writing by the Registrar from time to time.
3. Or such factor as may be directed in writing by the Registrar.

(All amounts to be rounded off to the nearest R'000)

Calculation of liquidity coverage ratio (LCR)	Line no.	Total
		1
Total outflows (item 152, column 3)	167	
Total inflows (item 166, column 3)	168	
Total net cash outflows (item 167 minus min[item 168, 75% of item 167])	169	
		LCR
		1
Liquidity coverage ratio (item 98 divided by item 169, multiplied with 100)	170	

(All amounts to be rounded off to the nearest R'000)

Net stable funding ratio (NSFR): Available stable funding ¹	Line no.	Total	Specified factor ³	Weighted total (col.1 * 2)
		1	2	3
Total available stable funding (total of items 172 to 179)	171			
Capital after all relevant deductions, including common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds	172		100%	
Specified amount of preferred securities with an effective remaining maturity of one year or longer not included in item 172	173		100%	
Specified amount of secured and unsecured borrowings and liabilities with effective remaining maturities of one year or longer	174		100%	
Specified amount of stable demand deposits and/or term deposits with residual maturities of less than one year from retail and small business	175		90%	
Specified amount of less stable demand deposits and/or term deposits with residual maturities of less than one year from retail and small business	176		80%	
Unsecured wholesale funding, non-maturity deposits and/or term deposits with a residual maturity of less than one year, from non-financial corporate, sovereigns, central banks, multilateral development banks and public-sector entities	177		50%	
Specified amount of stable deposits from cooperative banks required by law ²	178		Specified by the Registrar	
Other liabilities and equity not included elsewhere	179		0%	

1. Based on the respective requirements specified in regulation 26(14)(b).
2. As may be directed in writing by the Registrar from time to time.
3. Or such factor as may be directed in writing by the Registrar.

(All amounts to be rounded off to the nearest R'000)

Net stable funding ratio (NSFR): Required stable funding ¹	Line no.	Total	Specified factor ³	Weighted total (col.1 * 2)
		1	2	3
Total required stable funding related to on-balance-sheet items (total of items 181 to 196)	180			
Unencumbered cash	181		0%	
Specified unencumbered short-term unsecured instruments and transactions with outstanding maturities of less than one year	182		0%	
Specified unencumbered securities with remaining maturities of less than one year	183		0%	
Specified unencumbered securities with offsetting reverse repurchase or resale transactions	184		0%	
Specified unencumbered loans to financial entities with effective remaining maturities of less than one year that are not renewable	185		0%	
Specified unencumbered marketable securities with residual maturities of one year or longer representing claims on or claims guaranteed by specified counterparties assigned a zero per cent risk-weight	186		5%	
Specified unencumbered corporate bonds or covered bonds (when allowed in a particular jurisdiction) rated AA- or higher with residual maturities of one year or longer meeting specified conditions	187		20%	
Specified unencumbered marketable securities with residual maturities of one year or longer representing claims on or claims guaranteed by specified counterparties assigned a twenty per cent risk-weight	188		20%	
Unencumbered gold	189		50%	
Specified unencumbered listed equity securities, not issued by financial institutions or their affiliates or associates	190		50%	
Specified unencumbered corporate bonds and covered bonds (when allowed in a particular jurisdiction) that meet specified conditions	191		50%	
Specified unencumbered loans to specified non-financial counterparties with a remaining maturity of less than one year	192		50%	
Unencumbered residential mortgages of any maturity that qualify for a risk weight of thirty five per cent or lower	193		65%	
Specified unencumbered loans, excluding loans to financial institutions, with a remaining maturity of one year or longer, that qualify for a risk weight of thirty five per cent or lower	194		65%	
Specified unencumbered retail or small business loans with a remaining maturity of less than one year, other than those that qualify for the aforesaid RSF of sixty five per cent	195		85%	
All other assets not included elsewhere, including assets encumbered for more than 1 year	196		100%	
Total required stable funding related to off-balance-sheet items (total of items 198 and 199)	197			
Conditionally revocable and irrevocable credit and liquidity facilities	198		5%	
Other contingent funding obligations ²	199		Specified by the Registrar	
Total required stable funding (total of items 180 and 197)	200			

1. Based on the respective requirements specified in regulation 26(14)(c).
2. As may be directed in writing by the Registrar from time to time.
3. Or such factor as may be directed in writing by the Registrar.

(All amounts to be rounded off to the nearest R'000)

Calculation of net stable funding ratio (NSFR)	Line no.	Total
		1
Total available stable funding (item 171)	201	
Total required stable funding (item 200)	202	
		NSFR
		1
Net stable funding ratio (item 201 divided by item 202, multiplied with 100)	203	

26. Liquidity risk – Directives, definitions and interpretations for completion of monthly return concerning liquidity risk (Form BA 300)

- (1) The content of the relevant return is confidential and not available for inspection by the public.
- (2) The purpose of the return, among other things, is to determine-
 - (a) at the reporting date, in respect of specified time buckets-
 - (i) the contractual mismatch between assets and liabilities;
 - (ii) the “business-as-usual” mismatch between assets and liabilities;
 - (iii) the bank-specific stress mismatch;
 - (b) in respect of a crisis scenario, the quantity and sources of funding available to the reporting bank;
 - (c) in respect of funding sources, the reporting bank’s potential concentration risk, that is, to identify those sources of funding that are of such significance that the withdrawal thereof may cause liquidity problems;
 - (d) in respect of significant currencies, the reporting bank’s exposure to foreign exchange;
 - (e) the expected change in the bank’s balance sheet.
- (3) A bank shall retain an audit trail in respect of the underlying data relating to the base models supporting the relevant form BA 300, which audit trail-
 - (a) shall provide a reconciliation between the total assets and the total liabilities reported on the form BA 300 and the total assets and the total liabilities contained in the reporting bank’s general ledger systems, which reconciliation-
 - (i) shall be made available to the Registrar on request;
 - (ii) shall not be included in the form BA 300;
 - (b) shall contain adequate explanations in respect of any reconciliation differences.

(4) Unless specifically otherwise provided, any position reported on the form BA 300 shall be included in the relevant time bucket based on the position's remaining term to contractual maturity. In the case of a product with multiple maturity dates, the reporting bank shall assume that-

- (a) cash inflows will occur only at the latest residual contractual maturity date;
- (b) cash outflows will occur at the earliest residual contractual maturity date.

(5) Whenever specified or relevant, all amounts reported on the form BA 300 in respect of a specified bucket shall represent the respective total amounts relating to, amongst others-

- (a) assets, which total amount of assets shall be gross of any related impairment, allowance or provision for loss;
- (b) liabilities; or
- (c) derivative instruments, which total amount shall be the aggregate present value amount of the relevant cash flow amounts.

(6) Whenever relevant, unless specifically otherwise stated, a bank-

- (a) shall include any asset or liability item with no maturity profile in the bucket titled "non contractual" or "indeterminate maturity", as the case may be;
- (b) shall in accordance with Financial Reporting Standards issued from time to time translate to the reporting currency any asset or liability item denominated in foreign currency;
- (c) shall report all inflows and outflows as positive amounts.

(7) Whenever relevant, for purposes of reporting on the form BA 300 of-

- (a) specified asset classes, the category titled-
 - (i) "advances" shall include-
 - (A) all loans or advances made by the reporting bank, whether asset-backed or unsecured;
 - (B) all advances originated by the reporting bank through transactional banking facilities, such as overdrafts;
 - (C) any structured finance loans;

- (ii) "trading, hedging and investment instruments" shall include-
 - (A) any financial market investment instrument, collateral deposits and unlisted equity investments;
 - (B) any relevant derivative position or instrument;
 - (C) any asset held in terms of a trading or investment activity of the reporting bank;
- (iii) "other assets" shall include all assets other than the asset items envisaged in subparagraphs (i) and (ii) above, including-
 - (A) any debit balance in respect of items in transit arising from timing differences in external settlement processes; and
 - (B) fixed assets, and intangible assets such as goodwill, patents and trademarks, which assets, by virtue of their nature, shall be regarded as non-contractual or of indeterminate maturity, as the case may be.
- (b) specified liability classes, the category titled-
 - (i) "volatile deposits" shall include any deposit likely to be quickly withdrawn in a stress situation, including deposits received from government, parastatal institutions such as the Public Investment Commissioner, financial institutions, asset managers, pension fund managers, banks or other private sector financial institutions, or private individuals;
 - (ii) "stable deposits", whenever referred to in items 1 to 97 of the form BA 300, shall include any deposit deemed by the reporting bank to be less liquid, that is, deposits other than volatile deposits, including deposits received from government, parastatal institutions such as the Public Investment Commissioner, financial institutions, asset managers, pension fund managers, banks or other private sector financial institutions, or private individuals;

Provided that in respect of subparagraphs (i) and (ii)-

- (A) a bank shall duly document the specific definitions and/or criteria applied by the bank to distinguish between "stable deposits" and "volatile deposits" and, at the request of the Registrar, the bank shall in writing submit to the Registrar the said specific definitions and/or criteria;
- (B) the Registrar may from time to time issue directives in respect of criteria to be applied by banks in order to distinguish between "stable deposits" and "volatile deposits";

- (iii) "trading and hedging instruments" shall include-
 - (A) any financial market instrument, collateral liabilities and unlisted equity instruments;
 - (B) any liability arising from a trading or investment activity of the reporting bank;
 - (C) any relevant derivative position or instrument;
 - (iv) "other liabilities" shall include all liabilities other than the liability items or instruments envisaged in subparagraphs (i) to (iii) above, including any relevant amount related to a non-funding related liability,
- (c) items relating to maturity-
- (i) "next day" shall include any item with a legal right for the relevant amount to be paid or received on the business day immediately following the reporting date;
 - (ii) "2-7 days" shall include any item with a legal right for the relevant amount to be paid or received from the second business day up to and including the seventh day immediately following the reporting date;
 - (iii) "non contractual" or "indeterminate maturity", as the case may be, shall include any item or position in respect of which no right or obligation in respect of maturity exists, including items such as deferred tax or provisions for non-performing assets.

(8) Matters relating to a bank's contractual balance sheet position

- (a) In order to determine, among other things, the extent to which a bank makes use of maturity transformation in terms of its current contracts, and to identify the gaps between the contractual inflows and contractual outflows of liquidity within specified time bands, a bank shall complete the section of the form BA 300 that relates to its contractual balance sheet on a static gap basis with all relevant cash flows being reported strictly on the basis of an item's residual or remaining contractual term to maturity, provided that-
- (i) the bank shall include accounts such as current accounts, savings accounts and transmission accounts in the next day bucket;
 - (ii) the bank shall classify any marketable instrument tradable in a secondary market into an appropriate time bucket based on the said instrument's remaining contractual maturity;

- (iii) the bank shall report the relevant required information without applying any behavioural or other assumption to the relevant required contractual inflows and contractual outflows.
 - (b) In order to monitor-
 - (i) securities movements that mirror corresponding cash flows as well as the contractual maturity of collateral swaps and any uncollateralised stock lending or borrowing, where stock movements occur without any corresponding cash flows, a bank shall separately report all relevant required information related to securities flows;
 - (ii) collateral received from customers that the bank is permitted to rehypothecate, and the relevant amount of such collateral that is rehypothecated at each relevant reporting date, a bank shall separately report the relevant required details related to the said collateral.
- (9) *Matters relating to a bank's business as usual balance sheet mismatch*
- A bank-
- (a) shall in the completion of the section of the form BA 300 that relates to its business as usual balance sheet apply the same going-concern behavioural or other relevant assumptions as in the bank's ALCO process, that is, the reported amounts shall be based on and be reconcilable to the bank's ALCO model;
 - (b) shall obtain the prior written approval of its board of directors or board approved committee in respect of any assumption and reasoning applied in respect of the bank's ALCO process;
 - (c) shall on request submit to the Registrar any board approved assumption applied by the bank in respect of the bank's ALCO process;
 - (d) shall duly document any related policies, procedures and underlying workings in respect of the relevant business as usual balance sheet;
 - (e) shall report the business as usual balance sheet on a static gap basis.

(10) *Matters related to a bank-specific stress mismatch*

A bank-

- (a) shall obtain the prior written approval of its board of directors or board approved committee in respect of any going-concern behavioural or other relevant assumption and reasoning applied in respect of the bank-specific stress mismatch;
- (b) shall on request submit to the Registrar all relevant board approved assumptions and reasoning applied in respect of the bank-specific stress mismatch;
- (c) shall have in place sufficiently robust early warning indicators to identify the emergence of increased risk or vulnerabilities in its liquidity position or funding needs;
- (d) shall regularly perform robust liquidity stress tests or scenario analyses, which stress tests or scenario analyses shall be based on the bank's relevant strategic and business plans-
 - (i) in order to ensure that-
 - (A) the bank has in place an adequate framework that satisfactorily accounts for the liquidity risk inherent in its individual products and business lines;
 - (B) the bank estimates and understands the potential behavioural aspects related to the repayment of assets and the withdrawal of deposits under a bank specific stress scenario;
 - (C) the bank duly identifies the potential sources of liquidity strain;
 - (D) the bank's incentives at business level are aligned with the overall risk tolerance of the bank;
 - (E) the bank duly considers the amount of liquidity it may need to satisfy contingent obligations;
 - (F) the bank duly considers and understands the potential impact of any plausible severe and prolonged liquidity disruption;
 - (ii) in order to identify and quantify the bank's exposure to possible future liquidity stresses;

- (iii) to analyse possible impacts on the bank's cash flows, liquidity positions, profitability, and solvency;
- (iv) the results of which stress tests or scenario analyses-
 - (A) shall be thoroughly discussed and understood by the bank's senior management;
 - (B) shall form the basis for taking remedial or mitigating action-
 - (i) to limit the bank's liquidity exposure;
 - (ii) to timely build up a liquidity cushion;
 - (iii) to timely adjust the bank's liquidity profile according to the bank's risk tolerance approved by the bank's board of directors;
 - (C) shall be appropriately linked to and play a key role in shaping the bank's contingency funding plan, which, among other things, shall outline policies for managing a range of stress events and clearly set out strategies for addressing liquidity shortfalls in emergency situations;
- (e) shall duly document any related policies, procedures and underlying workings in respect of its relevant stress mismatch;
- (f) shall report the bank-specific stress mismatch on a static gap basis.

(11) *Matters related to potential concentration of funding*

(a) *Specified minimum requirements*

As a minimum, in order to identify potential sources of funding that are of such significance that the withdrawal thereof may cause liquidity problems, a bank shall separately report the relevant required information related to significant counterparties, significant instruments or products, and significant currencies, provided that-

- (i) in all relevant cases, the bank shall continuously monitor both the absolute percentage of the specified funding exposures relative to the bank's total balance sheet size, as well as all significant increases in any potential concentration;

- (ii) in the case of secured and unsecured funding from counterparties, the bank shall aggregate the respective amounts related to all relevant types of liabilities to a particular counterparty or group of connected, associated or affiliated counterparties, and all other relevant direct borrowings;
- (iii) in relevant cases the requirements specified in this subregulation (11) shall be applied on a solo and consolidated basis;
- (iv) for purposes of this subregulation (11),
 - (A) a significant counterparty-
 - (i) means a single counterparty or group of connected, associated or affiliated counterparties representing in aggregate more than one per cent of the bank's total balance sheet as reported in item 54 of the form BA 100;
 - (ii) includes intra-group deposits and deposits from related parties, the relevant required information of which shall be reported separately from other relevant significant counterparties;
 - (B) a significant instrument or product means a single instrument or product or group of similar instruments or products that in aggregate amount to more than one per cent of the bank's total balance sheet as reported in item 54 of the form BA 100, that is, the requirements for a significant type of instrument or product shall apply for each relevant individually significant funding instrument or product, as well as for groups of similar types of instruments or products;
 - (C) a significant currency means the aggregate liabilities denominated in that currency amount to two per cent or more of the bank's total liabilities as reported in item 79 of the form BA 100, provided that in respect of funding denominated in foreign currency, the bank shall in addition to any relevant requirement specified in this subregulation (11) comply with the relevant requirements specified in subregulation (15) below;

(12) *Matters related to the calculation of a bank's liquidity coverage ratio (LCR)*

(a) *Specified minimum requirements*

As a minimum, in order to promote the short-term resilience of a bank's liquidity risk profile and ensure that the bank continuously maintains an adequate level of unencumbered level one and level two high-quality liquid assets that can be converted into cash to meet the bank's liquidity needs over a 30 calendar day time horizon under a significantly severe liquidity stress scenario, a bank shall calculate and maintain a Liquidity Coverage Ratio (LCR) in accordance with the relevant requirements specified in this subregulation (12), provided that-

- (i) in addition to the relevant requirements specified in this subregulation (12), a bank shall comply with such further or other conditions or requirements related to LCR as may be specified in writing by the Registrar;
- (ii) between 1 January 2013 and 31 December 2014 banks, controlling companies and the Registrar shall apply the relevant requirements specified in this subregulation (12) to monitor the readiness of relevant banks and controlling companies to implement and fully comply with the said requirements and any subsequent amendments thereto as a minimum standard from 1 January 2015;
- (iii) in all relevant cases the requirements specified in this subregulation (12) shall be applied on a solo and consolidated basis, provided that-
 - (A) a bank shall have in place policies, processes and procedures-
 - (i) to capture any relevant liquidity transfer restrictions;
 - (ii) to monitor the rules and regulations in the jurisdictions in which the group operates, and to assess the liquidity implications for the group as a whole;
 - (B) when calculating its consolidated LCR, a bank or controlling company shall not recognise any excess liquidity in any relevant cross-border entity when there is reasonable doubt regarding the availability of such liquidity or the transferability of liquid assets, which availability, transferability or flow of funds, for example, may be affected by liquidity transfer restrictions such as ring-fencing measures, non-convertibility of local currency or foreign exchange controls, that is, any surplus of liquid assets held at a legal entity level shall only be included in the consolidated portfolio of liquid assets if those assets are freely available to the consolidating entity in times of stress;

- (C) in the case of consolidation, a bank may include in its portfolio of qualifying liquid assets, assets or instruments held to meet legal entity requirements to the extent that the related risks as measured by the legal entity's net cash outflows are also reflected in the consolidated LCR;
 - (D) in the case of consolidation or solo reporting of relevant entities, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, a bank may apply the rules and/or regulations of relevant host supervisors in respect of the treatment of retail or small business deposits of relevant entities operating in those jurisdictions;
 - (E) in all relevant cases the bank shall actively monitor and control its liquidity risk exposures and funding needs at the level of each material individual legal entity, foreign branch or subsidiary, and the group as a whole, taking into account any relevant legal, regulatory or operational limitation that may affect the transferability of liquidity;
- (iv) for purposes of this subregulation (12), unencumbered means not pledged, either explicitly or implicitly, to secure, collateralise or credit-enhance any transaction, or not otherwise subject to any further commitment, provided that-
- (A) assets or instruments received in reverse repo, resale and/ or securities financing transactions-
 - (i) that are held at the bank;
 - (ii) that have not been rehypothecated; and
 - (iii) that are legally and contractually available for the bank's use,may be included in the bank's relevant portfolio of high-quality liquid assets.
 - (B) assets or instruments that qualify as high-quality liquid assets that have been pledged to a central bank to secure facilities shall not be regarded as pledged except to the extent that such assets or instruments are required to secure facilities actually utilised;

- (C) a bank may hedge the price risk associated with ownership of the relevant assets or instruments, and still include the assets in the relevant pool of high-quality liquid assets, provided that if the bank chooses to hedge the associated risks, the bank shall take into account, that is, in the relevant market value applied to each relevant asset or instrument, the cash outflow that would arise if the hedge was to be closed out early, that is, in the event of the asset being sold;
 - (D) client pool securities or cash received from a repo backed by client pool securities shall not qualify as liquid assets of the relevant reporting bank or controlling company;
- (v) the bank shall manage its business in such a manner that a least sixty per cent of the bank's portfolio of qualifying high-quality liquid assets consists of level one high-quality liquid assets, that is, the bank's portfolio of qualifying high-quality liquid assets may consist of between sixty and one hundred per cent of level one high-quality liquid assets, but level two high-quality liquid assets shall in no case exceed forty per cent of the bank's aggregate portfolio of level one and level two high-quality liquid assets, provided that the bank shall manage its business in such a manner that-
- (A) the limit related to level two high-quality liquid assets duly takes into account the impact on the amounts held in cash or other level one or level two assets or instruments caused by secured funding transactions or collateral swaps maturing within 30 calendar days undertaken with any level two assets, that is, the limit related to level two high-quality liquid assets shall effectively include cash or other level one high-quality liquid assets generated by secured funding transactions or collateral swaps maturing within 30 days;
 - (B) the bank's portfolio of level two high-quality liquid assets is as far as possible well diversified in terms of type of assets, type of issuer related to, for example, the economic sector in which it participates, and any specific counterparty or issuer;
 - (C) the aforesaid limits are adhered to and maintained after all relevant haircuts have been applied;
- (vi) while the bank has to report its LCR in Rand on a solo and consolidated basis, the bank has to continuously meet its liquidity needs in each relevant currency, and the bank shall therefore maintain high-quality liquid assets consistent with the distribution of the bank's liquidity needs by currency, that is-

- (A) the bank shall ensure that it is able to generate the required liquidity in the currency and jurisdiction in which the relevant net cash outflows may arise;
 - (B) the bank shall monitor and report to its senior management the bank's LCR by currency to ensure that all relevant currency mismatches are duly managed;
 - (C) the bank shall take into account the risk that its ability to swap currencies and access the relevant foreign exchange markets may erode rapidly under stressed conditions, and that sudden, adverse exchange rate movements may sharply widen existing mismatched positions and alter the effectiveness of any foreign exchange hedges that the bank may have in place;
 - (D) since foreign exchange may constitute a material component of a bank's exposure to liquidity risk, and in order to duly monitor and manage the bank's overall level and trend of currency exposure, a bank shall separately assess the impact on its LCR of each significant currency, provided that the bank shall on request submit to the Registrar in writing all relevant LCR calculations and assessments in respect of each significant currency;
- (vii) the bank shall have in place sufficiently robust policies, processes and procedures-
- (A) to ensure that-
 - (i) the bank manages all relevant mismatches within the aforesaid 30-day period;
 - (ii) the bank has sufficient level one and level two high-quality liquid assets available to meet any potential cashflow mismatches throughout the said 30-day period;
 - (iii) the bank's internal stress tests also cover time horizons longer than the 30 calendar day time horizon envisaged in this subregulation (12);
 - (B) to test-
 - (i) that the scenario and assumptions underlying the net cash outflows envisaged in this subregulation (12) are adequate for the bank's specific business activities;

- (ii) the level of liquidity the bank may have to hold beyond the level of high-quality liquid assets envisaged in this subregulation (12);
- (C) to periodically monetise a portion of the assets or instruments in the relevant portfolio through repo or outright sale to the market in order to test the bank's access to the market, the effectiveness of its processes for monetisation, and the usability of the assets, as well as to minimise the risk of negative signalling during a period of stress;
- (viii) only assets or instruments that can be easily and immediately converted into cash at little or no loss of value and that contain specified fundamental and market-related characteristics shall qualify as high-quality liquid assets, which assets or instruments typically-
 - (A) constitute eligible instruments for intraday liquidity needs and overnight liquidity facilities from the Central Bank, provided that Central Bank eligibility does not in itself mean that an asset or instrument qualify as a high-quality liquid asset;
 - (B) raise confidence in the safety and soundness of liquidity risk management in the relevant bank, and the banking system;
- (ix) the aforesaid fundamental characteristics, as a minimum, mean-
 - (A) low credit and market risk, that is, for example-
 - (i) assets or instruments that are less risky tend to have higher liquidity;
 - (ii) a high credit standing of an issuer and a low degree of subordination increases an asset or instrument's liquidity;
 - (iii) low duration, low volatility, low inflation risk and denomination in a convertible currency with low foreign exchange risk enhance an asset or instrument's liquidity;
 - (B) ease and certainty of valuation, that is, for example-
 - (i) an asset or instrument's liquidity increases if market participants are more likely to agree on its valuation;
 - (ii) the pricing formula of the asset or instrument does not contain strong assumptions;

- (iii) the relevant inputs into the pricing formula are publicly available;
 - (C) low correlation with risky assets, that is, for example, the asset or instrument is not subject to wrong-way risk, that is, highly correlated risk;
 - (D) the asset or instrument is listed on a developed and recognised exchange;
- (x) the aforesaid market-related characteristics, as a minimum, mean-
 - (A) the existence of an active and sizable market, which may be evidenced by factors such as a large number of market participants, high trading volume and historical evidence of market breadth, that is, price impact per unit of liquidity, and market depth, that is, units of the asset that can be traded for a given price impact;
 - (B) the presence of committed market makers, which may be evidenced by factors such as available quotes for buying and/or selling of the liquid asset or instrument;
 - (C) low market concentration, that is, a diverse group of buyers and sellers exists that increases the reliability of the asset or instrument's liquidity;
 - (D) evidence of historic flight to quality, that is, historically, the market has shown tendencies to move into these types of assets or instruments during a systemic crisis;
- (xi) all high-quality liquid assets or instruments shall be managed as part of that portfolio of assets or instruments-
 - (A) which assets or instruments shall at all times-
 - (i) be available for the bank to convert into cash to fill any funding gap that may arise between cash inflows and outflows during the said period of stress;
 - (ii) be unencumbered;
 - (iii) be under the control of the specific function or functions responsible for managing the bank's liquidity risk, which is typically the bank's treasurer;

- (B) which assets or instruments-
 - (i) shall not be co-mingled with or used as hedges on trading positions, be designated as collateral or be designated as credit enhancements in structured transactions or be designated to cover operational costs, such as rents or salaries;
 - (ii) shall be managed with the clear and sole intent for use as a source of contingent funds;
 - (xii) in order to allow a bank time to adjust its portfolio of qualifying high-quality liquid assets, when a qualifying asset or instrument is subsequently disqualified, for example, due to a rating downgrade, the bank may retain the asset or instrument in its portfolio of qualifying liquid assets for 30 calendar days following the date that the asset or instrument became so disqualified.
- (b) *Specific matters related to level one and level two high-quality liquid assets*
- No asset or instrument shall qualify as-
- (i) a level one high-quality liquid asset as envisaged in section 1 of the Act unless the said asset or instrument constitutes-
 - (A) a marketable instrument that, as a minimum-
 - (i) is assigned a zero per cent risk-weight in terms of the provisions of the Standardised Approach specified in regulation 23(8) of these Regulations;
 - (ii) trades in large, deep and active repo or cash markets, characterised by a low level of concentration;
 - (iii) has a proven record as a reliable source of liquidity in all relevant markets, including the repurchase, resale or sale markets, even during stressed market conditions; and
 - (iv) does not constitute an obligation of a financial institution or any of its associated or affiliated entities;
 - (B) a debt security issued in Rand by the central government of the RSA or the Reserve Bank; or

- (C) a debt security issued in foreign currency by the central government of the RSA or the Reserve Bank, to the extent that holding of such debt matches the currency needs of the bank's operation;
- (ii) a level two high-quality liquid asset as envisaged in section 1 of the Act unless the said asset or instrument constitutes-
 - (A) a marketable instrument that, as a minimum-
 - (i) is assigned a twenty per cent risk-weight in terms of the provisions of the Standardised Approach specified in regulation 23(8) of these Regulations;
 - (ii) trades in large, deep and active repo or cash markets, characterised by a low level of concentration;
 - (iii) has a proven record as a reliable source of liquidity in all relevant markets, including the repurchase, resale or sale markets, even during stressed market conditions, that is, the maximum decline in the price or increase in the haircut of the relevant instrument over a 30-day period during a relevant period of significant liquidity stress did not exceed ten per cent; and
 - (iv) does not constitute an obligation of a financial institution or any of its associated or affiliated entities;
 - (B) a corporate bond that, as a minimum-
 - (i) is not issued by a financial institution or any of its associated or affiliated entities;
 - (ii) has a credit rating from an eligible institution of at least AA- or, in the absence of a credit assessment by an eligible institution, is internally rated with a probability of default (PD) corresponding to an external credit rating of at least AA-, provided that in the case of a split rating the bank shall determine the appropriate rating in accordance with the relevant requirements specified in regulation 23(5) of these Regulations;
 - (iii) trades in large, deep and active repo or cash markets, characterised by a low level of concentration; and

- (v) has a proven record as a reliable source of liquidity in all relevant markets, including the repurchase, resale or sale markets, even during stressed market conditions, that is, the maximum decline in the price or increase in the haircut of the relevant instrument over a 30-day period during a relevant period of significant liquidity stress did not exceed ten per cent;

Provided that for purposes of this subregulation (12), corporate bonds shall only include plain vanilla instruments, the valuation of which shall be readily available based on standard methods and shall not depend on private knowledge, that is, complex structured products or subordinated debt are explicitly excluded from the definition of level two high-quality liquid assets.

(c) *Matters related to the calculation of a bank's relevant amount of net cash outflow*

Based on the relevant requirements specified in this subregulation (12), a bank shall continuously calculate its expected total net cash outflows as the difference between total expected cash outflows and total expected cash inflows as envisaged in these Regulations, provided that-

- (i) the bank's relevant calculation shall be based on a specified stress scenario applied for the subsequent 30 calendar days, that is-
 - (A) the bank's total expected cash outflows shall be equal to the outstanding balances of specified categories or types of liabilities and off-balance-sheet commitments, multiplied by the relevant run-off or drawn-down rates specified in this paragraph (c);
 - (B) the bank's total expected cash inflows shall be equal to the outstanding balances of specified categories of contractual receivables, multiplied by the specified rates at which the said receivables are expected to flow in under the said stress scenario, provided that the bank's total expected cash inflows shall be limited to seventy five per cent of the bank's total expected cash outflows, that is:

Total net cash outflows over the next 30 calendar days = outflows – min{inflows; 75% of outflows}

- (ii) when the bank calculates its LCR, the bank shall not double count any relevant item, that is, when the bank, for example, includes a high-quality liquid asset in the numerator, that asset cannot also be included as part of cash inflows;

- (iii) when an item may be counted in multiple outflow categories, such as a committed liquidity line granted to cover debt maturing within the 30 calendar day period, the bank only has to assume up to the maximum contractual outflow for that product.

(d) *Matters related to the calculation of a bank's total expected cash outflows*

Based on the relevant requirements specified in this subregulation (12), including, in particular, the categories of funding and other liabilities or potential liabilities, and run-off or drawdown factors, specified below, a bank shall continuously calculate its expected or potential total cash outflows, for which purposes-

- (i) retail deposits mean deposits placed with the bank by a natural person, which retail deposits shall include all relevant demand deposits and term deposits, provided that-
 - (A) deposits received from legal entities, sole proprietorships or partnerships shall be included in the bank's wholesale deposit category;
 - (B) the bank shall divide its retail deposits between "stable" and "less stable" retail deposits;
 - (C) in respect of the aforesaid stable retail deposits, that is, deposits that are fully covered by an effective deposit insurance scheme or by a public guarantee that provides equivalent protection, and where-
 - (i) the depositors have other established relationships with the bank that make deposit withdrawal highly unlikely; or
 - (ii) the deposits are in transactional accounts, such as accounts where salaries are automatically deposited,

the bank shall apply a run-off factor of no less than five per cent.

Based on the aforesaid, the mere existence of deposit insurance alone shall not be sufficient to classify a deposit as "stable".

- (D) an effective deposit insurance scheme as envisaged hereinbefore means a scheme-
- (i) that guarantees that it has the ability to make prompt payouts; and
 - (ii) for which the coverage is clearly defined; and
 - (iii) of which public awareness is high.

Provided that-

- (aa) the deposit insurer in an effective deposit insurance scheme shall have formal legal powers to fulfil its mandate and shall be operationally independent, transparent and accountable;
 - (bb) an explicit and legally binding sovereign deposit guarantee that effectively functions as deposit insurance may be regarded as an effective deposit insurance scheme;
- (E) when the bank is unable to readily identify the retail deposits that qualify as “stable” retail deposits, the bank shall allocate the relevant full amount to the “less stable” retail deposits category;
- (F) in respect of the aforesaid less stable retail deposits, that is, for example, deposits that are not covered by an effective deposit insurance scheme or sovereign deposit guarantee, high-value deposits, deposits from sophisticated or high net worth individuals, deposits that can be withdrawn quickly, such as internet deposits, and foreign currency deposits, the bank shall apply a run-off factor of no less than ten per cent;
- (G) to capture depositor behaviour in a period of stress, the Registrar may require a bank in writing to add further reporting categories of deposits with specified run-off factors and/ or apply a run-off factor higher than the percentages specified hereinbefore;

- (ii) fixed or time retail deposits with a residual maturity or withdrawal notice period of more than 30 days may be excluded from the bank's calculation of LCR, provided that-
 - (A) the depositor shall have no legal right to withdraw the deposit within the said 30-day horizon of the LCR;
 - (B) subject to such conditions as may be specified in writing by the Registrar, and the bank's sole discretion, the bank may allow a depositor to early withdraw the deposit, provided that-
 - (i) the withdrawal shall be subject to a penalty substantially higher than the loss of interest;
 - (ii) when the bank allows early withdrawal without applying the aforesaid penalty or despite the clause that states the depositor has no legal right to withdraw, the bank shall for purposes of its LCR regard the entire category of those funds as demand deposits, regardless of the remaining term to maturity;
- (iii) unsecured wholesale funding, in respect of which the bank shall apply the relevant run-off factors specified in subparagraphs (iv) to (ix) below-
 - (A) shall include-
 - (i) liabilities and general obligations that are raised from non-natural persons, such as legal entities, including sole proprietorships and partnerships, and that are not collateralised by legal rights to specifically designated assets owned by the borrowing institution in the case of bankruptcy, insolvency, liquidation or resolution;
 - (ii) all relevant funding that is callable within or with an earliest possible contractual maturity date within the LCR's horizon of 30 days, such as maturing term deposits and unsecured debt securities, as well as funding with an undetermined maturity;
 - (iii) all relevant funding with options that are exercisable at the investor's discretion within the LCR's horizon of 30 calendar days;
 - (iv) all relevant liabilities in respect of which the market is likely to expect redemption before the relevant legal final maturity date;

- (B) shall exclude-
- (i) wholesale funding that is callable by fund providers subject to a contractually defined and binding notice period beyond the 30-day horizon;
 - (ii) obligations related to derivative instruments or contracts;
- (iv) in respect of unsecured wholesale funding provided by small business customers, that is, deposits and other extensions of funds made by non-financial small business customers that are managed as retail exposures, and which are generally considered as having liquidity risk characteristics similar to retail accounts, the bank shall follow an approach similar to the approach for retail deposits, that is, the bank shall, based on the relevant criteria specified hereinbefore for retail deposits, distinguish between-
- (A) a stable portion of unsecured wholesale funding provided by small business customers, in respect of which the bank shall apply a run-off factor of no less than five per cent; and
 - (B) a less stable portion of unsecured wholesale funding provided by small business customers, in respect of which the bank shall apply a run-off factor of no less than ten per cent,

Provided that-

- (i) this category of unsecured wholesale funding provided by non-financial small business customers shall only include small business customers in respect of which the total aggregate amount of funding raised from one customer and its relevant associates or affiliates, on a gross consolidated basis, is less than R7.5 million;
 - (ii) term deposits from small businesses shall be treated in accordance with the relevant requirements specified hereinbefore for term retail deposits;
- (v) subject to the provisions of subparagraph (vi) below, in respect of unsecured wholesale funding received from financial and non-financial wholesale customers with specific operational relationships,

(A) which customers have an established operational relationship with the bank upon which it has a substantive dependency, such as clearing, custody or cash management relationships in which the customer is reliant on the bank to perform these services as an independent third party intermediary in order to fulfil its normal banking activities over the next 30 days; and

(B) which funding or deposits-

(i) are by-products of the underlying services provided by the bank; and

(ii) are not sought in the wholesale market in the sole interest of offering interest income; and

(iii) are priced below the market in comparison to deposits of a similar duration and held in specifically designated accounts,

the bank shall apply a run-off factor of twenty five per cent, provided that in respect of the portion of the unsecured wholesale funding provided by non-financial corporate customers, sovereigns, central banks and public sector entities with operational relationships that is fully covered by deposit insurance the bank may apply a run-off factor of five per cent;

(vi) in respect of unsecured wholesale funding received from financial and non-financial wholesale customers with specific operational relationships as envisaged in subparagraph (v) above,

(A) a clearing relationship means a service arrangement that enables customers to transfer funds or securities indirectly through direct participants in domestic settlement systems to final recipients,

(i) which services are limited to-

(aa) transmission, reconciliation and confirmation of payment orders;

(bb) daylight overdraft, overnight financing and maintenance of post-settlement balances; and

(cc) determination of intra-day and final settlement positions;

- (ii) which clearing and related services shall be provided in terms of a legally binding agreement to institutional customers;
- (B) a custody relationship means the provision of safekeeping, reporting, processing of assets and/or the facilitation of the operational and administrative elements of related activities on behalf of customers in the process of their transacting and retaining financial assets,
- (i) which services are limited to-
 - (aa) the settlement of securities transactions;
 - (bb) the transfer of contractual payments;
 - (cc) the processing of collateral;
 - (dd) the execution of foreign currency transactions;
 - (ee) the receipt of dividends and other income;
 - (ff) client subscriptions and redemptions;
 - (gg) scheduled distributions of client funds and the payment of fees, taxes and other expenses;
 - (hh) the holding of related cash balances and the provision of ancillary cash management services;
 - (ii) which custody related services may, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, be extended to asset and corporate trust servicing, treasury, escrow, funds transfer, stock transfer and agency services, including payment and settlement services, trade financing, and depository receipts;
 - (iii) which custody related services exclude correspondent banking related services;
 - (iv) which custody related services shall be provided in terms of a legally binding custodial services or other similar agreement to institutional customers;

- (C) a cash management relationship means the provision of cash management and related services to customers, that is, the provision of cash management services related to products and services provided to a customer to manage its cash flows, assets and liabilities, and conduct financial transactions necessary to the customer's ongoing operations,
- (i) which services are limited to-
 - (aa) the provision of information or of information systems used to manage the customer's financial transactions;
 - (bb) payment remittance;
 - (cc) collection and aggregation;
 - (dd) payroll administration;
 - (ee) control over the disbursement of funds;
 - (ff) automated payments; and
 - (gg) other transactions that facilitate financial operations;
 - (ii) which cash management and related services shall be provided in terms of a legally binding agreement to institutional customers;
- (D) only the specific amount of deposits utilised for the said operational functions shall be subject to the run-off factor of twenty five per cent, that is, any excess balance that may be withdrawn and still leave sufficient funds to fulfil the said operational requirements shall be excluded from the aforesaid category of funding;
- (E) deposits that are subject to the outflow factor of twenty five per cent at the bank holding the deposit shall be subject to a zero per cent inflow assumption for the depositing bank, since these funds are considered to remain with the bank conducting the operational activity;

- (F) if the relevant deposit arises from correspondent banking, that is, an arrangement in terms of which one bank (correspondent) holds deposits owned by another bank (respondent) and provides payment and other services in order to settle foreign exchange transactions, such as nostro and vostro accounts used for the provision of clearing and settlement of payments, the bank shall, for purposes of determining the relevant run-off factor, treat the deposit as if there was no operational relationship;
- (G) if the deposit arises from the provision of prime brokerage services, that is, a package of services offered to large active investors, particularly hedge funds, which services usually include-
- (i) clearing, settlement and custody;
 - (ii) consolidated reporting;
 - (iii) margin, repo or synthetic financing;
 - (iv) securities lending;
 - (v) capital introduction; and
 - (vi) risk analytics,
- the bank shall, for purposes of determining the relevant run-off factor, treat the deposit as if there was no operational relationship;
- (vii) subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, in respect of unsecured wholesale funding related to an institutional network of cooperative banks or similar institutions, that is, a group of legally autonomous banks or similar institutions with a statutory framework of cooperation with common strategic focus and brand where specific functions are performed by central institutions and/or specialised service providers, the relevant central institution and/or specialised central service providers may apply a run-off rate of twenty five per cent in respect of deposits of member institutions that are placed-
- (A) due to statutory minimum deposit requirements, which are registered at the relevant regulators; or
 - (B) in the context of common task sharing and legal, statutory or contractual arrangements,

Provided that-

- (i) both the bank that received the funds and the bank that deposited the funds shall participate in the same institutional network's mutual protection scheme against illiquidity and insolvency of its members;
- (ii) the depositing bank or institution shall apply a zero per cent inflow assumption in respect of the relevant deposited funds, since the funds are considered to remain with the relevant centralised institution;
- (iii) correspondent banking activities are excluded from this category and shall be subject to a run-off factor of one hundred per cent;
- (iv) funds placed with a central institution and/or specialised service provider for any reason other than-
 - (aa) the aforesaid reasons; or
 - (bb) for operational functions of clearing, custody, or cash management as envisaged in subparagraphs (v) and (vi) above,

shall be subject to a run-off factor of one hundred per cent;

(viii) in respect of unsecured wholesale funding from-

- (A) non-financial corporate customers, other than small business customers as envisaged hereinbefore;
- (B) domestic and foreign sovereign, central bank and public sector entities that are not specifically held for operational purposes as envisaged hereinbefore; and
- (C) multilateral development banks,

the bank shall apply a run-off factor of seventy five per cent;

- (ix) in respect of unsecured wholesale funding from institutions or persons other than the institutions or persons specified hereinbefore, including-
- (A) funds received from all relevant-
 - (i) banks;
 - (ii) securities firms;
 - (iii) insurance companies;
 - (iv) fiduciaries, that is, a legal entity that is authorised to manage assets on behalf of a third party, including all relevant asset management entities such as hedge funds, pension funds and other collective investment vehicles;
 - (v) beneficiaries, that is, a legal entity that receives, or may become eligible to receive, benefits under a will, insurance policy, retirement plan, annuity, trust, or other relevant contract;
 - (vi) conduits and/ or special purpose vehicles; and
 - (vii) affiliated entities of the bank,
 - (B) all relevant notes, bonds and other debt securities issued by the bank, regardless of the holder, unless the bond was sold exclusively in the retail market and held in a retail account, in which case the instrument may be treated in accordance with the requirements related to the retail deposit category,

the bank shall apply a run-off factor of one hundred per cent;

- (x) secured funding means those liabilities and general obligations that are collateralised by legal rights to specifically designated assets owned by the borrowing institution in the case of bankruptcy, insolvency, liquidation or resolution, provided that-
- (A) the bank shall assume that its ability to continue to transact repurchase agreements, resale agreements and other securities financing transactions is limited to transactions backed by specified high-quality liquid assets;
 - (B) the bank shall treat collateral swaps and/ or similar transactions as repurchase or resale agreements;

- (C) in respect of all outstanding secured funding transactions with maturities within the envisaged 30 calendar day stress horizon, based on the amount of funds raised through the relevant transaction and not the value of the underlying collateral, the bank-
- (i) shall apply a zero per cent reduction in funding availability related to maturing transactions backed by level one high-quality liquid assets;
 - (ii) shall apply a fifteen per cent reduction in funding availability related to maturing transactions backed by level two high quality liquid assets;
 - (iii) shall, in recognition that the Central Government of the RSA, the Reserve Bank or public sector entities that qualify for a risk weight of twenty per cent or lower in terms of the Standardised Approach for the measurement of the bank's exposure to credit risk in terms of the provisions of regulation 23(8) of these Regulations are unlikely to withdraw secured funding from the bank during a time of market-wide stress, apply a twenty five per cent reduction in funding availability related to maturing transactions with or backed by instruments of the aforesaid persons, entities or institutions, other than instruments or assets qualifying as level one or level two high quality liquid assets;
 - (iv) shall apply a one hundred per cent reduction in funding availability related to all other relevant maturing transactions;
- (D) the bank shall, based on the relevant requirements specified in item (C) above, read with the provisions of this item (D), add to its expected cash outflows the relevant amounts specified in table 1 below:

Table 1

Outstanding maturing secured funding	Amount to add to cash outflows
Backed by level one high-quality liquid assets	0%
Backed by level two high-quality liquid assets	15%
Secured funding transactions with Central Government of RSA, Reserve Bank or public sector entities that are 20% or lower risk weighted and not backed by level one or level two high-quality liquid assets	25%
All others	100%

- (xi) the bank shall apply a run-off factor of one hundred per cent in respect of any relevant net payable amount related to known payable and receivable amounts arising from derivative instruments, which net payable amount, when relevant, shall also take into consideration relevant level one and level two high-quality liquid assets serving as collateral, to the extent that this collateral is not already counted in the bank's available amount of level one and level two high-quality liquid assets, that is, as already stated hereinbefore, relevant instruments shall in no case be double counted;
- (xii) the bank shall apply a run-off factor of one hundred per cent of the relevant amount of collateral that will have to be posted for, or contractual cash outflows generated by, any downgrade up to and including a 3-notch downgrade by an eligible institution, that is, for each contract with "downgrade triggers", the bank shall assume that one hundred per cent of the additionally required collateral shall be posted or cash outflow shall occur for any downgrade up to and including a 3-notch downgrade of the bank's relevant long-term credit rating, provided that the bank shall assume that triggers linked to the bank's short-term rating shall be triggered at the appropriate long-term rating in accordance with the relevant published ratings criteria;
- (xiii) the bank shall apply a run-off factor of twenty per cent of the value of level two high-quality liquid assets posted as collateral to cover a potential loss of market value in respect of derivative or other transactions, that is, a bank posting collateral to cover any relevant mark-to-market exposure shall add to the relevant stock of posted level two high-quality liquid assets twenty per cent of the value of all such level two high-quality liquid assets, which twenty per cent shall be calculated off the relevant notional amount required to be posted as collateral after any other relevant haircuts have been applied;
- (xiv) the bank shall apply a run-off factor of one hundred per cent in respect of funding related to asset-backed securities or other structured financing instruments, that is, when the aforesaid instruments are issued by the bank itself, the bank shall assume that the re-financing market will not exist, causing a complete outflow of the related funding maturing within the said 30-day period;
- (xv) the bank shall apply a run-off factor of one hundred per cent in respect of maturing funding related to asset-backed commercial paper, conduits, securities investment vehicles and other similar financing facilities, and one hundred per cent of the required liquidity related to assets that may be returned, that is-

- (A) a bank with structured financing facilities in place that include the issuance of short term debt instruments such as asset backed commercial paper shall duly consider-
- (i) the inability to refinance maturing debt; and
 - (ii) the existence of derivatives or derivative-like components contractually written into the documentation associated with the structure that may cause the "return" of assets in a financing arrangement, or that require the originator to provide liquidity, effectively ending the financing arrangement within the said 30-day period;
- (B) when the bank conducts structured financing activities through a special purpose entity or vehicle, the bank shall, in determining its relevant requirement for high quality liquid asset, look through the structure to the maturity of the debt instruments issued by the special purpose entity or vehicle, and any embedded options in financing arrangements that may potentially trigger the "return" of assets or the need for liquidity, irrespective whether or not the special purpose entity or vehicle is consolidated;
- (C) based on the relevant requirements specified in this subparagraph (xv), a bank shall determine its relevant requirements in accordance with the requirements specified in table 2 below:

Table 2

Potential risk	Required high-quality liquid assets
Debt maturing within the calculation period	100% of the maturing amount
Embedded options in financing arrangements that allow for the return of assets or potential liquidity support	100% of the amount of assets that may be returned, or the liquidity required

- (xvi) the bank shall in respect of any relevant committed undrawn credit or liquidity facility, that is, for example, any relevant explicit contractual agreement or obligation to extend funds at a future date to retail or wholesale counterparties, apply a drawdown factor of-
- (A) five per cent in respect of any committed undrawn credit or liquidity facility to retail or small business customers;

- (B) ten per cent in respect of any committed undrawn credit facility to non-financial corporates, sovereigns and central banks, public sector entities and multilateral development banks;
- (C) one hundred per cent in respect of any committed undrawn liquidity facility to non-financial corporates, sovereigns and central banks, public sector entities, and multilateral development banks;
- (D) one hundred per cent in respect of any committed undrawn credit or liquidity facility to any other legal entity, including, for example, financial institutions such as banks, securities firms and insurance companies, conduits and special purpose vehicles, fiduciaries as envisaged hereinbefore, beneficiaries as envisaged hereinbefore, and other entities not included elsewhere in the categories specified above,

Provided that-

- (i) for purposes of this subregulation (12),
 - (aa) the bank shall include all relevant committed facilities that are contractually irrevocable or conditionally revocable, which off-balance sheet facilities or funding commitments may have long or short-term maturities, since customers drawing on facilities of any maturity in a stressed environment are unlikely to be able to quickly pay back the relevant funds borrowed;
 - (bb) the bank shall exclude from this category any revocable facility that is unconditionally cancellable by the bank, which facility shall be included in the category "other contingent funding liabilities";
 - (cc) a liquidity facility includes any relevant committed, undrawn back-up facility put in place expressly for the purpose of refinancing the debt of a customer in situations where such a customer is unable to obtain its ordinary course of business funding requirements, such as pursuant to a commercial paper programme, in the financial markets, the relevant amount of which liquidity facility shall include any available unused capacity to issue financing that may mature within the said 30-day horizon, but shall exclude the portion of the liquidity line that is backing securities issued that do not mature within the said 30-day window period;

- (dd) any general working capital facility for corporate entities, such as revolving credit facilities for general corporate and/or working capital purposes, shall be classified as a credit facility and not as a liquidity facility;
 - (ii) the relevant undrawn portion of the aforesaid facilities may be calculated net of any relevant high-quality liquid assets posted as collateral by the relevant counterparty to secure the facility only if the bank is legally entitled and operationally capable to re-use the collateral in further cash raising transactions once the facility is drawn, and there is no undue correlation between the probability of drawing the facility and the market value of the collateral, provided that, as stated hereinbefore, eligible collateral may be netted against the outstanding amount of the relevant line only if that collateral is not included in the bank's relevant portfolio of high-quality liquid assets, that is, no instrument shall be double-counted;
 - (iii) a bank that acts as a liquidity provider is not required to double count for any maturing financing instrument envisaged in subparagraphs (xiv) and (xv) above, and any relevant related liquidity facility for consolidated programs;
- (xvii) the bank shall apply an outflow rate of one hundred per cent in respect of any relevant contractual lending obligation to extend funds to a financial institution within the said 30 calendar day period, not included elsewhere in this subregulation (12);
- (xviii) the bank shall apply an outflow rate of one hundred per cent in respect of the relevant excess amount by which the aggregate amount of all contractual obligations to extend funds to retail and non-financial corporate clients within the said 30 calendar days, not included elsewhere in this subregulation (12), exceeds fifty per cent of the aggregate amount of contractual inflows due in the next 30 calendar days from those clients, that is, when the aggregate amount of all contractual obligations to extend funds to retail and non-financial corporate clients within the next 30 calendar days, not included elsewhere in this subregulation (12), exceeds fifty per cent of the total contractual inflows due in the next 30 calendar days from those clients, the bank shall report that difference as a one hundred per cent outflow of funds;

- (xix) the bank shall apply such run-off factors or outflow rates in respect of such other relevant contingent funding obligations, and calculated in such a manner, as may be directed in writing by the Registrar, which contingent funding obligations may be either contractual or non-contractual obligations, and-
- (A) which contingent funding obligations are not lending commitments;
 - (B) which non-contractual contingent funding obligations include associations with, or sponsorship of, products sold or services provided that may require the support or extension of funds in the future under stressed conditions;
 - (C) which non-contractual obligations may be embedded in financial products and instruments sold, sponsored, or originated by the bank that may give rise to unplanned balance sheet growth arising from support given for reputational risk considerations, such as, for example, products and instruments for which the relevant customer or holder has specific expectations regarding the liquidity and marketability of the product or instrument and for which failure to satisfy customer expectations in a commercially reasonable manner may cause material reputational damage to the bank, or otherwise impair its ongoing viability;
 - (D) which other contingent funding obligations may include-
 - (i) uncommitted undrawn credit or liquidity facilities;
 - (ii) guarantees;
 - (iii) letters of credit;
 - (iv) other trade finance instruments;
 - (v) non-contractual obligations such as-
 - (aa) potential requests for debt repurchases of the bank's own debt or that of related conduits, securities investment vehicles and other such financing facilities;
 - (bb) structured products where customers anticipate ready marketability, such as adjustable rate notes and variable rate demand notes; and

- (cc) managed funds that are marketed with the objective of maintaining a stable value such as money market mutual funds or other types of stable value collective investment funds;
 - (xx) the bank shall apply an outflow rate of one hundred per cent in respect of other contractual cash outflows within the next 30 calendar days, such as dividend payments, provided that any relevant outflow related to operating costs shall be excluded from the provisions of this subregulation (12).
- (e) *Matters related to the calculation of a bank's total expected cash inflows*
- Based on the relevant requirements specified in this subregulation (12), a bank shall continuously calculate its expected or potential total cash inflows, for which purposes-
- (i) the bank shall include only contractual inflows from outstanding exposures that are fully performing, and in respect of which the bank has no reason to expect a default within the envisaged 30-day time horizon;
 - (ii) the bank shall manage its business in such a manner that its liquidity position is at no stage overly dependent on the expected inflows from one or a limited number of wholesale counterparties;
 - (iii) the bank-
 - (A) shall assume that maturing resale or securities borrowing agreements secured by level one high-quality liquid assets will be rolled-over, and will therefore not give rise to any cash inflows, that is, in respect of maturing resale or securities borrowing agreements secured by level one high-quality liquid assets, the bank shall apply an inflow factor of zero per cent;
 - (B) shall, due to the reduction of funds extended against the relevant collateral, assume an inflow of fifteen per cent in respect of maturing resale or securities lending agreements secured by level two high-quality liquid assets;
 - (C) shall assume no roll-over in respect of maturing resale or securities borrowing agreements secured by assets other than level one or level two high-quality liquid assets, and as such assume to receive back one hundred per cent of the cash related to such agreements,

Provided that,

- (i) when the collateral obtained through resale or securities borrowing agreements, or collateral swaps, which agreements or contracts mature within the said 30-day horizon, is re-used, that is, rehypothecated, and is subsequently tied up for 30 days or longer to cover the relevant short positions, the bank shall assume that such resale or securities borrowing arrangements will be rolled-over, and as such the bank shall apply an inflow factor of zero per cent to reflect the need to continue to cover the short position or to re-purchase the relevant securities, which respective aforesaid scenarios may be summarised as follows:

Maturing resale agreement backed by the following:	Assumed inflow rate if collateral is not used to cover short positions:	Assumed inflow rate if collateral is used to cover short positions:
Level one high-quality liquid assets	0%	0%
Level two high-quality liquid assets	15%	0%
All other collateral	100%	0%

- (ii) irrespective of the aforesaid applied assumptions, the bank shall continuously manage its collateral in such a manner that the bank is able to fulfil any obligation to return collateral whenever the relevant counterparty decides not to roll-over the resale or securities lending transaction;
- (iv) the bank shall, in order to-
- (A) reduce the contagion risk of liquidity shortages at one bank causing shortages at other banks;
 - (B) reflect the risk that other banks may not be in a position to honour credit lines; or
 - (C) reflect the risk that other banks may decide to incur the legal and reputational risk involved in not honouring their commitments, to conserve their own liquidity or reduce their exposure to that bank,

apply an inflow factor of zero per cent in respect of any relevant line of credit, liquidity facility or other contingent funding facility that the bank may hold at any other relevant institution for its own purposes;

- (v) the bank shall, in respect of all relevant types of secured or unsecured transactions with retail, small business or wholesale clients, apply to the amounts specified below, the respective inflow factors specified below, provided that-
 - (A) as stated hereinbefore, when considering any relevant loan payment, the bank shall only include inflows in respect of fully performing loans;
 - (B) in the case of relevant inflows from retail and small business customers, the bank shall assume that it will receive all fully performing contractual inflows, and at the same time continue to extend loans to retail and small business customers at a rate equal to fifty per cent of the relevant contractual inflow amount, that is, the bank shall in the case of retail and small business customers assume a net inflow of fifty per cent of the relevant aggregate contractual inflow amount;
 - (C) in the case of relevant inflows from wholesale clients, the bank shall assume-
 - (i) that it will receive all fully performing contractual wholesale cash inflows from financial institutions and continue to extend loans to financial institutions at a rate of zero per cent of the relevant aggregate inflow amount, that is, the bank shall assume a net inflow from financial institutions equal to one hundred per cent of the relevant aggregate contractual inflow amount;
 - (ii) that it will receive all fully performing contractual wholesale cash inflows from all relevant wholesale clients other than financial institutions, including clients such as non-financial corporates, sovereigns, central banks and public sector entities, and continue to extend loans to such clients at a rate of fifty per cent of the relevant aggregate inflow amount, that is, the bank shall assume a net inflow from wholesale clients other than financial institutions equal to fifty per cent of the relevant aggregate contractual inflow amount,

Provided that the bank shall include all relevant inflows from maturing securities in the same category as inflows from financial institutions.

- (vi) the bank shall apply an inflow factor of zero per cent in respect of any relevant deposits held at other financial institutions for operational purposes, as envisaged in paragraph (d)(vi) above, including all relevant deposits for clearing, custody, and cash management purposes;
 - (vii) the bank shall apply an inflow factor of zero per cent in respect of any relevant deposits held at a centralised institution in a cooperative banking network, which deposits shall be assumed to remain at that centralised institution, that is, the relevant depositing bank shall apply an inflow factor of zero per cent in respect of any relevant deposits held at a centralised institution in a cooperative banking network;
 - (viii) the bank shall apply an inflow factor of one hundred per cent in respect of any relevant net receivable amount related to derivative instruments, which amount shall also be net of any relevant level one or level two high-quality liquid assets serving as collateral, to the extent that the said collateral is not already included in the bank's portfolio of level one and level two high-quality liquid assets;
 - (ix) the bank shall apply such inflow factors in respect of such other relevant contractual cash inflows, and calculated and disclosed in such a manner, as may be directed in writing by the Registrar, which other contractual cash inflows shall exclude any relevant cash inflow related to any non-financial revenue.
- (f) *Formulae for the calculation of LCR*

Based on the relevant requirements specified in this subregulation (12), a bank shall calculate its LCR in accordance with the formula specified below:

$$\text{LCR} = \frac{\text{Unencumbered level one and level two high-quality liquid assets}}{\text{Net cash outflow during the next 30 calendar days}} \times 100$$

Provided that:

- (i) all relevant level one and level two high-quality liquid assets shall be included in the aforesaid formula at their respective market values, after all relevant haircuts have been applied;

- (ii) the bank shall apply to the current market value of each relevant level two high-quality liquid asset a haircut of no less than 15 per cent, or such a higher haircut percentage as may be specified in writing by the Registrar;
- (iii) the bank's total net cash outflows shall be calculated for a period of 30 consecutive calendar days in accordance with the relevant requirements specified in this subregulation (12);
- (iv) whilst the bank is required to calculate and report its relevant LCR in Rand, in order to better manage and understand its potential currency mismatches, the bank shall also monitor its respective LCRs in each significant currency, for which purposes-
 - (A) a currency shall be deemed to be significant when the aggregate liabilities denominated in that currency amount to two per cent or more of the bank's total liabilities;
 - (B) all relevant cash flows shall be based on the relevant currency in which the counterparties are obliged to deliver or settle the contract;
 - (C) the bank shall calculate the relevant net foreign exchange cash outflow amount net of any relevant foreign exchange hedge contract;
 - (D) the bank shall continuously evaluate its ability to raise funds in foreign currency markets and transfer any liquidity surplus from one currency to another and across jurisdictions and legal entities;
 - (E) bank shall calculate its LCR in each significant currency through the application of the formula specified below:

$$\text{Foreign currency LCR} = \frac{\text{Unencumbered high-quality liquid assets in each significant currency}}{\text{Net cash outflow during the next 30 calendar days in each significant currency}} \times 100$$

(13) *Available sources of stress funding and related matters*

A bank-

- (a) shall obtain the prior written approval of its board of directors or board approved committee in respect of any assumption made relating to the realisable value of assets under a forced sale scenario;
- (b) shall on request submit to the Registrar all relevant board approved assumptions and reasoning applied in respect of the realisable value of assets under a forced sale scenario;
- (c) shall ensure appropriate diversification in both the tenor and source of its funding;
- (d) shall, notwithstanding the relevant requirements specified in regulation 27 relating to minimum liquid assets, maintain a liquidity cushion, made up of unencumbered liquid assets, to protect the bank against liquidity stress events, including potential losses of unsecured and typically available secured funding sources;
- (e) shall ensure that its policies, processes, systems and procedures relating to liquidity risk management are sufficiently robust to effectively manage the bank's
 - (i) ongoing liquidity needs, including any relevant intraday liquidity requirements;
 - (ii) collateral positions.

(14) *Matters related to the calculation of a bank's net stable funding ratio (NSFR)*

(a) *Specified minimum requirements*

As a minimum, in order to promote a bank's resilience over a one year time horizon and ensure that the bank continuously maintains a specified minimum amount of stable sources of funding relative to the liquidity profile of the bank's assets and the potential for contingent liquidity needs arising from the bank's off-balance sheet commitments, and in order to limit a bank's potential over-reliance on short-term wholesale funding, a bank shall calculate a Net Stable Funding Ratio (NSFR) in accordance with and comply with the relevant requirements specified in this subregulation (14), provided that-

- (i) in addition to the relevant requirements specified in this subregulation (14), a bank shall comply with such further or other conditions or requirements related to the NSFR as may be directed or specified in writing by the Registrar;

- (ii) between 1 January 2013 and 31 December 2017 banks, controlling companies and the Registrar shall apply the relevant requirements specified in this subregulation (14) to monitor the readiness of relevant institutions to implement and fully comply with the said requirements and any subsequent amendments thereto as a minimum standard from 1 January 2018;
- (iii) in all relevant cases, the requirements specified in this subregulation (14) shall apply on a solo and consolidated basis, provided that-
 - (A) in the case of consolidation or solo reporting of relevant entities, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, a bank may apply the rules or regulations of relevant host supervisors in respect of the treatment of retail or small business deposits of relevant entities operating in those jurisdictions;
- (iv) for purposes of this subregulation (14)-
 - (A) stable funding means the portion of those types and amounts of equity and liabilities expected to be reliable sources of funds over a one-year time horizon under conditions of extended stress;
 - (B) the relevant required amount of funding is a function of the liquidity characteristics of various types of assets held by the bank, the bank's off-balance-sheet contingent exposures and/or the activities pursued by the bank;
 - (C) an extended bank-specific stress scenario means a scenario in which the bank encounters, and investors and customers become aware of-
 - (i) a significant decline in the bank's profitability or solvency arising from heightened credit risk, market risk or operational risk, and/or other risk exposures;
 - (ii) a potential downgrade in a debt, counterparty credit or deposit rating issued by an eligible institution; and/or
 - (iii) a material event that calls into question the reputation or credit quality of the bank;
 - (D) in order not to create an environment in which banks rely on the Reserve Bank or other relevant central bank as a source of funding, extended borrowing from central bank lending facilities, outside regular open market operations, falls outside the scope of this subregulation (14) and the calculation of the NSFR;

- (E) unless specifically otherwise stated, the respective definitions applicable to the bank's calculation of LCR in terms of the provisions of subregulation (12) shall *mutatis mutandis* apply to the calculation of the bank's NSFR in terms of the provisions of this subregulation (14).

(b) *Matters related to the calculation of a bank's available amount of stable funding (ASF)*

Based on the relevant requirements specified in this subregulation (14), a bank shall continuously calculate its relevant available amount of stable funding (ASF), which available amount of stable funding-

- (i) shall include-
 - (A) the relevant amounts related to the bank's capital sources;
 - (B) the bank's preferred securities with maturity equal to or longer than one year;
 - (C) the bank's liabilities with effective maturities of one year or longer;
 - (D) that portion of non-maturity deposits and/or term deposits with maturities of less than one year that the bank expects to remain with the bank for an extended period notwithstanding an idiosyncratic stress event, which assumptions and reasoning applied by the bank shall on request be submitted in writing to the Registrar; and
 - (E) that portion of wholesale funding with maturities of less than one year that the bank expects to remain with the bank for an extended period notwithstanding an idiosyncratic stress event, which assumptions and reasoning applied by the bank shall on request be submitted in writing to the Registrar;
- (ii) shall be calculated by first assigning the respective carrying values of specified equity and liabilities to the relevant category specified in table 3 below, where-after the relevant assigned amounts shall be multiplied by the relevant ASF factors specified in table 3, and the bank's total ASF shall be the relevant sum of the respective weighted amounts:

Table 3

Components of Available Stable Funding and the associated ASF factors	
Components of ASF category	ASF factor
The total amount of capital after all relevant deductions, including common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds	100%
The total amount of any preferred securities with an effective remaining maturity of one year or longer not included in secondary capital and reserve funds, taking into account any explicit or embedded options that would reduce the expected maturity to less than one year	
The total amount of secured and unsecured borrowings and liabilities, including term deposits, with effective remaining maturities of one year or longer, excluding any instruments with explicit or embedded options that would reduce the expected maturity to less than one year ¹	
Stable non-maturity (demand) deposits and/or term deposits with residual maturities of less than one year provided by retail customers and small business customers, as defined in subregulation (12) for the calculation of the bank's LCR	90%
Less stable non-maturity (demand) deposits and/or term deposits with residual maturities of less than one year provided by retail and small business customers, as defined in subregulation (12) for the calculation of the bank's LCR	80%
Unsecured wholesale funding, non-maturity deposits and/or term deposits with a residual maturity of less than one year provided by non-financial corporates, sovereigns, central banks, multilateral development banks and public-sector entities	50%
Stable deposits from cooperative banks that are required by law to be placed at the central organisation, and are legally constrained within the cooperative bank network as minimum deposit requirements	Specified in writing by the Registrar
All other liabilities and equity categories not included in the aforementioned categories	0%

1. Including those options exercisable at the investor's discretion within the one-year horizon, provided that, when determining the maturity of an instrument, the bank shall assume that investors will redeem a call option at the earliest possible date.

(c) *Matters related to the calculation of a bank's required amount of stable funding (RSF)*

Based on the relevant requirements specified in this subregulation (14), a bank shall continuously calculate its relevant required amount of stable funding (RSF),

- (i) which required amount of stable funding shall be the relevant aggregate amount of-
- (A) the sum of the value of the assets specified in table 4 below, multiplied by the relevant required stable funding (RSF) factor specified in table 4 and assigned to each relevant asset category;

Table 4

Details of asset categories and the associated RSF factors	
RSF category	RSF factor
Cash immediately available to meet obligations, not currently encumbered as collateral and not held for planned use as contingent collateral, salary payments, or any other reason Unencumbered short-term unsecured instruments and transactions with outstanding maturities of less than one year, such as short-term government and corporate bills, notes and obligations; commercial paper; negotiable certificates of deposits; reserves with the Reserve Bank; bankers acceptances; money market mutual funds; etc. Unencumbered securities with stated remaining maturities of less than one year with no embedded options that would increase the expected maturity to more than one year Unencumbered securities held where the bank or relevant institution has an offsetting reverse repurchase or resale transaction when the security on each transaction has the same unique identifier, such as ISIN number or CUSIP Unencumbered loans to financial entities with effective remaining maturities of less than one year that are not renewable and for which the lender has an irrevocable right to call	0%
Unencumbered marketable securities with residual maturities of one year or longer representing claims on or claims guaranteed by sovereigns, central banks, BIS, IMF, EC, non-central government public sector entities or multilateral development banks that are assigned a zero per cent risk-weight in terms of the provisions of the standardised approach specified in regulation 23(8) of these Regulations, provided that active repo or sale-markets exist for these securities	5%
Unencumbered corporate bonds or covered bonds (when allowed in the particular jurisdiction) rated AA- or higher with residual maturities of one year or longer satisfying all of the specified conditions for level two high-quality liquid assets in the calculation of a bank's LCR	20%

Details of asset categories and the associated RSF factors	
RSF category	RSF factor
Unencumbered marketable securities with residual maturities of one year or longer representing claims on or claims guaranteed by sovereigns, central banks, non-central government public sector entities that are assigned a twenty per cent risk-weight in terms of the provisions of the standardised approach specified in regulation 23(8) of these Regulations, provided that the securities meet all of the specified conditions for level two high-quality liquid assets in the calculation of a bank's LCR	
Unencumbered gold	
Unencumbered equity securities, not issued by financial institutions or their affiliates or associates, listed on a recognised exchange and included in a large cap market index	
Unencumbered corporate bonds and covered bonds (when allowed in the particular jurisdiction) that meet all of the following conditions: <ul style="list-style-type: none"> • Central bank eligibility for intraday liquidity needs and overnight liquidity shortages in relevant jurisdictions • Not issued by financial institutions or their affiliates or associates (except in the case of covered bonds when allowed in the particular jurisdiction) • Not issued by the respective bank or institution itself, or its affiliates or associates • Low credit risk, that is, assets with a credit assessment from an eligible institution of A+ to A-, or if not rated by an eligible institution, are internally rated with a PD corresponding to an eligible external credit assessment of A+ to A- • Traded in large, deep and active markets characterised by a low level of concentration 	50%
Unencumbered loans to non-financial corporate clients, sovereigns, central banks and public-sector entities with a remaining maturity of less than one year	
Unencumbered residential mortgages of any maturity that qualify for a risk weight of thirty five per cent or lower in terms of the provisions of the standardised approach specified in regulation 23(8) of these Regulations	
Other unencumbered loans, excluding loans to financial institutions, with a remaining maturity of one year or longer, that qualify for a risk weight of thirty five per cent or lower in terms of the provisions of the standardised approach specified in regulation 23(8) of these Regulations	65%

Details of asset categories and the associated RSF factors	
RSF category	RSF factor
Unencumbered loans to retail customers, that is, natural persons, and small business customers as defined in subregulation (12) for the calculation of LCR, with a remaining maturity of less than one year, other than those assets that qualify for the aforesaid RSF factor of sixty five per cent	85%
All other assets not included elsewhere	100%

plus

- (B) the sum of the specified off-balance-sheet or potential liquidity exposures, multiplied by the required stable funding (RSF) factor specified in table 5 and assigned to each relevant off-balance-sheet exposure category:

Table 5

Details of off-balance-sheet categories and associated RSF factors	
RSF category	RSF factor
Conditionally revocable and irrevocable credit and liquidity facilities to any client	5% of the currently undrawn portion
Other contingent funding obligations, including- <ul style="list-style-type: none"> • unconditionally revocable uncommitted credit and liquidity facilities • guarantees • letters of credit • other trade finance instruments • non-contractual obligations such as: <ul style="list-style-type: none"> ○ potential requests for debt repurchases of the bank's own debt or that of related conduits, securities investment vehicles and other such financing facilities ○ structured products where customers anticipate ready marketability, such as adjustable rate notes and variable rate demand notes ○ managed funds that are marketed with the objective of maintaining a stable value such as money market mutual funds or other types of stable value collective investment funds 	Specified in writing by the Registrar

- (ii) which required amount of stable funding is based on the principle that-
- (A) assets that are more liquid and more readily available to serve as a source of extended liquidity in a stressed environment are assigned lower RSF factors, and require less stable funding, than assets considered less liquid in such circumstances, and require more stable funding;
 - (B) RSF factors assigned to various types of assets serve as parameters approximating the amount of a particular asset that could not be monetised through sale or use as collateral in a secured borrowing on an extended basis during a liquidity event lasting one year, which amounts are expected to be supported by stable funding;
 - (C) since some off-balance-sheet exposures may cause significant liquidity drains during times of market or idiosyncratic stress, a bank shall establish and maintain a buffer of stable funding to protect the bank during a period of such market or idiosyncratic stress,

Provided that-

- (i) in the case of secured funding arrangements against assets of the bank, which funding arrangements mature within the one-year horizon, the bank shall look through the secured funding transaction to determine the asset to be used to settle the transaction at the maturity date, and use the corresponding RSF factor for that asset, that is, when the bank, for example, will receive cash, then the RSF of that transaction would be zero per cent, and when the bank will receive another asset, the bank shall use the RSF factor for that relevant asset;
- (ii) the bank shall apply a RSF factor of one hundred per cent in respect of any encumbered asset on its balance sheet, unless the remaining time in the encumbrance period is less than one year, in which case the bank shall regard the assets as unencumbered;
- (iii) in the case of amortising loans, the bank may allocate the portion that becomes due within the one-year horizon to the "less than a year" residual maturity category.

(d) *Formula for the calculation of the NSFR*

Based on the relevant requirements specified in this subregulation (14), a bank shall calculate its NSFR in accordance with the formula specified below:

$$\frac{\text{Available amount of stable funding}}{\text{Required amount of stable funding}} \times 100$$

(15) *Matters relating to a bank's foreign exchange contractual maturity ladder*

In order for the Registrar to assess the reporting bank's foreign currency liquidity needs and the mismatch between foreign currency assets and foreign currency liabilities, the bank shall report to the Registrar separate information relating to its foreign currency contractual maturity ladder, provided that-

- (a) when the bank's gross foreign exchange liability exposure exceeds 2.5 per cent of the bank's funding liabilities, which funding liabilities shall be calculated in accordance with the provisions of paragraph (b) below, the bank shall report to the Registrar the ZAR equivalent amount in respect of individual currencies at the month-end closing rate;
- (b) in order to determine the said amount in respect of the bank's funding related liabilities, the bank shall base its calculation on the relevant amount reported in item 55 of the form BA 100, that is, deposits, current accounts and other creditors;
- (c) in all cases, all relevant reported foreign currency amounts shall include the relevant amounts relating to the bank's forward exchange contracts, that is, FECs.

(16) Conditions subject to which negotiable certificates of deposit, promissory notes or instruments of similar characteristics may be issued

The issue of negotiable certificates of deposit, promissory notes or instruments of similar characteristics specified in a directive issued by the Registrar from time to time in terms of section 6(6) of the Act, and contemplated in section 79(1)(c) of the Act, shall be subject to the conditions specified below:

- (a) The instruments shall not be issued for a period exceeding ten years, which period is the original maturity of the instrument, unless-
 - (i) the instruments are issued in accordance with conditions specified by the Registrar; or

- (ii) on prior application, the Registrar has in writing authorised a deviation from the prescribed period.
- (b) The total amount relating to such instruments issued by a bank for a period not exceeding 12 months, which period is the original maturity of the instrument, and not yet repaid at the reporting date, shall not exceed twenty per cent of the total amount of funding related liabilities to the public, determined in accordance with the requirements specified in subregulation (15)(b), as at the reporting date immediately preceding the current reporting date.
- (c) Notwithstanding the provisions of paragraph (b) above, the total amount relating to such instruments issued by a bank and not yet repaid at the reporting date may not exceed thirty per cent of the total amount of funding related liabilities to the public, determined in accordance with the requirements specified in subregulation (15)(b), as at the reporting date immediately preceding the current reporting date.

(17) Instructions relating to the completion of the monthly return concerning liquidity risk are furnished with reference to the item descriptions and line item numbers appearing on the form BA 300, as follows:

*Line item
number*

- 6 This item shall include the aggregate amount of deposits received that are unlikely to be withdrawn within a short period of time, excluding any amount relating to an item included in item 9.
- 7 This item shall include the aggregate amount of deposits received that may be withdrawn within a short period of time.
- 13 This item shall include the aggregate amount of liquidity facilities provided by the reporting bank to any off-balance sheet vehicle. For example, when the reporting bank acts as a liquidity provider in respect of a special-purpose institution in an asset-backed securitisation structure, the bank shall include in item 13 the aggregate amount relating to a liquidity facility provided by the reporting bank to the said special-purpose institution.
- 15 to 17 These items shall include the relevant required aggregate amounts in respect of irrevocable commitments granted by the reporting bank to provide funds, provided that no amount in respect of a commitment to provide funds, which commitment may unconditionally be cancelled by the reporting bank at any time, shall be included in any of the aforementioned items.

18 to 28 Based on the relevant directives specified above in respect of items 1 to 9, these items shall reflect the relevant required aggregate amounts relating to the maturity or run-off of assets and liabilities of the reporting bank under normal operating conditions, instead of being based on the contractual maturity profile of the relevant asset and liability items.

35 to 43 Based on the relevant directives specified above in respect of items 1 to 9, these items shall reflect the relevant required aggregate amounts relating to a bank-specific stress, as determined by way of factual experience or simulation or both, performed by the reporting bank in respect of all relevant asset and liability items under a bank-specific stress scenario.

The simulated stress mismatch shall include stress modification approved by the bank's board of directors or board-approved committee, or assumptions made by the reporting bank in respect of the business as usual mismatch, which simulated stress mismatch aims to provide an indication of the potential deterioration in the reporting bank's business as usual liquidity position under a bank specific stress scenario.

46 This item shall include any amount relating to a stress outflow that may arise from off-balance sheet exposures, such as liquidity calls in respect of off-balance sheet commitments relating to a special-purpose institution.

53 to 67 These items shall reflect the relevant required aggregate amounts in respect of funding sources available to the reporting bank under a bank-specific stress scenario, before taking into consideration any dispensation that may be granted by the Reserve Bank.

54 This item shall reflect, amongst others, the aggregate amount relating to long-term investments that may be realised by the reporting bank within the specified time intervals.

55 This item shall reflect the aggregate amount in respect of liquid marketable securities held for trading purposes, which securities shall be unencumbered, that is, this item shall not include any amount relating to a security held that is subject to further commitment or in terms of which agreement the security will be repurchased at a future date.

56 This item shall reflect the aggregate amount relating to assets available for sale in respect of securitisation vehicles, of which the capability to execute within the period specified on the form BA 300 is already in place, that is, this item shall reflect the aggregate amount relating to assets within already approved securitisation structures in respect of which issues or further issues can readily be made available to the market.

- 57 This item shall reflect the aggregate amount in respect of foreign exchange positions that may be executed by the reporting bank in order to obtain rand funding.
- 59 This item shall reflect the aggregate amount in respect of any liquid asset portfolio specifically maintained by the reporting bank for contingency liquidity risk management purposes, provided that this item-
- (a) shall not include any instrument held in order to comply with the requirements specified in section 72 of the Act, which requirements relate to liquid assets required to be held by a bank;
 - (b) shall include the aggregate amount of securities or instruments used by the bank for accommodation purposes, and any unencumbered liquid asset designated by the bank for liquidity risk contingency funding.
- 60 This item shall be equal to 25 per cent of the reporting bank's liquid assets held in terms of the provisions of section 72 of the Act.
- 61 This item shall reflect the aggregate amount in respect of the reporting bank's current utilisation in terms of the Reserve Bank's repo allotment.
- 62 This item shall reflect the estimated aggregate amount in respect of funds available to the reporting bank from the interbank market in terms of undrawn lines or interbank funding agreements.
- 63 This item shall reflect the aggregate amount in respect of uncommitted secured funding lines available to the reporting bank, such as bilateral funding lines derived from banking relationships.
- 64 This item shall reflect the aggregate amount in respect of committed funding lines available to the reporting bank, such as lines raised by the payment of commitment fees.
- 65 This item shall reflect the aggregate amount in respect of loans that will mature and which amount may be used by the reporting bank for funding purposes in the case of a liquidity stress event.
- 69 to 71 These items shall reflect the relevant required aggregate amounts relating to the ten largest depositors in respect of funding received from the relevant specified sectors, provided that the said aggregate amounts shall not include any amount in respect of negotiable certificates of deposits or other negotiable paper funding instruments issued by the reporting bank, which amounts shall be reported in item 72.

- 72 This item shall reflect the aggregate amount in respect of negotiable paper funding instruments issued by the reporting bank, including all relevant amounts relating to negotiable certificates of deposit, promissory notes or instruments of similar characteristic.
- 80 and 86 In the case of all ZAR cross currency swap contracts the reporting bank shall report the relevant ZAR legs relating to the said contracts in items 80 and 86.
- 88 to 97 Based on the bi-annual time buckets specified in the form BA 300, a bank shall estimate the expected change in its balance sheet during the 12 month period immediately following the reporting period, that is, for example, the reporting bank's expected incremental balance sheet growth during the two six month periods immediately following the current reporting date, which change shall exclude any rolling on maturity of existing products, that is, the bank shall only report the relevant change in its balance sheet.
- 89 to 91 In respect of the specified periods, based on the relevant directives specified in subregulation (7)(a), these items shall reflect the relevant required aggregate amounts in respect of the reporting bank's estimated change in business.
- 93 to 96 In respect of the specified periods, based on the relevant directives specified in subregulation (7)(b), these items shall reflect the relevant required aggregate amounts in respect of the reporting bank's estimated change in business.

MINIMUM RESERVE BALANCE AND LIQUID ASSETS**Page no.**

- | | | | | |
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MINIMUM RESERVE BALANCE AND LIQUID ASSETS

(Confidential and not available for inspection by the public)

Name of bank

Month ended(yyyy-mm-dd)

BA 310

Monthly

(All amounts to be rounded off to the nearest R'000)

Description of item	Line no.	Total 1	Average ¹ 2	Directives and instructions	
				3	4
Total liabilities (item 79, column 3, of form BA 100)	1				
Less: funding received from head office or from other branches within the same group ²	2			Refer to note 2 below	
Less: amounts owing by banks, branches and mutual banks in the Republic ³	3			Refer to note 3 below	
Liabilities, as reduced ⁶ (item 1 less items 2 and 3)	4				
Less: funding received in terms of specified repurchase agreements ⁴	5			Refer to note 4 below	
Less: liabilities relating to transactions in derivative instruments ⁵ (item 67, column 3, of form BA 100)	6			Refer to note 5 below	
Less: amounts owing by banks rated investment grade or better, which banks are located in other countries rated investment grade or better	7				
Add: funding received from head office or other branches within the same group ² (item 2 above)	8				
Liabilities, as adjusted ⁶ (item 4 less items 5 to 7 plus item 8)	9				
Average daily minimum reserve balance to be held (item 9 column 2 multiplied by the prescribed percentage)	10			Prescribed percentage ⁷	
Less: Average daily amount of Reserve Bank notes and subsidiary coin held during the reporting month	11				
Average daily minimum reserve balance to be held with the Reserve Bank (item 10 less item 11)	12				
Average daily reserve balance held up to fourteenth business day of the month following on the month to which this return relates	13				
Level one high-quality liquid assets required to be held (item 4 column 2 multiplied by the prescribed percentage specified in this item 14)	14			Prescribed percentage 5%	
Average daily amount of level one high-quality liquid assets held up to fourteenth business day of the month following the month to which this return relates (total of items 16 to 23) – refer to section 1 of the Act	15				
Reserve Bank notes and coin held during the preceding month (excluding such notes or coin taken into account opposite item 11 in the calculation of the minimum reserve balance)	16			of which: acquired under resale agreements ⁸	
Gold coin and bullion	17				
Central Bank reserves specified by the Governor (excluding any amount included in items 13)	18			Total	Average ¹
Treasury bills of the Republic	19				
Securities issued by virtue of section 66 of the Public Finance Management Act, 1999, to fund the Central Government	20				
Securities of the Reserve Bank	21				
Securities guaranteed by specified counterparties ⁹	22				
Other (please specify)	23				

- Means the average amount calculated as the sum of the month-end balance relating to the reporting month and the month-end balances relating to the two months preceding the reporting month, divided by three, provided that in the case of items 10 to 13, 15 to 23, and 27 and 28 the average amount shall be the average daily amount calculated in accordance with the requirements specified in regulation 8 instead of the average amount calculated in accordance with the provisions of this footnote 1.
- Relates only to branches of foreign institutions conducting the business of a bank in the Republic.
- In order to eliminate any potential double counting of liabilities, provided that no amount relating to an amount owed to the reporting bank by the Reserve Bank shall be included in this item 3.
- Not to include any amount in respect of a repurchase transaction concluded in respect of an instrument obtained in terms of a resale agreement already deducted in item 3.
- Not to include any amount already deducted elsewhere on form BA 310.
- Subject to a minimum amount of zero, that is, the relevant amount shall be a positive amount or zero.
- Relates to the percentage determined in terms of section 10A(2) of the South African Reserve Bank Act, No. 90 of 1989.
- Report under columns 3 and 4 the relevant required amounts included in column 2 that relate to instruments acquired in terms of a resale agreement.
- Refer to section 1(1) of the Act read with regulation 26(12)(b).

Memorandum items:	Line no.	Total	Average ¹
		1	2
Adjustment in respect of cash-management schemes – regulation 16	24		
Adjustment in respect of set-off in terms of financial reporting standards	25		
Amounts qualifying for set-off in terms of regulation 13	26		
Average daily amount of all level one high-quality liquid assets acquired under resale agreements	27		
Average daily amount of all level one high-quality liquid assets sold under repurchase agreements	28		
Total average vault cash	29		
Less: Vault cash utilised in item 11 (may not exceed item 10)	30		
Excess vault cash utilised in item 16 (item 29 less item 30)	31		
Hash total	32		

1. Means the average amount calculated as the sum of the month-end balance relating to the reporting month and the month-end balances relating to the two months preceding the reporting month, divided by three, provided that in the case of items 10 to 13, 15 to 23, and 27 and 28 the average amount shall be the average daily amount calculated in accordance with the requirements specified in regulation 8 instead of the average amount calculated in accordance with the provisions of this footnote 1.

27. Minimum reserve balance and liquid assets - Directives and interpretations for completion of monthly return concerning minimum reserve balance and liquid assets (Form BA 310)

(1) The content of the relevant return is confidential and not available for inspection by the public.

(2) A bank shall comply with the provisions of any Notice issued by the Governor of the Reserve Bank under section 10A of the South African Reserve Bank Act, 1989 (Act No. 90 of 1989), regarding the determination of the minimum reserve balance to be held with the Reserve Bank, and the provisions of regulations 8(1) and 8(2) regarding the calculation of the average daily amount of Reserve Bank notes and subsidiary coin and level one high-quality liquid assets held during the reporting month.

(3) Minimum level one high-quality liquid assets

(a) For the purposes of complying with the provisions of section 72(1) of the Act, a bank shall during the period prescribed in subregulation (5) hold an average daily amount of level one high-quality liquid assets that shall not be less than an amount equal to 5 per cent of its liabilities as reduced as reported in item 4 column 2 of the latest monthly form BA 310 furnished to the Registrar in terms of the provisions of section 75(1)(a) of the Act, provided that-

(i) the minimum amount of level one high-quality liquid assets held by a bank at the close of business on any day during the period prescribed in subregulation (5) shall not be less than an amount equal to 75 per cent of the average daily amount of level one high-quality liquid assets required to be held by the bank in terms of the provisions of this subregulation (3);

(ii) the minimum amount of level one high-quality liquid assets held by the bank at any time during the day shall not be less than an amount equal to 50 per cent of the average daily amount of level one high-quality liquid assets required to be held by the bank in terms of the provisions of this subregulation (3);

(iii) at least 95 per cent of level one high-quality liquid assets required to be held by the bank in terms of the provisions of this subregulation (3) at the close of business on any day during the period prescribed in subregulation (5) shall be level one high-quality liquid assets owned outright by the said bank, that is, at least 95 per cent of level one high-quality liquid assets required to be held by the bank shall be level one high-quality liquid assets not subject to further commitment; and

(b) no instruments acquired in terms of a securities lending transaction shall qualify as level one high-quality liquid assets.

(4) The Registrar, in consultation with the Governor of the Reserve Bank, may amend the provisions of subregulation (3)(a) in respect of a particular bank or the banking sector as a whole should such provisions adversely affect the risk profile of the particular bank or the banking sector as a whole.

(5) *Period of maintenance of prescribed minimum reserve balance and liquid assets*

A bank shall maintain the minimum required amounts of prescribed minimum reserve balance and level one high-quality liquid assets during the period from the fifteenth business day of the month following the month or calendar quarter to which a particular return relates up to and including the fourteenth business day of the month following the month or calendar quarter in respect of which the next monthly or quarterly return, as the case may be, is to be furnished by the reporting bank.

(6) *Available unencumbered assets, including matters related to assets pledged or otherwise encumbered*

- (a) Unless an exemption has been granted by the Registrar in terms of the proviso to section 72(3) of the Act, only assets not pledged or otherwise encumbered at the close of business on any day during the period prescribed in subregulation (5) shall qualify as level one high-quality liquid assets.
- (b) Securities lodged with the Reserve Bank to secure facilities shall not be regarded as pledged except to the extent that such securities are required to secure facilities actually utilised at the close of business on any day.
- (c) In order to determine the extent of a bank's available unencumbered assets that may be used as collateral to raise additional secured funding in secondary markets and/or may be eligible as collateral at the Reserve Bank or other relevant central banks, and as such may potentially be an additional source of liquidity when required, a bank shall report to the Registrar the amount, type and location of such available unencumbered assets-
 - (i) that may serve as collateral for secured borrowing in secondary markets at prearranged or current haircuts at reasonable costs;
 - (ii) that are eligible to obtain secured funding from the Reserve Bank or other relevant central banks at prearranged (when available) or current haircuts at reasonable costs for standing facilities, that is, excluding any emergency assistance arrangement,
 - (A) which information shall include collateral that has already been accepted at the Reserve Bank or other relevant central bank but remains unused;
 - (B) in respect of which assets the bank has in place operational procedures to monetise the relevant collateral when required;

Provided that-

- (i) the bank shall separately report any collateral received that the bank is permitted to deliver or re-pledge, as well as the part of such collateral that is so delivered or re-pledged by the bank at each relevant reporting date;
 - (ii) as part of or in addition to the aforesaid information,
 - (A) the bank shall categorise the relevant assets according to significant currency, for which purposes a currency shall be regarded as significant when the aggregate stock of available unencumbered collateral denominated in that currency amounts to five per cent or more of the relevant total amount of unencumbered collateral available for secondary markets and/or relevant central banks;
 - (B) the bank shall report to the Registrar the haircut or estimated haircut that the secondary market and/or relevant central bank would require for each relevant asset, provided that in the case of a relevant central bank haircut, the bank shall report the haircut required by the relevant central bank for matching funding under normal circumstances, that is, for example, the Reserve Bank for rand-denominated funding under normal circumstances, the European Central Bank for euro-denominated funding under normal circumstances, and the Bank of Japan for yen funding under normal circumstances;
 - (C) the bank shall, instead of the relevant notional amounts, report to the Registrar the expected monetised value of the relevant collateral;
 - (D) the bank shall report to the Registrar the location where the respective assets are actually held, and the business units or lines that have access to those assets.
- (7) Assets acquired in terms of a resale agreement

An asset acquired by a bank in terms of a resale agreement and which asset is a level one high-quality liquid asset as defined in section 1 of the Act shall for the purposes of section 72(1) of the Act rank as a level one high-quality liquid asset of the said bank having acquired the said asset in terms of the resale agreement, instead of the bank that sold the asset in terms of the repurchase agreement, provided that the asset has not been disposed of under a further repurchase agreement and has not been encumbered or lodged as security by the said bank.

(8) Valuation of securities that qualify as level one high-quality liquid assets

A bank shall value level one high-quality liquid assets held at the close of business on any day during the period prescribed in subregulation (5) for the purposes of complying with the provisions of section 72(1) of the Act based on the daily market yields published by the Reserve Bank on Reuters page SARB 20 and/or such other page as may be specified by the Reserve Bank from time to time for accommodation collateral purposes.

(9) Instructions relating to the completion of the form BA 310 are furnished with reference to certain item descriptions and line item numbers appearing on the form BA 310, as follows:

*Line item
number*

3 Amounts owing by banks, branches and mutual banks in the Republic

This item shall reflect the relevant required aggregate amount relating to amounts **owed by** banks, branches and mutual banks in the Republic to the reporting bank, including any relevant amount related to a loan granted in terms of a resale agreement, provided that no amount relating to any amount owed to the reporting bank by the Reserve Bank shall be included in the aforesaid aggregate amount.

The purpose of the deduction is to avoid double reserving against liquidity risk in the South African banking system.

5 Repurchase agreements

This item shall reflect the relevant required aggregate amount relating to funding received in respect of repurchase agreements with a term of 31 days or shorter, with instruments such as Government securities, Treasury bills and Reserve Bank securities, qualifying as level one high-quality liquid assets, as underlying security.

10 Minimum reserve balance required to be held, prior to any adjustment

This item shall reflect the relevant required average daily minimum reserve balance to be held as from the fifteenth business day of the month following on the month to which the return relates, that is, item 9 column 2 multiplied by the required percentage.

12 Minimum reserve balance required to be held with the Reserve Bank

This item shall reflect the relevant required average daily minimum reserve balance to be held with the Reserve Bank as from the fifteenth business day of the month following on the month to which the return relates, that is, item 10 less item 11.

14 Level one high-quality liquid assets required to be held

This item shall reflect the relevant amount of level one high-quality liquid assets required to be held as from the fifteenth business day of the month following on the month to which the return relates, that is, item 4 column 2 multiplied by the prescribed percentage specified in item 14.

15 to 23 Average daily amount of level one high-quality liquid assets held

The reporting bank shall record in items 16 to 23 the average daily amount of its holdings during the prescribed period of the individual categories of level one high-quality liquid assets, valued in accordance with the requirements specified in section 72(4) of the Act.

The individual level one high-quality liquid asset items identified shall include the average daily amounts during the prescribed period of level one high-quality liquid assets acquired under resale agreements, but shall not include the average daily amounts of such assets sold under repurchase agreements.

24 to 31 Memorandum items

25 This item shall reflect the relevant required aggregate amounts relating to set-off or offsetting of balances or amounts in accordance with the relevant requirements for set-off or offsetting contained in Financial Reporting Standards issued from time to time.

26 This item shall reflect the relevant required aggregate amounts relating to set-off of balances or amounts in accordance with the relevant requirements specified in regulation 13.

27 and 28 The average daily amounts of all level one high-quality liquid assets acquired under resale agreements during the prescribed period and included in items 19 to 23, or sold under repurchase agreements, shall respectively be recorded in items 27 and 28.

MARKET RISK**Page no.**

1. Form BA 320 - Market risk (position risk)549
2. Regulation 28 - Directives and interpretations for completion of monthly
return concerning market risk (Form BA 320)556

MARKET RISK

(Confidential and not available for inspection by the public)

BA 320

Monthly

Name of bank.....

Month ended.....(yyyy-mm-dd)

(All amounts to be rounded off to the nearest R'000)

Summary information	Line no.	Trading	Banking	Total
		1	2	3
Standardised approach (total of items 2, 8, 14 and 19)	1			
Interest rate risk (total of items 3 to 7)	2			
Specific risk (item 35)	3			
General risk (item 53)	4			
Interest rate options - simplified method (item 95, col. 1)	5			
Interest rate options - delta-plus method: gamma and vega risk (item 96, col. 1)	6			
Interest rate options - scenario matrix approach (item 99, col 1)	7			
Equity position risk (total of items 9 to 13)	8			
Equity specific risk (item 69)	9			
Equity general risk (item 70)	10			
Equity options - simplified method (item 95, col. 2)	11			
Equity options - delta-plus method: gamma and vega risk (item 96, col. 2)	12			
Equity options - scenario matrix approach (item 99, col.2)	13			
Foreign exchange risk (total of items 15 to 18)	14			
Foreign exchange and gold (item 82)	15			
Foreign exchange and gold options - simplified method (item 95, col. 3)	16			
Foreign exchange and gold options - delta-plus method: gamma and vega risk (item 96, col. 3)	17			
Foreign exchange and gold options - scenario matrix approach (item 99, col. 3)	18			
Commodities risk (total of items 20 to 24)	19			
Simplified method (item 83, col 7)	20			
Maturity ladder method (item 86, col.7)	21			
Commodity options - simplified method (item 95, col. 4)	22			
Commodity options - delta-plus method: gamma and vega risk (item 96, col.4)	23			
Commodity options - scenario matrix approach (item 99, col. 4)	24			
		VaR	sVaR	Total
		1	2	3
Internal models approach				
Current day ¹	25			
Previous day ¹	26			
60 day average, multiplied by the specified multiplication factor ¹	27			
Specific risk add-on ¹	28			
Incremental risk charge ¹	29			
Capital requirement (item 28 plus item 29 plus (the higher of item 26 or 27, col. 1) plus (the higher of item 26 or 27, col. 2))	30			
Total market risk requirement (total of items 32 to 34)	31			
Minimum prescribed (pillar 1) market risk requirement² (item 1 plus item 30)	32			
Systemic risk add-on (pillar 2a) market risk requirement³	33			
Additionally specified bank-specific (pillar 2b) market risk requirement⁴	34			

1. Calculated in accordance with the relevant requirements specified in regulation 28(8).
2. Also refer to item 9 column 3 of the form BA 700.
3. Also refer to item 9 column 3 of the form BA 700.
4. Also refer to item 12 column 3 of the form BA 700.

(All amounts to be rounded off to the nearest R'000)

Interest rate risk	Line no.	Position	Risk weight	Required capital
		1	2	3
Specific risk (total of items 36 to 38, 42 to 45, and 49 to 52)	35			
SA central government or SA Reserve Bank	36		0.00%	
Other sovereign exposure rated AAA to AA-	37		0.00%	
Other sovereign exposure rated A+ to BBB- (total of items 39 to 41)	38			
Up to 6 months	39		0.25%	
More than 6 months but less than or equal to 24 months	40		1.00%	
More than 24 months	41		1.60%	
Other sovereign exposure rated BB+ to B-	42		8.00%	
Other sovereign exposure rated below B-	43		12.00%	
Unrated government exposure	44		8.00%	
Qualifying items (total of items 46 to 48)	45			
Up to 6 months	46		0.25%	
More than 6 months but less than or equal to 24 months	47		1.00%	
More than 24 months	48		1.60%	
Specified non-qualifying issuers ¹	49		Varied	
Other exposures rated BB+ to BB-	50		8.00%	
Other exposure rated below BB-	51		12.00%	
Unrated non-government exposure	52		8.00%	
		Position	Required capital	
		1	2	
General risk (total of items 54 to 60)	53			
Base currency (ZAR)	54			
USD	55			
Euro	56			
GBP	57			
CHF	58			
JPY	59			
Other	60			

1. Includes instruments issued in respect of a securitization scheme, which securitization exposure constitutes a first-loss credit-enhancement facility, unrated liquidity facility or letter of credit.

(All amounts to be rounded off to the nearest R'000)

Equity and equity indices risk	Line no.	Positions in RSA	Positions held in foreign operations	Total positions (total of col. 1 and 2)	Risk weight	Required capital
		1	2	3	4	5
Equity						
Specific risk (gross equity positions, long and short) (total of items 62 and 63)	61					
Less liquid ¹	62				12.00%	
Other	63				8.00%	
General risk (net equity positions, or difference between long and short)	64				8.00%	
Equity indices						
General risk (net equity positions, or difference between long and short)	65				8.00%	
Equity index add-on² (net long or short position) (total of items 67 and 68)	66					
Diversified indices	67				2.00%	
Other indices	68				4.00%	
Total specific equity risk and equity index add-on (total of items 61 and 66)	69					
Total general risk (total of items 64 and 65)	70					
Total equity risk (total of items 69 and 70)	71					

1. Refer to regulation 28(7)(c)(ii).

2. Refer to regulation 28(7)(c)(v)(B).

(All amounts to be rounded off to the nearest R'000)

Line no.	Trading book		Banking book		Total ¹
	Long	Short	Long	Short	
	1	2	3	4	
Foreign exchange and gold risk					
Total foreign currency and gold position					
All foreign currencies (total of items 75 to 80)					
Gold					
Memorandum items: foreign currency positions					
USD					
Euro					
GBP					
CHF					
JPY					
Other					
Required capital and reserve funds					
Total net open position ²					
81					Total
82					1

1. Report as absolute amounts.

2. Calculated in accordance with the relevant requirements specified in regulation 28(7)(d)(iii), that is, the greater of the sum of the bank's relevant net short positions or the sum of the bank's relevant net long positions in foreign currency, plus the bank's net absolute position in gold, that is, the bank's net position in gold irrespective whether the said net position is a long or short position.

(All amounts to be rounded off to the nearest R'000)

Commodities risk	Line no.	Trading book		Banking book		Positions subject to capital requirement	Capital requirement	
		Long	Short	Long	Short		(%)	Total
		1	2	3	4	5	6	7
Simplified approach¹ (total of items 84 and 85)	83							
Net positions	84						15%	
Gross positions	85						3%	
Maturity ladder approach² (total of items 87 to 89)	86							
Matched long and short positions	87						1.50%	
Residual net positions carried between time bands	88						0.6% ²	
Residual net open position	89						15%	
Memorandum items: commodity positions								
Precious metals	90							
Agricultural products	91							
Minerals	92							
Base metals	93							
Other	94							

1. Refer to regulation 28(7)(e)(ii).

2. Refer to regulation 28(7)(e)(iii).

(All amounts to be rounded off to the nearest R'000)

Options risk Simplified approach	Line no.	Interest rates	Equities	Foreign exchange and gold	Commodities
		1	2	3	4
Capital requirement	95				
Delta-plus approach		Interest rates	Equities	Foreign exchange and gold	Commodities
		1	2	3	4
Capital requirement (total of items 97 and 98)	96				
Gamma impact	97				
Vega impact	98				
Scenario matrix approach		Interest rates ¹	Equities ²	Foreign exchange and gold ³	Commodities ⁴
		1	2	3	4
Capital requirement	99				

1. Refer to regulation 28(7)(b) in respect of the treatment of different currencies and time bands.

2. Refer to regulation 28(7)(c) in respect of the treatment of positions in different markets and indices.

3. Refer to regulation 28(7)(d) in respect of the treatment of different currency pairs.

4. Refer to regulation 28(7)(e) in respect of the treatment of positions in different commodities.

(All amounts to be rounded off to the nearest R'000)

Internal models approach	Line no.	Regulatory VaR amounts ^{1,2}				Incremental risk charge ^{1,6}	Internal VaR ³					
		Min VaR	Ave VaR	Max VaR	sVaR		Max VaR	VaR limit	sVaR limit			
		1	2	3	4		6	7	8			
Position risk - VaR amounts ^{4,5} and incremental risk amount	100											
Interest rate risk	101											
Equity risk	102											
Foreign exchange risk, including gold	103											
Commodity risk	104											
Other	105											
Memorandum items:												
Total VaR amounts ^{4,5}	106											
Desk 1 ⁵	107											
Desk 2 ⁵	108											
Desk 3 ⁵	109											
Other desks ⁵	110											

1. Calculated in accordance with the relevant requirements specified in these Regulations.
2. Based on, amongst other things, a 99 per cent, one-tailed confidence interval, and a minimum holding period of ten trading days.
3. May be based on a confidence interval and/or minimum holding period that differs from the requirements specified in these Regulations.
4. May not be equal to the sum of individual requirements calculated in respect of the respective risk categories or trading desks due to, amongst others, diversification benefits.
5. Please separately submit in writing the relevant desk description and other relevant information.
6. Refer to regulation 28(8)(h)(i)(E).

28. Market risk (position risk) - Directives and interpretations for completion of monthly return concerning market risk (Form BA 320)

- (1) The content of the relevant return is confidential and not available for inspection by the public.
- (2) The purpose of the form BA 320, amongst other things, is to measure and report the reporting bank's exposure to market risk or position risk arising from the bank's trading activities and specified banking activities.
- (3) In respect of-
 - (a) the current market value of any interest rate related instrument held in the reporting bank's trading book;
 - (b) the current market value of any equity instrument held in the reporting bank's trading book;
 - (c) any foreign exchange instrument held in the reporting bank's banking book or trading book, that is, any foreign-currency position held by the bank;
 - (d) any commodity position held in the reporting bank's banking book or trading book, that is, any commodity position held by the bank,

the reporting bank shall calculate a capital requirement in accordance with the relevant requirements specified in this regulation 28, provided that-

- (i) subject to such conditions as may be specified in writing by the Registrar, the Registrar may allow a bank to exclude from the said capital requirements such structural foreign exchange positions as may be specified in writing by the Registrar;
- (ii) when the bank internally hedges a credit exposure held in the bank's banking book using a credit-derivative instrument held in the bank's trading book, the banking book exposure shall be deemed not to be hedged for purposes of calculating the bank's required amount of capital and reserve funds unless the bank purchased from an eligible third party protection provider a credit-derivative instrument that complies with the relevant requirements specified in regulations 23(9)(d)(xi)(B) and 23(9)(e), provided that when the bank purchased and recognises the third party protection as a hedge of the said banking book exposure as envisaged in this subparagraph (ii), neither the internal nor external credit derivative hedge shall be included in the bank's trading book for the purposes of these Regulations;

- (iii) the bank shall in accordance with the relevant requirements specified in regulation 38(5) deduct from its capital and reserve funds any instrument held that qualifies as capital of the reporting bank, any other bank, any securities firm or other regulated institution, or that constitutes an intangible asset, provided that, subject to such conditions as may be specified in writing by the Registrar, the Registrar may in respect of instruments that qualify as capital of any other bank, securities firm or regulated institution grant approval for a bank that actively acts as a market maker in the said instruments to include the said instruments in its trading book and calculate a capital requirement in accordance with the relevant requirements specified in these Regulations instead of deducting the said amounts from the bank's capital and reserve funds;
- (iv) the bank may include in its trading book any term trading related repo-style transaction that complies with the relevant requirements specified in these Regulations in respect of trading positions, provided that-
 - (A) both legs of the said transaction shall be in the form of cash or securities otherwise eligible for inclusion in the bank's trading book;
 - (B) regardless whether the said transaction is recorded in the bank's banking book or trading book, all repo-style transactions shall be subject to the relevant requirements relating to counterparty credit risk specified in regulations 23(15) to 23(19).
- (v) based on the relevant requirements specified in regulations 23(15) to 23(20) read with the relevant risk weights envisaged in regulations 23(6), 23(8), 23(11) or 23(13) the bank shall, in addition to any relevant required amount of capital and reserve funds relating to specific risk or general risk calculated in accordance with the relevant requirements specified in this regulation 28, calculate the relevant required amount of capital and reserve funds relating to counterparty credit risk arising from any relevant OTC derivative instrument, repo-style transaction or other transaction held in the bank's trading book, including any relevant credit-derivative instrument, provided that the risk weights applied by the bank in respect of the relevant exposure to counterparty credit risk shall be consistent with the risk weights applied by the bank in respect of the bank's banking book credit exposure, that is-
 - (A) a bank that adopted the standardised approach in order to measure the bank's exposure to credit risk in respect of any banking book exposure shall apply the relevant risk weights envisaged in the said standardised approach in order to calculate the said required amount of capital and reserve funds relating to counterparty credit risk arising from any relevant OTC derivative instrument, repo-style transaction or other transaction held in the bank's trading book;

(B) a bank that adopted the IRB approach in order to measure the bank's exposure to credit risk in respect of any banking book exposure shall apply the relevant risk weights envisaged in the said IRB approach in order to calculate the said required amount of capital and reserve funds relating to counterparty credit risk arising from any relevant OTC derivative instrument, repo-style transaction or other transaction held in the bank's trading book;

(vi) in order to ultimately calculate the bank's required capital adequacy ratio the bank shall, based on the formula specified below, convert the bank's required amount of capital and reserve funds calculated in accordance with the relevant requirements specified in this regulation 28 to the required risk-weighted exposure amount.

$$RWE = K \times 12,5$$

where:

RWE is the required risk-weighted exposure amount

K is the required amount of capital and reserve funds calculated in accordance with the relevant requirements specified in this regulation 28.

(4) For the measurement of a bank's exposure to market risk (position risk) as envisaged in subregulation (3), the bank shall, at the discretion of the bank, use one of the alternative methodologies specified below.

- (a) The standardised approach envisaged in subregulation (7) below, which standardised approach is based on a building-block method;
- (b) Subject to the bank's compliance with specified conditions and the prior written approval of the Registrar, the internal models approach envisaged in subregulation (8) below; or
- (c) Subject to the bank's compliance with the conditions specified in subregulation (5) below, the prior written approval of the Registrar and such further conditions as may be specified in writing by the Registrar, a combination of the said standardised approach and internal models approach.

Provided that when a bank is unable, unwilling or unprepared to comply with the qualifying criteria specified for a particular approach for the measurement of the bank's exposure to market risk, the Registrar may in writing direct the bank to apply a different specified approach, subject to such conditions as may be specified in writing by the Registrar.

(5) *Combination of the internal models approach and the standardised approach*

When a bank adopts the internal models approach for the measurement of one or more risk categories such as interest rates, foreign exchange rates that include gold, equity prices or commodity prices, which risk categories shall include all related option volatilities, the bank shall during the time period specified in writing by the Registrar develop and implement an integrated risk measurement system that captures and measures the bank's aggregate exposure to market risk arising from all the said categories of risk, provided that-

- (a) unless specified otherwise in writing by the Registrar, once a bank developed and implemented one or more internal models for the measurement of-
 - (i) the bank's aggregate exposure to market risk; or
 - (ii) a particular category of risk such as interest rates or equity exposure,the bank shall not revert to the standardised approach specified in subregulation (7) in order to measure the bank's aggregate exposure to market risk or exposure to the said particular category of risk;
- (b) in exceptional circumstances the Registrar may allow a bank to continue applying the standardised approach in respect of an insignificant risk category, such as commodities;
- (c) any relevant exposure to market risk not captured by the bank's internal models shall be subject to the standardised approach specified in subregulation (7);
- (d) during the period when the bank uses a combination of approaches as envisaged in this subregulation (5)-
 - (i) the bank shall not use a combination of the said two approaches within a particular risk category or across the bank's different risk centres in respect of the same type of risk, that is, each risk category shall be assessed using either the internal models approach or the standardised approach;
 - (ii) the bank shall not modify the combination of the two approaches without the prior written approval of the Registrar;
 - (iii) the bank shall ensure that no element of market risk escapes the bank's measurement of risk, that is, all the relevant exposures arising from all the specified risk categories, whether calculated according to the standardised approach or internal models approach, shall be captured;

- (e) as a minimum, subject to any relevant requirements relating to minimum required capital and reserve funds that may be specified in or in terms of the provisions of regulation 38 of these Regulations, the bank's aggregate required amount of capital and reserve funds relating to market risk shall be equal to the sum of the amounts calculated in accordance with the relevant requirements specified in respect of the standardised approach and/or the internal models approach.
- (6) A bank-
- (a) shall include in the monthly form BA 320 all relevant financial instruments and positions envisaged in subregulation (3);
 - (b) shall include in the daily form BA 325 all financial instruments held as an open position in the bank's trading book;
 - (c) shall include in the monthly form BA 330, amongst other things, all financial instruments held in the bank's banking book that expose the bank to interest-rate risk;
 - (d) shall include in the monthly form BA 340 all equity exposures held in the bank's banking book;
 - (e) shall include in the monthly form BA 350 all relevant derivative instruments held in the bank's banking book or trading book;
 - (f) shall in the calculation of the bank's exposure to market risk and the related required amount of capital and reserve funds, from the date on which the relevant transaction was entered into, include all relevant on-balance sheet and off-balance sheet transactions, including any forward sale or purchase transaction;
 - (g) shall manage its exposure to market risk arising from all relevant positions held in its trading book and/ or banking book in such a manner that the bank continuously complies, that is, at the close of each business day, with the relevant prescribed minimum required amount of capital and reserve funds relating to market risk;
 - (h) shall have in place robust risk management policies, procedures, processes and systems in order to ensure that the bank's intraday exposures to market risk are within the approved internal limits set by the bank;
 - (i) shall, in order to calculate the bank's adjusted exposure in respect of any collateral held in terms of a repurchase or resale agreement, which transaction is included in the bank's trading book, apply the comprehensive approach relating to collateral, prescribed in regulation 23(9)(b);

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- (j) shall have in place a written board approved policy, and procedures, which policy and procedures-
- (i) shall duly specify the criteria for determining which on-balance sheet items and which off-balance sheet items, or activities of the bank, are classified as part of the bank's trading book or activities, and which of the said items or activities are classified as part of the bank's banking book or activities;
 - (ii) shall duly specify the bank's appetite for trading, including the nature and extent of the bank's trading activities;
 - (iii) shall take into account the bank's risk management capabilities and practices;
 - (iv) shall be sufficiently robust to ensure-
 - (A) that any transfer of instruments, items or assets between the bank's trading book and banking book is duly documented and subject to audit verification;
 - (B) the bank's continued compliance with the requirements of these Regulations, including compliance with minimum required capital and reserve funds, and compliance with all the relevant requirements specified in the said board-approved policy, which compliance, amongst other things, shall be duly documented and be subject to periodic internal audit;
 - (v) shall specify that any transfer of instruments, items or assets between the bank's trading book and banking book shall be recorded at arms-length prices;
 - (vi) shall be reviewed by the bank on a regular basis but not less frequently than once a year;
 - (vii) shall duly specify-
 - (A) the extent to which an exposure can be marked-to-market on a daily basis by reference to an active liquid two-way market;
 - (B) the extent to which the bank is able to and required to obtain or derive valuations for exposures, which valuation can be externally validated in a consistent manner;
 - (C) the extent to which legal restrictions or other operational requirements may impede the bank's ability to effect an immediate liquidation of relevant exposure;
 - (D) the extent to which the bank is required to and able to actively manage all relevant exposures within its trading operations;

- (E) the extent to which the bank may transfer risk or exposures between the banking book and trading book, and criteria for the said transfers;
 - (viii) shall in the case of exposures that are marked-to-model, duly specify the extent to which the bank is able-
 - (A) to identify the material risks relating to the relevant exposures;
 - (B) to hedge the material risks arising from the said exposures and the extent to which any hedging instrument would have an active, liquid two-way market;
 - (C) to derive reliable estimates for the key assumptions and parameters used in the bank's model;
 - (k) shall, based on the relevant requirements relating to financial instruments in foreign exchange or commodity positions held in the bank's trading book, calculate and maintain capital and reserve funds in respect of such financial instruments or positions held in the bank's banking book;
 - (l) shall implement a robust risk management framework for the prudent valuation of positions held in the bank's trading book, which risk management framework, amongst other things, shall include the key elements specified in regulation 39(13);
 - (m) shall whenever relevant or required for reporting or calculation purposes, unless expressly stated otherwise in this regulation 28, convert all relevant gross or net foreign exchange or gold positions at the prevailing spot exchange rate.
- (7) *Method 1: standardised approach*
- (a) A bank that adopts the standardised approach for the measurement of the bank's exposure to market risk, which standardised approach is based on a building-block method-
 - (i) shall on a daily basis and in accordance with the relevant requirements specified in this subregulation (7) separately calculate its exposure to-
 - (A) specific risk and general market risk arising from all relevant debt and equity positions held in the bank's trading book;
 - (B) foreign exchange risk arising from all relevant foreign currency and gold positions held by the bank;
 - (C) commodity risk arising from all relevant commodity positions held by the bank;
 - (D) risks arising from all relevant positions in options.

- (ii) shall in order to measure the bank's exposure to price risk arising from option positions implement the more sophisticated methods specified in paragraph (f) below when the bank engages in the writing of options or when the bank conducts business in exotic options, provided that in the longer term a bank that is a significant trader in options, that is, a bank that holds unexpired positions in excess of 10 per cent of the aggregate amount of unexpired positions in the market, shall adopt and implement comprehensive value-at-risk models and shall be subject to the full range of quantitative and qualitative requirements specified in subregulation (8) below, and such further quantitative and qualitative requirements as may be specified in writing by the Registrar.
- (b) Matters relating to debt securities and other interest rate related instruments
- (i) Based on the relevant requirements specified in this paragraph (b), in respect of any relevant position in a debt security or interest rate instrument held by the reporting bank in its trading book, including-
 - (A) any fixed-rate debt security or floating-rate debt security, or similar instrument;
 - (B) any non-convertible preference share; and
 - (C) any convertible debt instrument or preference share trading in a manner similar to a debt security,the reporting bank shall separately calculate the relevant minimum required amount of capital and reserve funds relating to specific risk and general risk.
 - (ii) Matters relating to specific risk

A bank that adopted the standardised approach for the measurement of the bank's exposure to market risk-

 - (A) may in the calculation of the bank's risk position offset matching positions in respect of identical instruments, including any relevant position arising from a derivative instrument, that is, even when the issuer of instruments is the same, the bank shall not offset positions arising from different issues since, for example, differences in coupon rates, liquidity or call features may cause prices to diverge in the short-term;
 - (B) shall in respect of any relevant net short or long position relating to a government, qualifying, specified non-qualifying or other exposure calculate the bank's capital requirement relating to specific risk in accordance with the relevant requirements specified in table 1 below:

Table 1

Position in respect of-	Description of position and specific risk capital requirement							
Government ^{1, 2}	External credit assessment						Unrated	
	AAA to AA-	A+ to BBB-			BB+ to B-	Below B-		
		Residual term to maturity of-						
		Up to 6 months	More than 6 months but less than or equal to 24 months	More than 24 months				
	0%	0.25%	1%	1.60%	8%	12%	8%	
Central government or central bank of RSA ^{1, 2, 3}	0%							
Qualifying ⁴	Residual term to maturity of-							
	Up to 6 months		More than 6 months but less than or equal to 24 months		More than 24 months			
	0.25%		1%		1.60%			
Specified non-qualifying issuers ⁵	Capital requirement calculated in accordance with the relevant requirements specified in item (C) below							
Other	External credit assessment						Unrated	
	BB+ to BB-			Below BB-				
	8%			12%				8%

1. Includes forms of government that qualify for a risk weight of zero per cent in terms of the provisions of regulation 23(6).
2. Includes instruments such as bonds and treasury bills and other short-term instruments.
3. Provided that the relevant instrument is denominated, and funded by the bank, in Rand.
4. Includes-
 - (a) securities issued by public sector entities and multilateral development banks;
 - (b) any instrument rated investment grade, that is, a rating of BBB- or an equivalent rating, or a better rating, which rating shall be issued in respect of the relevant instrument by no less than two eligible institutions;
 - (c) any instrument rated investment grade, that is, a rating of BBB- or an equivalent rating, by one eligible institution, and not less than investment grade by another eligible institution;
 - (d) any unrated instrument issued by any institution rated investment grade, that is, a rating of BBB- or an equivalent rating, or a better rating, provided that the said institution shall be subject to comparable supervisory and regulatory arrangements than banks in the RSA, including, in particular, risk-based capital requirements and regulation and supervision on a consolidated basis, and the bank has no reason to suspect that the said unrated instrument is of a lesser quality than investment grade;
 - (e) subject to such conditions as may be specified in writing by the Registrar, any other unrated or other instrument specified in writing by the Registrar.
5. Includes instruments issued in respect of a securitization scheme, such as a first-loss credit-enhancement facility, an unrated liquidity facility or a letter of credit.

- (C) shall in the case of a securitisation or resecuritisation exposure calculate the bank's specific risk capital requirement in accordance with the relevant requirements specified in regulation 23(6)(h), 23(8)(h), 23(11) or 23(13), as the case may be, provided that-
- (i) in respect of the relevant net securitization or resecuritisation position held in the bank's trading book, a bank that adopted the standardized approach for the measurement of the bank's exposure to credit risk shall in the case of a securitization or resecuritisation exposure that is externally rated calculate its capital requirement relating to specific risk in accordance with the relevant requirements specified in table 2 below:

Table 2
Specific risk capital requirement based on external rating

External credit assessment ¹	Long-term rating ¹				
	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	Below BB- or unrated
Securitisation exposure	1.6%	4%	8%	28%	100% ²
Resecuritisation exposure	3.2%	8%	18%	52%	100% ²
External credit assessment ¹	Short-term rating ¹				
	A-1/ P-1	A-2/ P-2	A-3/ P3	Below A-3/ P-3 or unrated	
Securitisation exposure	1.6%	4%	8%	100% ²	
Resecuritisation exposure	3.2%	8%	18%	100% ²	

1. The notations used in this table relate to the ratings applied by a particular credit assessment institution. The use of the rating scale of a particular credit assessment institution does not mean that any preference is given to a particular credit assessment institution, and the assessments/ rating scales of other external credit assessment institutions, recognised as eligible institutions in South Africa, may have been used instead.
2. Or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds.

- (ii) in respect of the relevant net securitization or resecuritisation position held in the bank's trading book, a bank that adopted the IRB approach for the measurement of the bank's exposure to credit risk shall in the case of a rated securitization or resecuritisation exposure calculate its capital requirement relating to specific risk in accordance with the relevant requirements specified in table 3 below:

Table 3
Specific risk capital requirement based on external rating

External long-term rating ¹	Securitisation exposure			Resecuritisation exposure	
	Senior, granular position ^{2,3}	Non-senior, granular ⁵	Non-granular ⁴	Senior ⁶	Non-senior
AAA	0.56%	0.96%	1.60%	1.60%	2.40%
AA	0.64%	1.20%	2.00%	2.00%	3.20%
A+	0.80%	1.44%	2.80%	2.80%	4.00%
A	0.96%	1.60%		3.20%	5.20%
A-	1.60%	2.80%		4.80%	8.00%
BBB+	2.80%	4.00%		8.00%	12.00%
BBB	4.80%	6.00%		12.00%	18.00%
BBB-	8.00%			16.00%	28.00%
BB+	20.00%			24.00%	40.00%
BB	34.00%			40.00%	52.00%
BB-	52.00%			60.00%	68.00%
Below BB-	100%, or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds				
External short-term rating ¹	Securitisation exposure			Resecuritisation exposure	
	Senior, granular position ^{2,3}	Non-senior, granular ⁵	Non-granular ⁴	Senior ⁶	Non-senior
A-1/P-1	0.56%	0.96%	1.60%	1.60%	2.40%
A-2/P-2	0.96%	1.60%	2.80%	3.20%	5.20%
A-3/P-3	4.80%	6.00%		12.00%	18.00%
Below A-3/P-3-	100%, or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds				

- The notations used in this table relate to the ratings used by a particular credit assessment institution. The use of the rating scale of a particular credit assessment institution does not mean that any preference is given to a particular credit assessment institution. The assessments/ rating scales of other external credit assessment institutions, recognised as eligible institutions in the RSA, may have been used instead.
- Relates to senior positions in a securitisation scheme that consists of an effective number of underlying exposures of no less than 6, which effective number of exposures shall be calculated in accordance with the relevant requirements specified in regulation 23(11)(n), and where senior position means an effective first claim in respect of the entire amount of the assets/exposures in the underlying securitised pool. For example, in the case of-
 - a synthetic securitisation scheme the "super-senior" tranche shall be treated as a senior position, provided that the bank complies with the relevant conditions specified in regulation 23(11)(f) to infer a rating from a lower tranche.
 - a traditional securitisation scheme, in which scheme all tranches above the first-loss position are rated, the highest rated position shall be treated as a senior position, provided that when several tranches share the same rating the most senior position in the waterfall of payment shall be treated as the senior position.
- Including eligible senior exposures that comply with the relevant requirements specified in regulations 23(11)(g) and 23(11)(h) relating to the internal assessment approach.
- Relates to a senior position in a securitisation scheme in which the effective number of underlying exposures, calculated in accordance with the relevant requirements specified in regulation 23(11)(n), is less than 6.
- Relates to all positions other than a senior position, such as a position/facility that, in economic substance, constitutes a mezzanine position and not a senior position in respect of the underlying pool.
- Means a resecuritisation exposure that is a senior position and none of the underlying exposures are resecuritisation exposures, that is, any resecuritisation exposure in respect of which the underlying exposure includes a resecuritisation exposure shall be categorised as a non-senior resecuritisation position or exposure.

- (iii) subject to any conditions specified in writing by the Registrar, in respect of an unrated position-
 - (aa) a bank that obtained the approval of the Registrar to apply the IRB approach for the relevant asset classes related to the underlying exposures, may apply the standard formula approach specified in regulation 23(11)(i), provided that, when estimating the relevant PDs and LGDs for the calculation of K_{IRB} , the bank shall comply with the relevant minimum requirements related to the IRB approach;
 - (bb) to the extent that the bank obtained the approval of the Registrar to apply the bank's internally developed VaR model that incorporates specific risk related to the underlying exposures, as envisaged in regulation 28(8)(h) of these Regulations, and the bank derives estimates for PDs and LGDs from the said internally developed VaR model, the bank may use the aforesaid estimates for the calculation of K_{IRB} , and consequently for applying the standard formula approach;
 - (cc) other than the unrated positions specifically referred to above, the bank shall calculate the relevant required amount of capital and reserve funds related to specific risk as follows:
 - (i) multiply the weighted average risk weight that would be applied to the securitised exposures under the standardised approach with eight per cent; and
 - (ii) multiply the aforesaid product, calculated in accordance with the provisions of sub-item (i) above, with a concentration ratio, which concentration ratio shall be calculated as the sum of the nominal or notional amounts of all the relevant tranches divided by the sum of the nominal or notional amounts of the tranches junior to or ranking *pari passu* with the tranche in which the position is held, including that tranche itself, provided that when the said concentration ratio is equal to 12.5, or higher, the bank shall assign to the relevant position a risk weight of 1250 per cent or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds;

Provided that the bank's required amount of capital and reserve funds related to specific risk in respect of an unrated position shall in no case be lower than the specific risk capital requirement related to a rated more senior tranche. When the bank is unable to determine the specific risk capital requirement as described hereinbefore or prefers not to apply the treatment specified above, the bank shall deduct from its common equity tier 1 capital and reserve funds the relevant amount of the unrated position.

- (iv) during such transition period as may be directed by the Registrar in writing, in respect of any relevant securitisation position not included in the bank's correlation trading portfolio, a bank's required amount of capital and reserve funds for specific risk arising from securitisation positions held in the bank's trading book shall be calculated separately from the bank's relevant required amount of capital and reserve funds related to its correlation trading portfolio, and shall be the higher of-
 - (aa) the bank's total required amount of capital and reserve funds for specific risk arising from the bank's relevant net long securitisation positions held in the trading book; or
 - (bb) the bank's total required amount of capital and reserve funds for specific risk arising from the bank's relevant net short securitisation positions held in the trading book;
 - (v) any position risk weighted at 1250 per cent or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds, or deducted from capital and reserve funds, in accordance with the provisions of subitems (i) to (iii) of this item (C), may be excluded from the bank's calculation of its required amount of capital and reserve funds for general market risk, irrespective whether the bank applies the standardised measurement method or internal models method;
 - (vi) in respect of the bank's correlation trading portfolio, the bank shall calculate its specific risk capital requirement in accordance with the relevant requirements specified in item (F) below;
- (D) shall in respect of any relevant position hedged by a credit-derivative instrument, other than an n-th-to-default credit derivative instrument, calculate the bank's specific risk capital requirement in accordance with the relevant requirements specified in this item (D), provided that in the case of an n-th-to-default credit derivative instrument the bank shall calculate its specific risk capital requirement in accordance with the relevant requirements specified in item (E) below.

When-

- (i) the values of the relevant long leg and short leg always move in opposite directions, and materially to the same extent, that is, when-
 - (aa) the two legs consist of identical instruments, or
 - (bb) a long cash position is hedged by a total return swap, or *vice versa*, and an exact match exists between the reference obligation and the underlying exposure, that is, the cash position, irrespective whether or not the maturity of the said swap contract differs from the maturity of the relevant underlying exposure,

the reporting bank may fully offset the two sides of the position, that is, the reporting bank shall be exempted from any specific risk capital requirement in respect of the said hedged position.
- (ii) the values of the relevant long leg and short leg always move in opposite directions, but not to the same extent, that is, when a long cash position is hedged by a credit default swap or credit linked note, or *vice versa*, and in all cases an exact match exists in respect of the reference obligation, the maturity of the reference obligation and the credit derivative instrument, and the currency to the underlying exposure, the reporting bank may apply an eighty per cent specific risk offset in respect of the side of the transaction with the higher capital requirement, and a specific risk requirement of zero in respect of the other leg, provided that-
 - (aa) the key features of the credit derivative contract, such as the credit event definitions and settlement mechanism, shall not cause the price movement of the credit derivative instrument materially to deviate from the price movement of the cash position; and
 - (bb) based on matters such as restrictive payout provisions, such as fixed payouts and materiality thresholds, the transaction shall materially transfer risk.
- (iii) the values of the relevant long leg and short leg usually move in the opposite direction, that is-
 - (aa) a long cash position is hedged by a total return swap, or *vice versa*, as envisaged in sub-item (i) above, but an asset mismatch exists between the reference obligation and the underlying exposure, and the requirements relating to an asset mismatch specified in regulation 23(9)(d)(xi)(B)(xviii) are met;

- (bb) the relevant two legs relate to identical instruments as envisaged in sub-item (i) above but a currency or maturity mismatch exists between the credit protection and the underlying asset;
- (cc) the relevant positions meet the relevant requirements specified in sub-item (ii) above except that a currency or maturity mismatch exists between the credit protection and the underlying asset; or
- (dd) the relevant positions meet the relevant requirements specified in sub-item (ii) above but an asset mismatch exists between the cash position and the credit derivative instrument, and the underlying asset is included in the deliverable obligations in terms of the credit derivative documentation,

the reporting bank shall calculate and maintain a capital requirement only in respect of the side of the transaction with the highest capital requirement, that is, instead of adding the specific risk capital requirements for each side of the relevant transaction in respect of the credit protection and the underlying asset the reporting bank shall calculate and maintain a capital requirement only in respect of the side of the transaction that requires the highest capital requirement.

- (iv) the relevant hedged position relates to a position other than the positions envisaged in sub-items (i) to (iii) above, the reporting bank shall calculate and maintain a capital requirement in respect of both sides of the relevant transaction;
- (E) shall in the case of an n-th-to-default credit derivative instrument, that is, a contract or instrument in respect of which the payment or payoff is based on the n-th asset to default in the basket of underlying reference assets or instruments, calculate the bank's specific risk capital requirement in accordance with the relevant requirements specified in this item (E).

The bank's capital requirement for specific risk shall in the case of a first-to-default credit derivative instrument be the lesser of the sum of the specific risk capital requirements for the individual reference assets or credit instruments in the basket, or the maximum possible credit event payment in terms of the contract, provided that-

- (i) when the bank has a risk position in one of the reference assets or credit instruments underlying the first-to-default credit derivative instrument, and the said credit derivative instrument hedges the bank's risk position, the bank may reduce both the capital requirement for specific risk for the relevant reference asset or credit instrument and that part of the capital requirement for specific risk for the credit derivative instrument that relates to the particular reference credit instrument, provided that when the bank has multiple risk positions in reference assets or credit instruments underlying a first-to-default credit derivative instrument the offset shall be allowed only in respect of the underlying asset or reference credit instrument with the lowest specific risk capital requirement;
 - (ii) when "n" is greater than one, the bank's capital requirement for specific risk shall be the lesser of the sum of the specific risk capital requirements for the individual reference assets or credit instruments in the basket, but disregarding the "n-1" obligations with the lowest specific risk capital requirement, or the maximum possible credit event payment in terms of the contract, provided that in the case of n-th-to-default credit derivative instruments where "n" is greater than 1 no offset of the capital requirement for specific risk with any underlying reference asset or credit instrument shall be allowed;
 - (iii) when a first or other n-th-to-default credit derivative instrument is externally rated, a bank that acts as a protection seller shall calculate its specific risk capital requirement based on the said rating issued in respect of the derivative instrument and the relevant securitisation risk weights specified in item (C) above;
 - (iv) the capital requirement shall apply in respect of each net n-th-to-default credit derivative position, irrespective whether the bank has a long position or short position, that is, irrespective whether the bank obtains or provides protection;
- (F) shall in respect of the bank's correlation trading portfolio calculate its relevant required amount of capital and reserve funds for specific risk in accordance with the relevant requirements specified in this item (F).

The-

- (i) bank shall separately calculate the relevant required amount of capital and reserve funds related to specific risk in respect of its net long positions, that is, based on its net long correlation trading exposures combined;
- (ii) bank shall separately calculate the relevant required amount of capital and reserve funds related to specific risk in respect of its net short positions, that is, based on its net short correlation trading exposures combined;

- (iii) bank's required amount of capital and reserve funds for specific risk in respect of its correlation trading portfolio shall be the higher amount of sub-item (i) or sub-item (ii), of this item (F).

Provided that a bank may limit the required amount of capital and reserve funds in respect of any relevant individual position in a credit derivative or securitisation instrument to the maximum possible loss, that is-

- (A) a bank shall calculate a maximum possible loss amount for each relevant individual position;
- (B) in the case of a short risk position the limit may be calculated as a change in value due to the underlying names immediately becoming default risk-free;
- (C) in the case of a long risk position, the maximum possible loss amount may be calculated as the change in value in the event that all the underlying names were to default with a zero or no recovery.

(iii) Matters relating to general risk

- (A) A bank that adopted the standardised approach for the measurement of the bank's exposure to market risk-
 - (i) may in order to calculate the bank's general risk requirement, at the discretion of the bank, apply either the maturity method prescribed in item (B) below or duration method prescribed in item (C) below;
 - (ii) shall apply a separate maturity ladder in respect of each relevant currency, provided that subject to the approval of and such conditions as may be specified in writing by the Registrar the reporting bank may apply a single maturity ladder in respect of currencies in which the bank's business is insignificant in which case the reporting bank shall within each relevant time band-
 - (aa) assign the relevant net long or short position in respect of each relevant currency;
 - (bb) in order to calculate the bank's relevant gross position, irrespective whether or not a net position is long or short, aggregate the relevant net long positions and relevant net short positions;
 - (iii) shall in respect of each relevant currency separately calculate the bank's relevant required amount of capital and reserve funds;

- (iv) shall, unless specifically otherwise provided in this regulation 28, base its calculation of the required amount of capital and reserve funds on the absolute amount of all relevant calculated positions, that is, unless specifically otherwise provided the reporting bank shall not apply offsetting between calculated positions or requirements of opposite sign, provided that in respect of any debt instrument with a high yield to redemption the Registrar may disallow offsetting of the relevant position against other relevant positions even when provision is otherwise made in terms of these Regulations for the bank to offset the said positions;
- (v) shall in the case of a credit-default swap include any relevant periodic premium or interest payment due as a notional position in a government bond with the relevant fixed or floating rate;
- (vi) shall in the case of a total return swap contract include the relevant interest rate legs of the contract as a notional short or long position, as the case may be;
- (vii) shall in the case of a credit-linked note in terms of which the bank acts as a protection provider include in its measurement system the relevant coupon or interest rate exposure of the said note;
- (viii) shall in accordance with the relevant requirements specified in items (B) or (C) below calculate and maintain a capital requirement in respect of general risk equal to the sum of the specified requirements relating to-
 - (aa) the relevant net short or long position in respect of the bank's entire trading book;
 - (bb) the relevant portion in respect of the specified offsetting positions within each relevant time-band;
 - (cc) the relevant portion in respect of the specified offsetting positions across different time-bands;
 - (dd) the relevant net requirement in respect of specified positions in options.

(B) Maturity method

A bank that adopted the maturity method for the measurement of the bank's exposure to general risk-

- (i) shall assign to the relevant maturity band specified in the maturity ladder specified in table 4 below the relevant actual or notional amount relating to each relevant long or short position in a debt security or other instrument of interest rate exposure held in the reporting bank's trading book, including any relevant derivative instrument, provided that the bank may omit from the said interest rate maturity framework opposite positions of the same amount and in respect of the same issue, but not in respect of different issues by the same issuer.

Table 4
Maturity method: time bands and weights^{1, 2}

Time zone	Coupon equal to or more than 3%	Coupon less than 3% ³	Risk weight (%)	Assumed change in yield
	Maturity band			
1	0 ≤ 1 month	0 ≤ 1 month	0.00	1.00
	> 1 ≤ 3 months	> 1 ≤ 3 months	0.20	1.00
	> 3 ≤ 6 months	> 3 ≤ 6 months	0.40	1.00
	> 6 ≤ 12 months	> 6 ≤ 12 months	0.70	1.00
2	> 1 ≤ 2 years	> 1.0 ≤ 1.9 years	1.25	0.90
	> 2 ≤ 3 years	> 1.9 ≤ 2.8 years	1.75	0.80
	> 3 ≤ 4 years	> 2.8 ≤ 3.6 years	2.25	0.75
3	> 4 ≤ 5 years	> 3.6 ≤ 4.3 years	2.75	0.75
	> 5 ≤ 7 years	> 4.3 ≤ 5.7 years	3.25	0.70
	> 7 ≤ 10 years	> 5.7 ≤ 7.3 years	3.75	0.65
	> 10 ≤ 15 years	> 7.3 ≤ 9.3 years	4.50	0.60
	> 15 ≤ 20 years	> 9.3 ≤ 10.6 years	5.25	0.60
	> 20 years	> 10.6 ≤ 12.0 years	6.00	0.60
		> 12.0 ≤ 20.0 years	8.00	0.60
	> 20 years	12.50	0.60	

1. Based on the residual term to maturity the bank shall assign to the relevant time band the relevant position arising from any fixed rate instrument.
2. Based on the residual term to the next repricing date the bank shall assign to the relevant time band the relevant position arising from any floating-rate instrument.
3. Including any zero-coupon bond or deep-discount bond.

- (ii) shall, based on the relevant weights specified in table 4 above, which weights reflect the price sensitivity of all relevant positions to assumed changes in interest rates, weight all relevant positions assigned by the bank to the relevant maturity band;
- (iii) shall in order to determine a single short or long position in respect of each specified maturity band offset the weighted long positions and weighted short positions within the said maturity band;
- (iv) shall in respect of the lower aggregate amount of the relevant long or short positions in a particular maturity band calculate a 10 per cent capital requirement in order to reflect basis risk and gap risk since each relevant maturity band will include different instruments and different maturities. For example, when the sum of the weighted long positions in a particular time band is equal to R100 million and the sum of the weighted short positions in the said time band is equal to R90 million, the deemed amount in respect of vertical disallowance for the particular time band shall be equal to 10 per cent of R90 million, that is, R9.0 million;
- (v) shall offset the relevant net positions **within** each of the relevant three time zones specified in table 4 above, and subsequently offset the relevant calculated net positions **between** the three different time zones specified in table 4 above, provided that the said offsetting of net positions shall be subject to a scale of disallowances, which disallowance factors are specified in table 5 below and are expressed as a fraction of the relevant calculated matched and unmatched positions, that is, the reporting bank shall offset the weighted long positions and weighted short positions **within** each of the three specified time zones and subsequently offset the residual net position in each relevant time zone against opposite positions in the other time zones, provided that the said offsetting of positions within and between the relevant time zones shall be subject to the disallowance factors specified in table 5 below, which disallowance factors shall constitute a separate component of the reporting bank's required amount of capital and reserve funds.

Table 5
Horizontal disallowances

Time zone¹	Disallowance factor within the relevant time zone	Disallowance factor between adjacent time zone	Disallowance factor between time zones 1 and 3
1	40%		
		40%	
2	30%		100%
		40%	
3	30%		

1. Based on the maturity bands specified in table 4 above.

- (vi) shall maintain a capital requirement equal to 100 per cent of any residual position not subject to any form of offsetting as envisaged in sub-items (iii) to (v) above, provided that subject to such conditions as may be specified in writing by the Registrar, the Registrar may for purposes of calculating a bank's exposure to general risk disallow the said reporting bank to offset certain positions relating to high yield instruments against any other debt instruments;
- (vii) shall in the case of residual currencies as envisaged in item (A)(ii) above apply the risk weights specified in table 4 above in respect of the gross positions calculated in respect of each relevant time band, with no further offsets;
- (viii) shall maintain an aggregate capital requirement in respect of the maturity method equal to the sum of the relevant amounts specified in this item (B).

(C) Duration method

A bank that wishes to adopt the duration method for the measurement of the bank's exposure to general risk, which method provides a more accurate measure of the bank's exposure to general risk than the maturity method due to the separate measurement of the price sensitivity of each relevant position-

- (i) shall obtain the prior written approval of the Registrar and at all times, in addition to the relevant requirements specified in this paragraph (b), comply with such requirements as may be specified in writing by the Registrar;

- (ii) shall, based on-
- (aa) the maturity of each relevant instrument;
 - (bb) the relevant requirements specified in table 6 below; and
 - (cc) the relevant requirements specified in this item (C),

separately measure the price sensitivity of each relevant instrument in terms of a change in interest rates of between 0.6 and 1.0 percentage points.

Table 6
Duration method: time bands and assumed changes in yield

Time zone	Duration	Assumed change in yield
1	0 ≤ 1 month	1,00
	> 1 ≤ 3 months	1,00
	> 3 ≤ 6 months	1,00
	> 6 ≤ 12 months	1,00
2	> 1,0 ≤ 1,9 years	0,90
	> 1,9 ≤ 2,8 years	0,80
	> 2,8 ≤ 3,6 years	0,75
3	> 3,6 ≤ 4,3 years	0,75
	> 4,3 ≤ 5,7 years	0,70
	> 5,7 ≤ 7,3 years	0,65
	> 7,3 ≤ 9,3 years	0,60
	> 9,3 ≤ 10,6 years	0,60
	> 10,6 ≤ 12,0 years	0,60
	> 12,0 ≤ 20,0 years	0,60
> 20 years	0,60	

- (iii) shall assign to the relevant time band specified in the duration-based ladder specified in table 6 above the calculated sensitivity measure of the relevant instrument or position;
- (iv) shall in a manner similar to the method specified in item (B)(iv) above, in order to capture basis risk in respect of the relevant long positions and short position **within** each relevant time band, calculate and maintain a 5 per cent capital requirement, which capital requirement shall constitute the vertical disallowance component;
- (v) shall subsequently carry forward the relevant net position in each relevant time band and offset the said net positions **within** and **between** the relevant time zones in accordance with and subject to the relevant requirements and horizontal disallowance factors specified in item (B)(v) and in table 5 above;

- (vi) shall maintain a capital requirement equal to 100 per cent of any residual position not subject to any form of offsetting as envisaged in sub-items (iv) and (v) above, provided that subject to such conditions as may be specified in writing by the Registrar, the Registrar may for purposes of calculating a bank's exposure to general risk disallow the said reporting bank to offset certain positions relating to high yield instruments against any other debt instruments;
 - (vii) shall in the case of residual currencies as envisaged in item (A)(ii) above apply the assumed change in yield specified in table 6 above in respect of the gross positions calculated in respect of each relevant time band, with no further offsets.
- (iv) Matters relating to interest rate derivative instruments
- (A) Irrespective of the measurement system adopted by the reporting bank for the measurement of the bank's exposure to market risk the bank shall include in its calculation of market risk exposure all interest rate derivative instruments and off-balance sheet instruments that respond to changes in interest rates, which instruments are held by the bank in its trading book, including any forward rate agreement, any other forward contract, any bond future, any interest rate or cross-currency swap contract or any forward foreign exchange position, provided that the reporting bank-
 - (i) shall calculate all relevant positions in accordance with the relevant requirements specified in item (B) below;
 - (ii) shall calculate all relevant capital requirements relating to derivative instruments in accordance with the relevant requirements specified in item (C) below.
 - (B) Matters relating to the calculation of positions in interest rate derivative instruments
- A bank that adopted the standardised method for the measurement of the bank's exposure to market risk shall convert all relevant transactions in derivative instruments into positions in the relevant underlying instrument and calculate the relevant specific risk and general risk requirements in accordance with the relevant requirements specified in this paragraph (b), provided that-
- (i) the bank shall base all relevant calculations on the market value of the principal amount relating to the relevant underlying or notional underlying;

- (ii) in the case of any instrument in respect of which the notional amount differs from the effective notional amount, the bank shall use the effective notional amount;
- (iii) in the case of any future contract on a corporate bond index, the bank shall include the relevant positions at the market value of the notional underlying portfolio of securities;
- (iv) in the case of any future or forward contract, including any forward rate agreement, the bank shall treat the contract as a combination of a long position and a short position in a notional government security, provided that the maturity of the said future or forward rate agreement shall be the period until delivery or exercise of the contract plus the life of the underlying instrument when relevant. For example, a long position in a June three month interest rate future, which contract is concluded in April, shall be reported as a long position in a government security with a maturity of five months and a short position in a government security with a maturity of two months.

When a range of deliverable instruments may be delivered to fulfil the relevant requirements of a contract, the bank may decide which deliverable security should be included in the maturity or duration ladder, provided that the bank shall take into consideration any conversion factor defined by the relevant exchange.

- (v) in the case of any swap contract the bank shall treat the relevant positions as two notional positions in government securities with relevant maturities. For example, an interest rate swap contract in terms of which the reporting bank receives floating rate interest and pays fixed interest shall be treated as a long position in a floating rate instrument of maturity equivalent to the period until the next interest fixing and a short position in a fixed-rate instrument of maturity equivalent to the residual life of the swap contract;
- (vi) in the case of a swap contract that pays or receives a fixed or floating interest rate against some other reference price, such as a stock index, the bank shall include the interest rate component in the relevant repricing maturity category, with the equity component being included in the equity framework in accordance with the relevant requirements specified in paragraph (c) below;
- (vii) in the case of a cross-currency swap contract the bank shall report the relevant separate legs of the contract in the relevant maturity ladders relating to the currencies concerned.

(C) Matters relating to the calculation of capital requirements relating to positions in interest rate derivative instruments

In respect of specific risk and general risk a bank may exclude from the relevant interest rate maturity framework long positions and short positions, irrespective whether the said positions are actual or notional positions, in respect of identical instruments issued by the same issuer and which instruments have the same coupon and maturity and are denominated in the same currency, including any matched position in respect of a future or forward and its corresponding underlying, provided that-

- (i) in the case of a future contract the bank shall report the relevant leg that represents the time to expiry of the said future contract;
- (ii) when the future or forward contract comprises a range of deliverable instruments the reporting bank shall only offset positions in the said future or forward contract and its relevant underlying when a readily identifiable underlying security that is most profitable for the person with the short position to deliver, exists, the price of which security, often referred to as the "cheapest-to-deliver", and the price of the said future or forward contract are likely to move in close alignment;
- (iii) the reporting bank shall in no case apply offsetting between positions in different currencies, that is, the reporting bank shall include in the relevant calculation of each currency the relevant separate legs relating to any cross-currency swap or forward foreign exchange contract, which legs shall be recorded as notional positions in the relevant instruments;
- (iv) the reporting bank may fully offset opposite positions in the same category of instruments, including the relevant delta-equivalent value in respect of options, provided that the said positions shall relate to the same underlying instruments, be of the same nominal value and be denominated in the same currency, and in the case of-
 - (aa) any future contract the offsetting positions in the notional or underlying instruments to which the future contract relates shall be for identical products and mature within seven days of each other;
 - (bb) any floating rate position arising from a swap or FRA contract the reference rate shall be identical and the coupon shall be closely matched, that is, the coupon shall be within 15 basis points;

- (cc) any swap, FRA or forward contract, the next interest fixing date or, in the case of any fixed coupon position or forward, the residual maturity-
 - (i) shall be the same day for positions less than one month hence;
 - (ii) shall be within seven days for positions between one month and one year hence;
 - (iii) shall be within thirty days for positions over one year hence;
- (v) subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, a bank with a large swap book may use alternative formulae in order to calculate the swap positions to be included in the relevant maturity or duration ladder specified in this paragraph (b), provided that-
 - (aa) all relevant positions shall be denominated in the same currency;
 - (bb) the calculated positions shall fully reflect the sensitivity of the cash flows to interest rate changes; and
 - (cc) the reporting bank shall capture all relevant calculated positions in the appropriate time bands.

For example, a bank may first convert the payments required by the swap into the respective present values by discounting each payment using zero coupon yields, in which case, based on the relevant requirements, general risk framework and time band specified above, the bank shall capture a single net amount relating to the present value of the cash flows in the appropriate time band by applying the relevant procedures that apply to zero or low coupon bonds. Alternatively the reporting bank may calculate the sensitivity of the net present value implied by the change in yield specified in the maturity or duration method and allocate the said sensitivity measures into the relevant time bands specified in this paragraph (b).

- (vi) in the case of any interest rate or currency swap, FRA, forward foreign exchange contract, interest rate future or future on an interest rate index such as JIBAR, no specific risk requirement shall apply;

- (vii) in the case of any future contract in respect of which the underlying instrument is a debt security, or an index representing a basket of debt securities, the reporting bank shall, based on the credit risk of the issuer and the relevant requirements specified in this paragraph (b), calculate the relevant specific risk requirement;
 - (viii) subject to the specific exemptions specified in this item (C), based on the relevant requirements specified in this paragraph (b), the reporting bank shall calculate a general risk requirement in respect of all relevant positions in derivative instruments, in a manner similar to any cash position.
- (c) Matters relating to equity instruments and equity position risk
 - (i) Based on the relevant requirements specified in this paragraph (c), in respect of any relevant long or short equity position held by the reporting bank in its trading book-
 - (A) including-
 - (i) any instrument that exhibits market behaviour similar to equities;
 - (ii) any ordinary shares, irrespective whether or not the said shares have voting rights attached to them;
 - (iii) any commitment to buy or sell equity securities;
 - (iv) any convertible instrument that trades in a manner similar to an equity instrument,
 - (B) excluding non-convertible preference shares, which preference shares are subject to the requirements specified in paragraph (b) above,

the reporting bank shall separately calculate the relevant minimum required amount of capital and reserve funds relating to specific risk and general risk, provided that, unless specifically otherwise provided in this paragraph (c), the bank may report long positions and short positions in respect of the same issue on a net basis.

(ii) Matters relating to specific risk

In respect of a bank's gross equity positions, that is, the sum of all relevant long equity positions **and** all relevant short equity positions, held in the bank's trading book, a bank that adopted the standardised approach for the measurement of the bank's exposure to market risk shall on a market by market basis, that is, in respect of each relevant national market or currency in which the reporting bank holds equities, calculate and maintain a minimum required amount of capital and reserve funds relating to specific risk, which required amount of capital and reserve funds-

- (A) shall in the case of a less liquid equity portfolio that complies with such requirements or criteria as may be specified in writing by the Registrar be equal to twelve per cent of the said gross equity position;
- (B) shall in all other cases be equal to eight per cent of the said gross equity position.

(iii) Matters relating to general risk

In respect of a bank's net position in a specific equity market or equity index, that is, the **difference** between the sum of all relevant long equity positions and the sum of all relevant short equity positions in a particular national equity market or equity index, held in the bank's trading book, a bank that adopted the standardised approach for the measurement of the bank's exposure to market risk shall calculate and maintain a minimum required amount of capital and reserve funds relating to general risk equal to eight per cent of the said net equity position.

(iv) Matters relating to equity derivative instruments

A bank that adopted the standardised approach for the measurement of the bank's exposure to market risk shall include in its measurement system all equity derivative instruments and off-balance sheet positions that are affected by changes in equity prices, including any future or swap contract on individual equities or stock indices, provided that-

- (A) the bank shall measure and report any equity position arising from an option contract in accordance with the relevant requirements specified in paragraph (f) below instead of in accordance with the requirements specified in this paragraph (c);
- (B) the reporting bank shall convert all relevant derivative positions into notional equity positions in the relevant underlying instruments;

- (C) when equities form part of a forward contract, a future contract or an option contract, irrespective whether equities are to be received or delivered, the reporting bank shall report the relevant leg of the contract that relates to any interest rate or foreign currency exposure in accordance with the relevant requirements specified in this subregulation (7);
- (D) the reporting bank shall report any future or forward contract relating to an individual equity at the current market price;
- (E) the reporting bank shall report futures relating to stock indices as the marked-to-market value of the relevant notional underlying equity portfolio;
- (F) the reporting bank shall treat any equity swap contract as two notional positions.

For example, the bank shall treat an equity swap contract in terms of which the bank receives an amount based on the change in value of one particular equity or stock index and pays a different index as a long position in the former and a short position in the latter.

When one of the legs involves receiving/paying a fixed or floating interest rate, the bank shall report the relevant exposure in accordance with the relevant requirements for interest rate related instruments specified in paragraph (b) above.

- (G) the reporting bank shall either “carve out” any equity option or stock index option with its associated underlying or, based on the relevant requirements of the delta-plus method specified in paragraph (f)(iii) below, incorporate the relevant position in the measure of general market risk.
- (v) Matters relating to the calculation of minimum required capital and reserve funds

In calculating its minimum required amount of capital and reserve funds relating to specific risk and general risk, a bank that adopted the standardised approach for the measurement of the bank's exposure to market risk may fully offset matched positions in respect of each identical equity or stock index in each relevant market in order to obtain a single net short or long position to which the bank shall apply the relevant requirements specified for specific risk and general market risk, that is, the bank, for example, may fully offset a future in a particular equity instrument against an opposite cash position in the same equity instrument, provided that-

- (A) the bank shall report any related interest rate risk arising from a derivative contract in accordance with the relevant requirements specified in paragraph (b);
- (B) the bank shall in respect of any relevant net long or short position relating to an index contract-
- (i) comprising a well-diversified portfolio of equities that complies with such requirements and criteria as may be specified in writing by the Registrar, in addition to the relevant requirement relating to general market risk specified above, apply a further capital requirement equal to two per cent of the said net long or short position;
 - (ii) other than an index contract comprising a well-diversified portfolio of equities as envisaged in sub-item (i), in addition to the relevant requirement relating to general market risk, apply a further capital requirement equal to four per cent of the said net long or short position,
- which capital requirement shall be deemed to make provision for factors such as execution risk,
- (C) when the reporting bank implements a futures related arbitrage strategy, that is, when the bank-
- (i) enters into an opposite position in exactly the same index at different dates, or in different market centres; or
 - (ii) established an opposite position in contracts at the same date in different but similar indices, and the two indices contain sufficient common components that justify offsetting,
- the bank may apply the additional two per cent and four per cent capital requirements specified in item (B) only to one index, that is, the opposite position shall be exempted from a capital requirement;
- (D) when the bank implements an arbitrage strategy, in terms of which strategy a futures contract on a broadly-based index matches a basket of instruments, the bank may "carve out" both positions from the standardised method and apply a minimum capital requirement equal to four per cent, that is, two per cent of the gross value of positions on each side in order to reflect divergence and execution risks, even when all instruments comprising the index are held in identical proportions, provided that-
- (i) the bank shall deliberately enter into and separately control the relevant exposure;

- (ii) the composition of the basket of instruments shall represent at least 90 per cent of the index when broken down into its notional components;
 - (iii) the bank shall treat any excess value of the instruments comprising the basket over the value of the futures contract or excess value of the futures contract over the value of the basket as an open long or short position;
 - (E) the bank also may offset the relevant position when the bank establishes a position in depository receipts against an opposite position in the underlying equity or identical equities in different markets, provided that the bank-
 - (i) shall fully take into account any relevant costs on conversion;
 - (ii) shall report any foreign exchange risk arising from the relevant positions in accordance with the relevant requirements specified in paragraph (d) below.
- (d) Matters relating to foreign exchange risk, including gold
 - (i) Based on the relevant requirements specified in this paragraph (d), a bank that adopted the standardised approach for the measurement of the bank's exposure to market risk shall in the calculation of the bank's minimum required amount of capital and reserve funds relating to foreign exchange risk, including gold, separately calculate-
 - (A) the bank's exposure in respect of each relevant single foreign currency;
 - (B) the risks inherent in the bank's mix of all relevant long and short positions in different foreign currencies.
 - (ii) Matters relating to exposure in each single foreign currency

In respect of each relevant foreign currency, a bank that adopted the standardised approach for the measurement of the bank's exposure to market risk shall calculate its net open foreign-currency position as the sum of-

 - (A) the bank's net spot position, that is, all relevant asset items less all relevant liability items, including any relevant amount of accrued interest;

- (B) the bank's net forward position, that is, all relevant amounts to be received less all relevant amounts to be paid in respect of any forward foreign exchange transaction or futures transaction, including any currency future and the principal amount relating to a currency swap not included in the spot position;
- (C) any relevant guarantee or similar instrument that is certain to be called, and is likely to be irrecoverable;
- (D) any net future income/expense not yet accrued but already fully hedged;
- (E) any other relevant item representing a profit or loss in foreign currency;
- (F) the net delta equivalent value relating to all relevant foreign currency and gold options, provided that the reporting bank shall either separately calculate the relevant minimum required amount of capital and reserve funds in respect of gamma risk and vega risk in accordance with the relevant requirements specified in the delta-plus approach in paragraph (f)(iii) below or calculate the relevant capital requirements relating to option contracts and their underlying instruments in accordance with one of the other methods and its related requirements specified in paragraph (f) below.

Provided that-

- (i) the bank shall separately report all relevant positions in composite currencies, provided that, in order to measure the reporting banks' open foreign-currency position, the bank may either treat the said currencies as a currency in its own right or split the said currency into its component parts;
- (ii) the bank shall separately report any relevant position in gold;
- (iii) when gold forms part of a forward contract, the bank shall report any relevant interest rate or foreign currency exposure arising from the other leg of the contract in accordance with the relevant requirements specified in this subregulation (7);
- (iv) the bank may treat as a single currency any currency pair that is subject to a legally enforceable inter-governmental agreement in terms of which the respective currencies are linked;

- (v) the reporting bank shall include as a position any accrued interest, that is, interest earned but not yet received, or accrued expenses;
- (vi) the reporting bank may exclude from its calculation any unearned but expected future interest and anticipated expenses unless the said amounts are certain and the bank has entered into a hedge in respect of the said interest or expense item, provided that when the bank includes in its calculation any future income or expense as envisaged in this sub-item (vi) the bank shall consistently include the said amounts in all relevant calculations and not selectively include only expected future flows that reduce the bank's foreign-currency position;
- (vii) in respect of any relevant forward currency or gold position the reporting bank shall value the said position based on current spot market exchange rates instead of forward exchange rates, provided that when the bank reports in its management accounts the net present values of the said forward positions the bank shall use the said net present value in respect of each relevant forward or gold position, which positions shall be discounted using current interest rates and valued based on current spot rates in order to measure the bank's forward currency or gold position;
- (viii) subject to the prior written approval of and such further conditions as may be specified in writing by the Registrar, the bank may exclude from the calculation of its net open foreign-currency positions any structural positions deliberately taken by the bank solely to hedge the bank's capital base against the adverse effects of exchange rate movements, provided that-
 - (aa) the said positions shall be of a structural nature, that is, of a non-trading nature;
 - (bb) during the remaining life of the relevant assets or other items, the bank shall treat the relevant hedge in a consistent manner;
- (ix) the bank may exclude from its relevant calculation of minimum required capital and reserve funds relating to foreign exchange risk items such as investments in non-consolidated subsidiaries, which investments constitute impairments against the bank's capital and reserve funds;

- (x) subject to the prior written approval of and such further conditions as may be specified in writing by the Registrar, the bank may exclude from its relevant calculation of minimum required capital and reserve funds relating to foreign exchange long-term participations denominated in foreign currency, which participations-
 - (aa) are reported in the bank's published accounts at historic cost;
 - (bb) shall be deemed to constitute a structural position.

(iii) Matters relating to a portfolio of foreign currency positions, and gold

In order to measure a bank's exposure to foreign exchange risk arising from a portfolio of foreign currency positions, and gold, the bank may either apply the shorthand method specified in this subparagraph (iii), in terms of which shorthand method all relevant currencies are treated in an equal manner, or the internal models approach specified in subregulation (8) below, which internal models approach, based on the composition of the bank's portfolio of foreign currency and gold positions, takes into account the bank's actual degree of foreign exchange risk, provided that-

(A) when the reporting bank adopts the shorthand method-

- (i) the bank shall convert into Rand, at the relevant spot rates, the relevant nominal amount or net present value, as the case may be, of the net position calculated in respect of each relevant foreign currency, and gold;
- (ii) the bank's overall net open foreign-currency position shall be deemed to be equal to-
 - (aa) the greater of the sum of the bank's net short positions or the sum of the bank's net long positions; **plus**
 - (bb) the bank's net absolute position in gold, that is, the bank's net position in gold irrespective whether the said net position is a long or short position;
- (iii) the bank's required amount of capital and reserve funds shall be equal to eight per cent of the overall net open foreign-currency position calculated in accordance with the requirements specified in sub-item (ii) above;

- (B) subject to the prior written approval of and such further conditions as may be specified in writing by the Registrar a bank doing negligible business in foreign currency and which does not take foreign exchange positions for its own account may be exempted from the capital requirements specified in this paragraph (d) in respect of the said foreign exchange positions, provided that-
- (i) the sum of the bank's gross long positions and gross short positions in all relevant foreign currencies shall at no time exceed 100 per cent of the bank's allocated qualifying capital and reserve funds relating to market risk; and
 - (ii) the bank's overall net open foreign-currency position calculated in accordance with the requirements specified in item (A)(ii) above shall at no time exceed 2 per cent of the bank's allocated qualifying capital and reserve funds relating to market risk.
- (e) Matters relating to commodity risk
- (i) For the measurement of a bank's exposure to commodity position risk arising from commodity positions held in either the bank's banking book or trading book, which commodity position risk may arise from positions held in respect of precious metals, agricultural products, minerals, oil or base metals, but not gold, since gold is subject to the requirements specified in paragraph (d) above, a bank may-
 - (A) at the discretion of the bank, adopt the simplified approach specified in subparagraph (ii) below, which simplified approach shall be available for a bank that conducts only a limited amount of commodity business;
 - (B) at the discretion of the bank, adopt the maturity ladder approach specified in subparagraph (iii) below, which maturity ladder approach-
 - (i) separately captures forward gap and interest rate risk;
 - (ii) shall be available for a bank that conducts only a limited amount of commodity business;
 - (C) subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, adopt the internal models approach specified in subregulation (8) below, which internal models approach shall ultimately be adopted by a bank that conducts material business in commodities,

Provided that-

- (i) the bank shall in the case of any spot or physical trading duly manage its exposure to directional risk that may arise from an adverse change in the spot price of open commodity positions;
- (ii) when the bank applies a portfolio strategy that involves forward and derivative contracts the bank shall duly manage its exposure, amongst others-
 - (aa) to basis risk, that is, the risk that the relationship between the prices of similar but not identical commodities alters over time;
 - (bb) to interest rate risk, that is, the risk of an adverse change in the carrying cost for forward positions and options;
 - (cc) to forward gap risk, that is, the risk that the forward price may change due to reasons other than a change in interest rates;
- (iii) in all cases the bank shall duly manage its exposure to counterparty credit risk in respect of all relevant over-the-counter derivative contracts;
- (iv) the bank shall report any relevant interest rate or foreign exchange exposure arising from the bank's funding of commodity positions in accordance with the relevant requirements specified in this subregulation (7);

For example, when a commodity forms part of a forward contract, the bank shall report any interest rate exposure or foreign currency exposure that arises from the other leg of the contract in accordance with the relevant requirements specified in this subregulation (7).

- (v) the bank may omit from its commodity risk calculation, positions that are purely stock financing, that is, when physical stock has been sold forward and the cost of funding has been locked in until the date of the forward sale, provided that the relevant position shall be subject to the relevant interest rate and counterparty risk requirements.

(ii) Matters relating to the simplified approach

A bank that adopted the simplified approach for the measurement of the bank's exposure to commodity risk arising from commodity positions held in either the bank's banking book or trading book-

- (A) shall include in all relevant calculations all commodity derivative contracts and all off-balance sheet positions that are affected by changes in commodity prices, including any commodity future, any commodity swap contract, and options when the bank adopts the "delta plus" method specified in paragraph (f)(iii) below, provided that when the bank adopts an approach other than the delta-plus approach in order to measure the bank's exposure to options risk, the bank shall exclude from the simplified approach all relevant options and their associated underlying instruments;
- (B) may in order to calculate the bank's open position in respect of a particular commodity, offset or net any relevant long position and short positions in the specific commodity;
- (C) shall not in the calculation of the bank's open position in respect of a particular commodity offset or net positions in different commodities;
- (D) shall express each relevant commodity position, that is, any relevant spot or forward position, in terms of the relevant standard unit of measurement, which standard unit of measurement, for example, may be barrels, kilograms or grams, and convert the relevant net position in the specific commodity into the reporting currency at current spot rates;
- (E) shall calculate and maintain a capital requirement equal to 15 per cent of the relevant net position in the specific commodity, irrespective whether the net position is a long or short position;
- (F) shall in order to protect the bank against basis risk, interest rate risk and forward gap risk, based on the current spot price of all relevant positions, calculate and maintain an additional capital requirement in respect of each relevant commodity equal to 3 per cent of the bank's gross positions, that is, the sum of the relevant long positions and short positions in respect of the particular commodity.

(iii) Matters relating to the maturity ladder approach

A bank that adopted the maturity ladder approach for the measurement of the bank's exposure to commodity risk arising from commodity positions held in either the bank's banking book or trading book-

- (A) shall include in all relevant calculations all commodity derivative contracts and all off-balance sheet positions that are affected by changes in commodity prices, including any commodity future, any commodity swap contract, and options when the bank adopts the “delta plus” method specified in paragraph (f)(iii) below, provided that-
- (i) when the bank adopts an approach other than the delta-plus approach in order to measure the bank’s exposure to options risk, the bank shall exclude from the maturity ladder approach all relevant options and their associated underlying instruments;
 - (ii) in the case of any relevant future or forward contract relating to a particular commodity the bank shall incorporate into its measurement system the relevant notional amount of barrels, kilos or other standard unit, as the case may be, and shall, based on the relevant expiry date of the relevant contract, assign the said contract to the relevant time band;
 - (iii) in the case of any commodity swap contract in respect of which one leg is a fixed price and the other leg the current market price, the bank shall incorporate the said contract into its measurement system as a series of positions equal to the notional amount of the said contract, with one position corresponding with each payment on the swap and assigned to the relevant maturity ladder and relevant time band;
 - (iv) in the case of a commodity swap contract in respect of which the relevant legs are in different commodities, the bank shall incorporate the relevant commodity positions into the relevant maturity ladder for each relevant commodity, that is, the bank shall not apply offsetting between different commodity positions;
- (B) may, in order to calculate the bank’s open position in respect of a particular commodity, offset or net any relevant long position and short positions in the specific commodity;
- (C) shall not in the calculation of the bank’s open position in respect of a particular commodity offset or net positions in different commodities;
- (D) shall express each relevant commodity position, that is, any relevant spot or forward position, in terms of the relevant standard unit of measurement, which standard unit of measurement may be barrels, kilograms or grams;
- (E) shall convert any relevant net position in respect of each relevant commodity at current spot rates into the required reporting currency;

- (F) shall in respect of each relevant commodity apply a separate maturity ladder in accordance with the relevant requirements specified in table 7 below, that is, based on the requirements specified in table 7 below, the bank shall capture all relevant positions relating to a particular commodity, provided that-
- (i) the bank shall express any relevant position in the relevant standard unit of measurement for the said commodity;
 - (ii) the bank shall capture any physical stock in the first time band;
 - (iii) in order to capture forward gap and interest rate risk within a particular time band, which risks together are often referred to as curvature or spread risk, all relevant matched long positions and short positions in each relevant time band shall be subject to a specified capital requirement;
 - (iv) in respect of each relevant time band, the bank shall multiply the sum of short positions and long positions that are matched firstly with the relevant spot price for the particular commodity and secondly with the spread rate specified for the particular time band, as set out in table 7 below;
 - (v) the bank may subsequently carry forward and offset residual net positions from nearer time bands against exposures in time bands that are further out, provided that-
 - (aa) in order to recognise that hedging of positions across different time bands is imprecise the bank shall in respect of each specified time band apply a further capital requirement equal to 0.6 per cent of the residual net position carried forward;
 - (bb) based on the spread rates specified in table 7 below, the bank shall apply an additional capital requirement in respect of each matched amount created by carrying residual net positions forward;
 - (vi) in respect of the relevant residual long or short positions that remain at the end of the aforementioned process the bank shall apply a capital requirement equal to 15 per cent.

Table 7
Time-bands and spread rates

Time band	Spread rate
0 ≤ 1 month	1,50%
> 1 ≤ 3 months	1,50%
> 3 ≤ 6 months	1,50%
> 6 ≤ 12 months	1,50%
> 1 ≤ 2 years	1,50%
> 2 ≤ 3 years	1,50%
> 3 years	1,50%

For example, assume that, based on the relevant requirements specified above, the positions in respect of a particular commodity are as follows:

Time band	Position	Spread rate	Capital calculation	Capital requirement
0 ≤ 1 month		1,50%		
> 1 ≤ 3 months		1,50%		
> 3 ≤ 6 months	Long = R800 Short = R1000	1,50%	Matched position is R800 long plus R800 short x 1,50% R200 short carried forward to the 1 to 2 year time band means- R200 x 2 x 0,6%	24,00 2,40
> 6 ≤ 12 months		1,50%		
> 1 ≤ 2 years	Long = R600	1,50%	Matched position is R200 long plus R200 short x 1,50% R400 long carried forward to the more than 3 year time-band means R400 x 2 x 0,6%	6,00 4,80
> 2 ≤ 3 years		1,50%		
> 3 years	Short = R600	1,50%	Matched position is R400 long plus R400 short x 1,50% Net residual position is R200 which means R200 x 15%	12,00 30,00

The bank's aggregate capital requirement in respect of the relevant commodity shall be equal to R79,20.

(iv) Matters relating to internal models

A bank that obtained the approval of the Registrar to adopt the internal models approach for the measurement of the bank's exposure to market risk arising from commodity positions held in either the bank's banking book or trading book-

- (A) shall continuously comply with the relevant requirements specified in subregulation (8) below;
- (B) may, based on empirical correlations that fall within a range specified in writing by the Registrar and subject to such conditions as may be specified in writing by the Registrar, offset all relevant long positions and short positions in different commodities;
- (C) shall ensure that the bank's models duly capture and reflect the impact of all relevant market characteristics, including any relevant delivery dates and the scope provided to traders to close out positions.

(f) Matters relating to options

(i) For the measurement of a bank's exposure to price risk arising from option positions, a bank-

- (A) that solely uses purchased options or hedges all written option positions with perfectly matched long positions in exactly the same options may adopt the simplified approach specified in subparagraph (ii) below;
- (B) that also writes options shall adopt the delta-plus approach, scenario approach or comprehensive risk management model approach respectively specified in subparagraphs (iii) and (iv), and in subregulation (8) below,

provided that-

- (i) the bank shall adopt the more sophisticated approaches specified in this paragraph (f) when the bank's trading activities in options become significant or when the bank conducts business in exotic options;
- (ii) a bank that wishes to adopt the scenario approach or internal models approach shall obtain the prior written approval of the Registrar and shall comply with such conditions as may be specified in writing by the Registrar in addition to such conditions as may be specified in these Regulations.

(ii) Matters relating to the simplified approach

A bank that adopted the simplified approach for the measurement of the bank's exposure to price risk arising from option positions-

- (A) shall "carve-out" the relevant option positions and their associated underlying, irrespective whether the said positions are cash or forward positions, and separately calculate the relevant capital requirements in respect of the said positions in accordance with the relevant requirements specified in this subparagraph (ii), which requirements incorporate both general risk and specific risk, that is, instead of applying the standardised methodology envisaged in this subregulation (7) the bank shall "carve-out" all relevant option positions and associated underlying positions and separately calculate the bank's capital requirements in respect of the said positions;
- (B) shall add to the relevant capital requirements relating to the bank's relevant category of instruments or exposures the relevant capital requirements calculated in accordance with the relevant requirements specified in this subparagraph (ii), that is, for example, interest rate related instruments, equity instruments, foreign exchange or commodities, as the case may be, calculated in accordance with the relevant requirements specified in this subregulation (7);
- (C) shall, based on the relevant requirements specified in table 8 below, calculate the bank's required amount of capital and reserve funds in respect of the said option positions.

Table 8
Simplified approach: capital requirements

Relevant position	Capital requirement
Long cash and long put or Short cash and long call	The bank's capital requirement shall be equal to the market value of the relevant underlying instrument ^{1, 2} multiplied by the sum of specific risk and general risk for the said underlying instrument, less the extent to which the option is in the money ³
Long call or Long put	The bank's capital requirement shall be equal to the lesser of: (i) the market value of the underlying instrument multiplied by the sum of the specific and general risk requirement relating to the said underlying instrument; or (ii) the market value of the option.

1. When the market value of the underlying instrument may be zero, such as caps and floors, or swaptions, the bank shall use the relevant nominal value.
2. When it is unclear which side is the "relevant underlying instrument", such as in the case of foreign exchange, the bank shall base its calculation on the asset that will be received when the option is exercised.
3. In the case of options with a residual maturity of more than six months the bank shall compare the strike price with the forward price instead of the current price, otherwise the in-the-money amount shall be deemed to be equal to zero.

For example, when a bank that holds 100 shares currently valued at R10 each has an equivalent put option with a strike price of R11, the bank's capital requirement shall be equal to $R1,000 \times 16$ per cent, that is, 8 per cent specific risk plus 8 per cent general risk, which is equal to R160, less the amount the option is in the money, that is, $(R11 - R10) \times 100$, which is equal to R100. Therefore the bank's aggregate capital requirement in respect of the said position is equal to R60.

(iii) Matters relating to the delta-plus approach

A bank that adopted the delta-plus approach for the measurement of the bank's exposure to price risk arising from option positions, which approach incorporates specified sensitivity parameters associated with options-

(A) shall incorporate the relevant delta-weighted position relating to each relevant option position, that is, the market value of the underlying instrument multiplied with the absolute value of the relevant delta, into the relevant standardised framework specified in this subregulation (7)-

(i) which standardized framework may relate to debt securities and other interest rate related instruments, equity instruments, foreign exchange risk which includes gold, or commodity risk;

(ii) which delta value measures the sensitivity of the value of the option with respect to a change in the price of the underlying asset or instrument;

(iii) which delta-equivalent amount, for example, shall be subject to the relevant general risk requirement;

(B) shall, based on the relevant requirements specified in this subparagraph (iii), in addition to the relevant requirements for delta risk and in respect of each relevant option position, separately calculate the bank's required amount of capital and reserve funds in respect of gamma sensitivity, which gamma sensitivity measures the relevant rate of change in the delta value, and vega sensitivity, which vega sensitivity measures the sensitivity of the value of the option with respect to a change in volatility, which sensitivity parameters are associated with each relevant option position and shall be calculated in the manner approved or specified in writing by the Registrar, provided that-

(i) in respect of the said calculation the bank shall treat the positions specified below as the same underlying:

(aa) In the case of interest rates and in respect of each relevant maturity ladder per currency, each relevant time band specified in table 4 in paragraph (b), provided that a bank that adopted the duration method shall use the relevant time bands specified in table 6 in paragraph (b).

- (bb) In the case of equities and stock indices, each relevant national market sector.
 - (cc) In the case of foreign currencies and gold, each relevant currency pair and gold.
 - (dd) In the case of commodities, each relevant individual commodity.
- (ii) in respect of the relevant options relating to the same underlying the bank shall aggregate the relevant gamma impact value calculated in respect of each relevant option, which value may be either positive or negative, in order to determine a net gamma impact for each relevant underlying, which net gamma impact may be either positive or negative, provided that in the calculation of the bank's required amount of capital and reserve funds-
- (aa) the bank shall include only negative net gamma impacts;
 - (bb) the total gamma capital requirement shall be equal to the sum of the absolute value of the net negative gamma impacts calculated in accordance with the relevant requirements specified in this subparagraph (iii);
- (iii) in respect of volatility risk the bank shall calculate its required amount of capital and reserve funds by firstly multiplying the sum of the relevant vega values for all options relating to the same underlying by a proportional shift in volatility of ± 25 per cent and then by aggregating the absolute value of the said individual capital requirements calculated for vega risk;
- (C) shall separately calculate the bank's capital requirements in respect of specific risk by multiplying the relevant delta-equivalent amount of each relevant option position with the relevant specific risk weights specified in paragraphs (b) and (c) above;
- (D) shall in the case of a delta-weighted position with a debt security or interest rate instrument as the underlying instrument include the said position in the relevant interest rate time band specified in paragraph (b) above in a manner similar to other derivative instruments, that is, based on a two legged approach, provided that the bank shall treat any floating rate instruments with caps or floors as a combination of floating rate instruments and a series of European-style options.

For example-

- (i) in respect of the reporting month of April, based on the relevant delta-equivalent value, the bank shall report a bought call option on a June three-month interest-rate future as a long position with a maturity of five months and a short position with a maturity of two months, and a written option as a long position with a maturity of two months and a short position with a maturity of five months;
 - (ii) in respect of the reporting month of April, based on the relevant delta-equivalent value, the bank shall report a two months call option on a bond future in respect of which delivery of the bond takes place in September as a long position in respect of the bond and short a five months deposit;
 - (iii) when the bank holds a three-year floating rate bond indexed to six month JIBAR with a cap of 15 per cent, the bank shall report a debt security that reprices in six months' time and a series of five written call options on a FRA with a reference rate of 15 per cent, each with a negative sign at the time the underlying FRA takes effect and a positive sign at the time the underlying FRA matures.
- (E) shall in the case of an option with an equity instrument as the underlying instrument, based on the relevant delta-weighted position, include the relevant position in the bank's measurement framework in accordance with the relevant requirements specified in paragraph (c) above, provided that the bank shall treat each relevant national market as a separate underlying;
- (F) shall in the case of an option in respect of a foreign exchange or gold position, based on the relevant delta equivalent of the said foreign currency or gold option, include the said position in the measurement of the bank's exposure in respect of the relevant currency or gold position in accordance with the relevant requirements specified in paragraph (d) above;
- (G) shall in the case of an option in respect of a commodity, based on the relevant requirements of the simplified or maturity ladder approach specified in paragraph (e) above, and the relevant delta-weighted position, include the said option position;
- (H) shall in respect of each relevant option position separately calculate the gamma impact according to a Taylor series expansion as:

$$\text{gamma impact} = \frac{1}{2} \times \text{gamma} \times \text{VU}^2$$

where:

VU is the variation in the price of the relevant underlying instrument of the option, which VU value-

- (i) shall in the case of an interest rate option in respect of which the underlying instrument is a bond be calculated by multiplying the market value of the said underlying instrument with the relevant risk weight specified in table 4 in paragraph (b), provided that the bank shall do a similar calculation when the underlying is an interest rate, in which case the bank's calculation shall be based on the relevant assumed change in the yield specified in table 4 in paragraph (b);
- (ii) shall in the case of an option in respect of an equity or equity index be calculated by multiplying the market value of the relevant underlying instrument with 8 per cent;
- (iii) shall in the case of an option in respect of foreign exchange or gold be calculated by multiplying the market value of the relevant underlying instrument with 8 per cent;
- (iv) shall in the case of an option in respect of a commodity be calculated by multiplying the market value of the said underlying instrument with 15 per cent.

(iv) Matters relating to the scenario approach

A bank that obtained the approval of the Registrar to adopt the scenario approach, which approach makes use of simulation techniques in order to calculate changes in the value of an options portfolio based on simultaneous changes in the relevant underlying rates or prices and the volatility of those rates or prices-

- (A) shall separately calculate the bank's relevant capital requirements in respect of specific risk by multiplying the relevant delta-equivalent amount of each relevant option position with the relevant specific risk weights specified in paragraphs (b) and (c) above;
- (B) shall in order to calculate the bank's relevant required amount of capital and reserve funds in respect of general risk arising from all relevant option positions develop a scenario grid, that is, a matrix that contains a specified combination of underlying price and volatility changes, provided that-

- (i) based on the relevant requirements specified in the delta-plus approach, in subparagraph (iii)(B)(i) above, the bank-
 - (aa) shall duly define the relevant underlying positions, provided that, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, a bank that conducts significant business in options may in respect of its interest rate options base the relevant required calculations on a minimum of six sets of time bands, provided that in no case shall the bank combine more than three of the relevant specified time bands;
 - (bb) shall develop a separate matrix for each relevant individual underlying;
- (ii) in order to calculate the bank's relevant required amount of capital and reserve funds, the bank shall revalue the relevant option portfolio by making use of the said matrices for simultaneous changes in the option's underlying rate or price and the volatility of that rate or price;
- (iii) the bank shall evaluate the relevant options and the related hedging positions over the ranges specified in this sub-item (iii),
 - (aa) which ranges are specified above and below the current value of the relevant underlying;
 - (bb) which range shall in the case of interest rates be consistent with the assumed changes in yield specified in table 4 in paragraph (b), provided that a bank that obtained the approval of the Registrar to combine time bands in respect of interest rate options shall in respect of each relevant combined time band apply the highest of the assumed changes in yield applicable to the relevant group to which the time band belongs.

For example, when the bank combines time bands 3 to 4 years, 4 to 5 years and 5 to 7 years the highest assumed change in yield of the said three bands shall be equal to 0.75.

- (cc) which range shall in the case of equities be equal to ± 8 per cent;
- (dd) which range shall in the case of foreign exchange and gold be equal to ± 8 per cent;
- (ee) which range shall in the case of commodities be equal to ± 15 per cent,

Provided that for each relevant risk category, in order to divide the relevant total range into equally spaced intervals, the bank shall use the number of observations specified in writing by the Registrar, which number of observations shall in no case be less than seven observations or price points and shall include the relevant current observation.

- (iv) in respect of the second dimension of each relevant matrix the bank shall apply a single change in the volatility of the underlying rate or price equal to +25 per cent and -25 per cent, provided that the Registrar may require a bank-
 - (aa) to apply a different change in volatility; and/or
 - (bb) to calculate intermediate points on the relevant grid;
 - (v) in respect of each relevant underlying the bank's capital requirement shall be equal to the largest loss contained in the relevant matrix, that is, after calculating the relevant amounts in respect of each relevant matrix each relevant cell in the matrix shall reflect the relevant net profit or loss of the option and the underlying hedge instrument, and the bank's capital requirement shall be equal to the largest loss contained in the relevant matrix;
- (C) shall in addition to the risks specified in this paragraph (f) duly monitor all other relevant risks arising from option positions, such as rho, that is, the rate of change in the value of an option with respect to the interest rate, and theta, that is, the rate of change in the value of the option with respect to time;
- (D) may in the calculation of the bank's minimum required amount of capital and reserve funds in respect of interest rate risk include rho.
- (g) The reporting bank's total capital requirement in terms of the standardised approach for the measurement of the bank's exposure to market risk shall be equal to the sum of the respective capital requirements calculated in accordance with the relevant requirements and instruments specified in this subregulation (7).

(8) *Method 2: Internal models approach*

- (a) A bank that wishes to adopt the internal models approach for the measurement of the bank's exposure to market risk arising, *inter alia*, from positions held in the bank's trading book-
- (i) shall obtain the prior written approval of the Registrar;
 - (ii) shall at all times comply with the relevant conditions and requirements specified in this subregulation (8);
 - (iii) shall at all times comply with such additional conditions or requirements as may be specified in writing by the Registrar,

Provided that the Registrar-

- (A) may specify a period of initial monitoring and testing of the bank's internal models before the models are used by the bank to calculate the bank's relevant required amount of capital and reserve funds;
- (B) shall not grant approval for a bank to apply the internal models approach for the measurement of the bank's exposure to market risk unless-
 - (i) the Registrar is satisfied that the bank's risk management system is conceptually sound and implemented with integrity;
 - (ii) the bank has demonstrated to the satisfaction of the Registrar that the bank has a sufficient number of sufficiently skilled staff-
 - (aa) in the use of sophisticated models in the bank's trading area;
 - (bb) in risk control;
 - (cc) in audit; and
 - (dd) in all relevant back-office areas;
 - (iii) the bank has demonstrated to the satisfaction of the Registrar that its models have a proven track record of reasonable accuracy in the measurement of the bank's relevant risk exposures;
 - (iv) the bank has demonstrated to the satisfaction of the Registrar that the bank regularly conducts relevant stress tests in accordance with the relevant requirements specified in paragraph (f) below.

- (b) A bank that obtained the approval of the Registrar to adopt the internal models approach for the measurement of the bank's exposure to market risk shall, based on the relevant requirements relating to the standardised approach specified in subregulation (7), separately calculate a capital requirement in respect of the bank's exposure to specific risk arising from specific issuers of debt securities or equities unless the bank complies with the requirements relating to specific risk specified in paragraph (h) below, in which case the bank may use its internal models in order to calculate the bank's exposure to specific risk and the related required amount of capital and reserve funds.

- (c) Qualitative requirements

A bank that wishes to adopt the internal models approach for the measurement of the bank's exposure to market risk in respect of relevant positions held in the bank's trading book and/or banking book-

- (i) shall have in place models and risk management systems that are conceptually sound and implemented with integrity;
- (ii) as a minimum, shall continuously comply with the qualitative requirements specified in regulation 39(14)(b).

- (d) Matters relating to the specification of relevant market risk factors

In order to sufficiently capture the risks inherent in a bank's portfolio of on-balance-sheet and off-balance-sheet trading positions, as part of the bank's internal market risk measurement system, the bank shall specify an appropriate set of market risk factors, that is, market rates and prices that affect the value of the bank's trading positions, provided that-

- (i) any factor deemed relevant by the bank for pricing purposes shall be included as a risk factor in the bank's value-at-risk model.

When a risk factor is incorporated in the bank's pricing model but not in its value-at-risk model, the bank shall duly motivate, to the satisfaction of the Registrar, the omission of the said risk factor from the bank's value-at-risk model;

- (ii) the bank's value-at-risk model shall duly capture-
- (A) nonlinearities associated with options and other relevant products, such as mortgage-backed securities, tranching exposures or n-th-to-default credit derivative instruments;
- (B) correlation risk and basis risk, for example, between credit default swaps and bonds;
- (iii) the bank shall demonstrate to the satisfaction of the Registrar that any proxy used by the bank in its value-at-risk model has a good track record in respect of the actual position held by the bank, such as an equity index used for a position in an individual instrument;

- (iv) in the case of interest rates-
- (A) based on the nature of the bank's trading strategies, the bank shall specify an appropriate set of risk factors that correspond to the relevant interest rates in each relevant currency in which the bank holds interest-rate-sensitive on-balance-sheet or off-balance-sheet positions, that is, a bank with a portfolio of various types of security across many points of the yield curve and that engages in complex arbitrage strategies, for example, requires a greater number of risk factors to accurately capture the bank's exposure to interest rate risk;
 - (B) the bank's risk measurement system, amongst other things-
 - (i) shall model the yield curve, for example, by estimating forward rates of zero coupon yields;
 - (ii) shall incorporate separate risk factors to capture spread risk, for example, between bonds and swaps.
- A bank may use a variety of approaches to capture the spread risk arising from less than perfectly correlated movements between government and other fixed-income interest rates.
- For example, the bank may model a completely separate yield curve for non-government fixed-income instruments, such as swaps or municipal securities, or estimate the spread over government rates at various points along the yield curve.
- (C) in order to capture variation in the volatility of rates along a yield curve, the bank shall divide the yield curve into appropriate maturity segments and specify no less than one risk factor corresponding to each relevant maturity segment;
 - (D) in respect of material exposure to interest rate movements in major currencies and markets, the bank shall model a yield curve using no less than six risk factors;
- (v) in the case of exchange rates, which include gold-
- (A) the bank shall, as a minimum, specify relevant risk factors in respect of the exchange rate between the domestic currency and each foreign currency in which the bank has a significant exposure;
 - (B) the bank's risk measurement system shall incorporate the said risk factors relating to the individual foreign currencies in which the bank's positions are denominated.

- (vi) in the case of equities-
 - (A) the sophistication and nature of the bank's modelling technique for a particular market shall correspond-
 - (i) to the bank's exposure to the overall market; and
 - (ii) to the bank's concentration in individual equity issues in the said market;
 - (B) the bank shall, as a minimum, specify relevant risk factors in respect of each of the equity markets in which the bank holds significant positions, that is, based on the bank's exposure to the overall market and the bank's concentration in individual equity issues in the said market-
 - (i) the bank shall, as a minimum, specify a risk factor designed to capture market-wide movements in equity prices, such as a market index, and, for example, express positions in individual securities or in sector indices as "beta-equivalents" relative to the said market-wide index;
 - (ii) the bank shall specify risk factors in respect of the various sectors of the overall equity market, such as industry sectors or cyclical and non-cyclical sectors, and, for example, express positions in individual instruments within each sector as beta-equivalents relative to the sector index;
 - (iii) the bank shall specify risk factors relating to the volatility of individual equity issues.
- (vii) in the case of commodities the bank shall specify relevant risk factors in respect of each relevant commodity market in which the bank holds significant positions, provided that-
 - (A) a bank with limited positions in commodity-based instruments may specify only one risk factor in respect of each commodity price to which the bank is exposed;
 - (B) a bank that actively trades in commodities shall duly take account of any variation in the convenience yield between derivatives positions, such as forwards and swaps, and cash positions in the commodity, which yield-
 - (i) reflects the benefits from direct ownership of a physical commodity, such as the ability to profit from temporary market shortages;

- (ii) is affected by market conditions and factors such as physical storage cost;
 - (C) the bank shall duly manage its exposure to directional risk, forward gap and interest rate risk, and any relevant basis risk.
- (e) Quantitative requirements relating to, among other things, minimum statistical parameters for the measurement of a bank's exposure to market risk
 - (i) A bank that obtained the approval of the Registrar to adopt the internal models approach for the measurement of the bank's exposure to market risk arising from relevant positions held in the bank's trading book and/or banking book-
 - (A) shall on a daily basis calculate the bank's value-at-risk ("VaR") amount, which VaR amount-
 - (i) shall be based on a 99th percentile, one-tailed confidence interval;
 - (ii) shall be based on an instantaneous price shock equivalent to a ten day movement in market prices, that is, a minimum "holding period" of ten trading days, provided that when the bank is unable to determine the required value-at-risk amounts based on a ten day holding period, and the bank's VaR amount is based on a holding period of less than ten trading days, the bank shall scale up the relevant calculated VaR amounts to ten trading days by making use of, for example, the relevant square root of time formula for the treatment of options, provided that a bank that does make use of such square root of time formula to scale up its relevant calculated VaR amount to ten trading days shall periodically demonstrate to the satisfaction of the Registrar the continued reasonableness of the said calculation;
 - (iii) shall be based on a historical observation period or sample period of no less than one year, provided that-
 - (aa) the Registrar may require a bank to calculate its value-at-risk amount based on a shorter observation period when, in the opinion of the Registrar, the said calculation is justified by a significant upsurge in market price volatility;
 - (bb) a bank that uses a weighting scheme or other methods in respect of the historical observation period shall ensure that the "effective" observation period is no less than one year, that is, the weighted average time lag of the individual observations shall not be less than six months, or the method used by the bank shall result in a required amount of capital and reserve funds at least as conservative as the amount calculated in accordance with the requirement related to the aforesaid observation period;

- (B) shall update its data sets no less frequently than once every month, provided that the bank shall reassess the relevant data sets whenever market prices are subject to material changes, that is, the bank's internal processes related to the updating of data sets shall be sufficiently flexible to allow for the frequent updating of all relevant data sets;
- (C) may recognise empirical correlations **within** broad risk categories such as interest rates, exchange rates, equity prices and commodity prices, including related option volatilities in respect of each relevant risk-factor category, provided that, subject to the prior written approval of and such further conditions as may be specified in writing by the Registrar, a bank may also recognise empirical correlations **across** broad risk factor categories;
- (D) shall have in place a robust risk measurement system, which risk-measurement system-
 - (i) among other things, shall duly capture the unique risks associated with options within each of the specified broad categories of risk, that is, the bank's model shall accurately capture the non-linear price characteristics associated with option positions, provided that-
 - (aa) ultimately the bank shall move towards the application of a full 10-day price shock to option positions or positions that display option-like characteristics;
 - (bb) the Registrar may require a bank to adjust its capital measure for option risk through the application of methods such as periodic simulations or stress testing, the results of which simulations or stress testing shall be duly documented;
 - (ii) shall contain a set of risk factors that captures the volatilities of the rates and prices underlying all relevant option positions, that is, vega risk, provided that a bank with large and/or complex option portfolios shall have in place detailed specifications of the relevant volatilities, that is, based on the relevant different maturities of the bank's option positions, the bank shall measure the relevant volatilities relating to all relevant option positions.

- (E) shall, in addition to the aforesaid VaR calculation, calculate a stressed value-at-risk ("sVaR") measure, which sVaR-
- (i) replicates a value-at-risk calculation that would be generated on the bank's current portfolio if the relevant market factors were subject to a period of significant stress;
 - (ii) shall be based on a 10-day, 99th percentile, one-tailed confidence interval value-at-risk measure of the bank's current portfolio, with model inputs calibrated to historical data from a continuous 12-month period of significant financial stress relevant to the bank's portfolio, such as a 12-month period relating to significant losses incurred during the 2007/2008 financial market crisis, which period shall regularly be reviewed by the bank;
 - (iii) shall be calculated at least once every week;
 - (iv) calculation and any related matter, including the relevant 12-month period of significant financial stress, shall be subject to such further conditions or requirements as may be specified in writing by the Registrar;
- (ii) No particular type of model is prescribed, that is, a bank may, at the discretion of the bank, for example, use models based on variance-covariance matrices, historical simulations, or Monte Carlo simulations, provided that the model used by the bank shall capture all relevant material risks incurred by the bank.
- (iii) On a daily basis, as a minimum, subject to any relevant requirement related to the calculation and/or maintenance of a minimum required amount of capital and reserve funds that may be specified in the form BA 700 or in regulation 38 of these Regulations, a bank that obtained the approval of the Registrar to adopt the internal models approach for the measurement of the bank's exposure to market risk shall maintain a capital requirement in respect of the said exposure, equal to the sum of-
- (A) the higher of-
- (i) the previous day's VaR amount, that is, VaR_{t-1} , measured in accordance with the relevant parameters and requirements specified in this subregulation (8); or
 - (ii) the average amount of the daily VaR amount, that is, VaR_{avg} , calculated in accordance with the relevant parameters and requirements specified in this subregulation (8), in respect of each of the preceding sixty business days, multiplied by the multiplication factor, m_c , envisaged in subparagraph (iv) below;

and, or plus-

(B) the higher of-

- (i) the latest available sVaR amount, that is, sVaR_{t-1}, measured in accordance with the relevant parameters and requirements specified in this subregulation (8); or
- (ii) the average amount of the sVaR amount, that is, sVaR_{avg}, calculated in accordance with the relevant parameters and requirements specified in this subregulation (8), in respect of the preceding sixty business days, multiplied by the multiplication factor, m_s, envisaged in subparagraph (iv) below;

that is, the bank's required amount of capital and reserve funds shall be equal to:

$$\max\{\text{VaR}_{t-1}; m_c \times \text{VaR}_{\text{avg}}\} + \max\{\text{sVaR}_{t-1}; m_s \times \text{sVaR}_{\text{avg}}\}$$

(iv) Based on, among other things, the Registrar's assessment of the quality of a bank's risk management system and related processes, the Registrar shall specify in writing the aforesaid multiplication factors, m_c and m_s, which multiplication factors shall in no case be less than three, and a "plus-factor", which plus-factor-

- (A) shall directly relate to the ex-post performance of the bank's model, thereby providing a built-in incentive for the bank to maintain or improve the predictive quality of the model;
- (B) based on the outcome of backtesting, may range between zero and one, that is, when the backtesting results of the relevant bank-
 - (i) are satisfactory, and the bank complies with all the qualitative standards specified in regulation 39(14)(b), the plus factor may be equal to zero; or
 - (ii) fall into the red zone specified by the Registrar from time to time, the multiplication factor applicable to the said bank's model shall automatically increase by one, to four.
- (C) shall be based on the outcome of backtesting in respect of the bank's VaR amount, and not the bank's sVaR amount.

- (f) Specific matters relating to stress testing
- (i) A bank that obtained the approval of the Registrar to adopt the internal models approach for the measurement of the bank's exposure to market risk shall have in place a rigorous and comprehensive programme or process of stress testing-
- (A) which programme or process of stress testing-
- (i) shall be sufficiently robust to identify events or influences that may have a material impact on the bank's exposure to risk;
- (ii) shall form an integral part of the bank's assessment of its capital adequacy;
- (iii) shall duly make provision for stress scenarios that cover a range of factors that may cause extraordinary losses or gains in respect of the bank's trading positions and portfolios, or complicate the control of the relevant risks in the said portfolios-
- (aa) which factors shall include low probability events in all major types of risk, including the various components of market risk, credit risk and operational risks;
- (bb) which stress scenarios shall provide sufficient information relating to the impact of the said events on positions that display linear and/or non-linear price characteristics, that is, options and instruments with option-like characteristics;
- (iv) shall be quantitative and qualitative in nature, incorporating, among other things, market risk and liquidity aspects of market disturbances-
- (aa) which quantitative criteria shall identify plausible stress scenarios to which the bank may be exposed;
- (bb) which qualitative criteria shall include-
- (i) an evaluation of the capacity of the bank's capital and reserve funds to absorb potential material losses;
- (ii) the identification of steps that the bank can take in order to reduce the bank's exposure to risk, or to conserve capital;

- (v) shall be sufficiently robust to combine stress scenarios specified by the Registrar with stress tests developed by the bank in order to reflect the specific risk characteristics of the bank.
- (B) the results of which stress testing-
- (i) shall routinely be communicated to the bank's senior management and board of directors;
 - (ii) shall form an integral part of determining and evaluating the bank's management strategy;
 - (iii) shall be duly documented.
- (ii) At the request of the Registrar, the reporting bank shall conduct the tests and provide the information relating to the matters specified below:
- (A) Supervisory scenarios not requiring any simulation by the bank
- For review by the Registrar, a bank shall have available detailed information relating to the largest losses experienced by the bank during a particular reporting period, which information-
- (i) may be compared to the level of required and allocated capital and reserve funds calculated in terms of a bank's internal models;
 - (ii) shall be sufficient to indicate to the Registrar how many days of peak day losses would have been covered by a given value-at-risk estimate.
- (B) Scenarios requiring simulation by the bank
- At the request of the Registrar, the reporting bank-
- (i) shall subject its portfolios to a series of simulated stress scenarios, which scenarios-
 - (aa) may include a test of the bank's current portfolio against previous periods of significant disturbance, such as the sharp fall in equity markets during 1987 or the 2007/2008 sub-prime and financial market crisis, incorporating large price movements and a sharp reduction in liquidity associated with such events;

- (bb) may evaluate the sensitivity of the bank's market risk exposure to changes in the assumptions relating to volatilities and correlations. Application of this test would require an evaluation of the historical range of variation for volatilities and correlations and an evaluation of the bank's current positions against the extreme values associated with the said historical range;
- (cc) may include or evaluate such other matters or assumptions as may be specified in writing by the Registrar;
- (ii) shall in writing provide to the Registrar the results of the aforesaid simulated stress scenarios,

Provided that in respect of the aforesaid stress scenarios, the bank shall consider the impact of sharp variations that may have occurred in a matter of days during periods of significant market disturbance in the past. For example, at the height of some of the historic financial market stress events or scenarios, correlations within risk factors approached the extreme values of 1 or -1 for several days.

- (C) Scenarios developed by the bank in order to capture the specific characteristics of its portfolio

In addition to the scenarios envisaged in items (A) and (B) above, based on the characteristics of the bank's relevant portfolio, the reporting bank shall develop its own stress tests and scenarios identified by the bank to be most adverse, which scenarios, for example, may include problems experienced in a key region of the world combined with a sharp change in oil prices or prices of other commodities traded in the particular region, provided that-

- (i) the bank shall in writing provide the Registrar with a description of the methodology used by the bank to identify and conduct the aforesaid scenarios, and a description of the results;
- (ii) the results of the aforesaid stress tests and scenarios shall regularly be reviewed by the senior management of the bank and shall be duly reflected in the relevant policies approved and limits set by the bank's senior management and board of directors.

Provided that when the aforesaid results reveal particular vulnerability to a particular set of circumstances, the bank shall take prompt actions in order to appropriately manage the relevant risks, which actions may include hedging against or reducing the extent of the bank's exposure to market risk.

(g) Matters relating to external validation

From time to time the Registrar may require that a process of external validation be conducted in respect of the accuracy of the models of a bank that obtained the approval of the Registrar to adopt the internal models approach for the measurement of the bank's exposure to market risk, which external validation-

- (i) may be conducted by external consultants, external auditors, the Registrar or such other person as may be specified in writing by the Registrar;
- (ii) as a minimum, shall provide reasonable assurance to the Registrar that-
 - (A) the internal validation processes envisaged in regulation 39(14)(b) are duly functioning;
 - (B) the formulae used-
 - (i) in the calculation of the bank's risk exposure and required amount of capital and reserve funds; and
 - (ii) in the pricing of options and other complex instruments,

are regularly validated by a qualified unit, which unit shall in all cases be independent from the relevant trading areas;
 - (C) the structure of the said internal models is adequate in relation to the bank's activities and geographical coverage;
 - (D) based on the results of, amongst other things, the backtesting process of the bank's internal measurement system, during which process the bank's value-at-risk estimates are compared to actual profits and losses, it is concluded that the models provide a reliable measure of potential losses that may be suffered by the bank over time, for which purposes, when requested, the bank shall make available the results of and the underlying inputs to its value-at-risk calculations;
 - (E) data flows and processes associated with the bank's risk-measurement system are transparent and accessible, that is, whenever necessary and provided that the appropriate procedures have been followed, the bank shall ensure easy access to the specifications and parameters of the relevant models.

- (h) Matters specifically related to the treatment of specific risk
- (i) A bank that has in place a VaR model that measures and incorporates specific risk arising from equity positions, debt securities or other interest rate related instruments, other than securitisation or resecuritisation exposures and n-th-to-default credit derivative instruments, held in the bank's trading book, which model, in addition to the relevant requirements specified in this paragraph (h) and in regulation 39(14)(c) of these Regulations, to the satisfaction of the Registrar, meets all the relevant qualitative and quantitative requirements relating to general market risk models envisaged or specified in paragraphs (c) to (e) of this subregulation (8), may, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, base the bank's required amount of capital and reserve funds relating to specific risk on the bank's modelled estimate of specific risk, provided that-
- (A) a bank that is unable to comply with the additional criteria and requirements specified in this paragraph (h) shall calculate its relevant required amount of capital and reserve funds relating to specific risk in accordance with the relevant requirements specified in the standardised method, in subregulation (7);
- (B) unless specifically otherwise provided in this paragraph (h), in the case of securitisation or resecuritisation exposure and n-th-to-default credit derivative instruments, the bank shall calculate its relevant required amount of capital and reserve funds relating to specific risk in accordance with the relevant requirements specified in the standardised method, in subregulation (7);
- (C) as a minimum, the bank's model-
- (i) shall capture all relevant material components of price risk;
- (ii) shall be responsive to relevant changes in market conditions and compositions of portfolios;
- (iii) shall duly explain the historical price variation in the portfolio by way of, for example, the application of "goodness-of-fit" measures such as an R-squared measure from regression methodology, or such measure as may be approved in writing by the Registrar;
- (iv) shall duly capture concentrations that include magnitude and changes in composition, that is, the bank shall demonstrate to the satisfaction of the Registrar that the model is sensitive to changes in portfolio construction and reflects higher capital requirements in respect of portfolios with increasing concentrations relating to particular names or sectors;

- (v) shall be sufficiently robust to an adverse environment, that is, the bank shall demonstrate to the satisfaction of the Registrar that the model signals rising risk in an adverse environment, which, for example, may be achieved by incorporating in the historical estimation period of the model at least one full credit cycle and ensuring that the model duly reflects the impact of the downward portion of the cycle;
 - (vi) shall duly capture name-related basis risk, that is, the bank shall demonstrate to the satisfaction of the Registrar that the model is sensitive to material idiosyncratic differences between similar but not identical positions such as, for example, debt positions with different levels of subordination or maturity mismatches, or credit derivative instruments that specify different default events;
 - (vii) shall duly capture event risk which, in the case of debt positions, shall include migration risk, and, for example, in the case of equity positions, events that are reflected in large changes or jumps in prices, such as merger break-ups or takeovers;
 - (viii) shall be validated through relevant and robust backtesting;
 - (ix) shall conservatively assess risk arising from less liquid positions and/or positions with limited price transparency under realistic market scenarios;
 - (x) shall only make use of proxies when available data is insufficient or not reflective of the actual volatility of a position or portfolio, and only when the said proxies are appropriately conservative;
- (D) when the bank is exposed to event risk that is not duly reflected in the bank's estimate of VaR due to the event, for example, being beyond the 10-day holding period or 99th per cent confidence interval, that is, low probability and high severity events, the bank shall factor into its internal assessment of economic capital the said impact, for example, through stress testing;
- (E) in the case of interest rate related instruments or positions, that is, instruments or positions subject to specific interest rate risk, other than securitisation or resecuritisation exposures and n-th-to-default credit derivative instruments, the bank's internally developed approach shall duly capture incremental default and migration risks, that is, risks that are incremental to the relevant risks specified in item (C) above, provided that-

- (i) the bank's incremental risk requirement (IRC) shall as a minimum estimate-
 - (aa) the default risk, that is, the potential for direct loss due to an obligor's default as well as the potential for indirect losses that may arise from a default event, including losses caused by broader market-wide events affecting multiple issues or issuers; and
 - (bb) the migration risks, that is, the potential for direct loss due to an internal or external rating downgrade or upgrade as well as the potential for indirect losses that may arise from a credit migration event,

of all relevant unsecuritised credit products over a one-year capital horizon at a confidence level of 99.9 per cent, taking into account the liquidity horizons of all relevant positions or sets of positions;

- (ii) the bank's approach and models used to capture incremental risks shall meet a soundness standard comparable to the standard specified in respect of the IRB approach for credit risk, specified in regulation 23 of these Regulations, under the assumption of a constant level of risk, and adjusted where appropriate to reflect the impact of liquidity, concentrations, hedging, and optionality;
- (iii) as stated hereinbefore, for each IRC-covered position, the bank's model shall capture the impact of rebalancing positions at the end of their liquidity horizons so as to achieve a constant level of risk over a one-year capital horizon, that is-
 - (aa) the bank shall rebalance or roll over the relevant positions over the one-year capital horizon in a manner that maintains the initial risk level, as indicated by a metric such as VaR or the profile of exposure by credit rating and concentration.

Rebalancing positions does not imply, as the IRB approach for the banking book does, that the same positions will be maintained throughout the capital horizon. Particularly for more liquid and more highly rated positions, this provides a benefit relative to the treatment under the IRB framework.

However, a bank may use a one-year constant position assumption, as long as it does so consistently across all relevant portfolios.

- (bb) the bank shall incorporate the effect of replacing positions of which the credit characteristics have improved or deteriorated over the liquidity horizon with positions that have risk characteristics equivalent to those that the original position had at the start of the liquidity horizon;

Provided that the frequency of the aforesaid assumed rebalancing shall be governed by the liquidity horizon for a given position;

- (iv) the liquidity horizon-
 - (aa) shall represent the time required to sell the relevant position or hedge all material risks covered by the IRC model in a stressed market;
 - (bb) shall be measured under conservative assumptions, and shall be sufficiently long that the act of selling or hedging, in itself, does not materially affect market prices;
 - (cc) shall be subject to a floor of three months for any relevant position or set of positions;
 - (dd) shall be greater for positions that are concentrated-
 - (i) to reflect the longer period needed to liquidate such positions; and
 - (ii) to provide adequate capital against two types of concentration, namely issuer concentration and market concentration.

Provided that a bank may assess liquidity by position or on an aggregated basis ("in buckets").

When an aggregated basis is used, such as investment-grade corporate exposures not part of a core CDS index, the aggregation criteria shall be defined in a way that meaningfully reflect differences in liquidity.

- (v) the bank's incremental risk requirement shall include the impact of correlations between default and migration events among obligors since dependence among obligors may cause a clustering of default and migration events;

- (vi) consistent with the principle contained in these Regulations not to allow any diversification benefit when combining capital requirements for credit risk and market risk, the bank's incremental risk requirement shall not incorporate or reflect any diversification benefit between default or migration events and other market variables, that is, the capital requirement for incremental default and migration risk shall be added to the bank's VaR-based capital requirement for market risk;
- (vii) the bank's incremental risk requirement shall appropriately reflect issuer and market concentrations, including concentrations that can arise within and across product classes under stressed conditions.

Therefore, other things being equal, a concentrated portfolio shall attract a higher incremental risk capital requirement than a more granular portfolio.

- (viii) within the bank's IRC model, consistent with the principle relating to gross balances, contained in these Regulations, exposure amounts shall be captured on a gross basis, provided that long and short positions that relate to the same financial instrument may be netted, that is, hedging or diversification effects associated with long and short positions involving different instruments or different securities of the same obligor ("intra-obligor hedges"), as well as long and short positions in different issuers ("inter-obligor hedges"), shall not be recognised through the netting of exposure amounts;
- (ix) the bank's incremental risk requirement shall duly reflect significant basis risks by product, seniority in the capital structure, internal or external rating, maturity, vintage for offsetting positions as well as differences between offsetting instruments, such as different payout triggers and procedures;
- (x) for trading book risk positions that are hedged via dynamic hedging strategies, the bank may recognize a rebalancing of the hedge within the liquidity horizon of the hedged position, provided that-
 - (aa) the bank shall model the rebalancing of the hedge consistently over the relevant set of trading book risk positions;

-
- (bb) the bank shall demonstrate to the satisfaction of the Registrar-
- (i) that the said inclusion of rebalancing results in a better risk measurement;
 - (ii) that the markets for the instruments serving as a hedge are liquid enough to allow for this kind of rebalancing, even during periods of stress;
 - (iii) that any residual risks resulting from the bank's dynamic hedging strategies are duly incorporated into the bank's capital requirement;
- (xi) the bank's IRC model shall reflect the impact of optionality, that is, the bank's models shall include the nonlinear impact of options and other positions with material nonlinear behavior with respect to price changes, and the bank shall duly consider and evaluate the model risk inherent in the valuation and estimation of price risks associated with such products;
- (xii) the bank's model may incorporate correlation effects among the modelled risk factors, subject to the validation standards specified in regulation 39(14)(c);
- (xiii) the bank's internally developed approach to capture incremental default and migration risks shall comply with the relevant additional qualitative requirements specified in regulation 39(14)(c);
- (xiv) the bank may choose to consistently include all listed equity and derivative positions based on listed equity in its incremental risk model when such inclusion is consistent with how the bank internally measures and manages this risk at the trading desk level, provided that when equity securities are included in the computation of incremental risk, default shall be deemed to occur when the related debt defaults;
- (xv) when computing the bank's incremental risk requirement, the bank shall in no case incorporate into its IRC model any securitisation positions, even when securitisation positions are regarded by the bank as hedging underlying credit instruments held in the bank's trading book;

- (xvi) the bank's internally developed approach and IRC model shall be subject to the "use test", that is, the bank's approach and model shall be consistent with the bank's internal risk management policies, processes, procedures and methodologies for identifying, measuring, and managing its trading risks;
 - (xvii) a bank that does not capture the said incremental risks through its internal models shall calculate the relevant required amount of capital and reserve funds for specific risk in accordance with the relevant requirements specified in subregulation (7) above;
 - (F) the bank's correlation trading portfolio shall be subject to the further conditions and requirements specified in subparagraph (ii) below;
 - (G) the bank shall regularly conduct backtesting specifically aimed at assessing whether or not specific risk is duly captured, that is, the bank shall conduct separate backtests in respect of each relevant sub-portfolio approved by the Registrar using daily data in respect of the said sub-portfolio subject to specific risk;
 - (H) the bank shall have in place a robust process in order to analyse exceptions identified through the backtesting of specific risk, which process, among other things, shall serve as a basis for correcting the bank's model for specific risk when the model becomes inaccurate.
- (ii) Subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, a bank may incorporate in its internally developed approach and models, the bank's correlation trading portfolio, provided that-
- (A) the bank shall demonstrate to the satisfaction of the Registrar-
 - (i) that the bank complies with the qualitative requirements specified or referred to in this paragraph (h);
 - (ii) that the bank has sufficient market data to ensure that it fully captures the salient risks of all relevant exposures;
 - (iii) that the bank's risk measures can appropriately explain, for example through backtesting, the historical price variation of the relevant instruments or products;
 - (iv) that the bank is able to separate the instruments or positions for which it obtained approval to incorporate them in the bank's comprehensive risk measure from the instruments or positions for which the bank did not obtain the said approval;

(v) that the bank regularly applies a set of specific predetermined stress scenarios-

(aa) which stress scenarios shall be applied at least weekly;

(bb) the results of which stress scenarios, including comparisons with the capital requirements implied by the banks' internal model for estimating comprehensive risks as envisaged in this subparagraph (ii), shall be reported in writing to the Registrar on a frequent basis, but not less frequently than once a quarter;

Provided that any instances where the stress tests indicate a material shortfall of the comprehensive risk measure shall immediately be reported in writing to the Registrar.

(cc) which stress scenarios, as a minimum, shall examine the implications of stresses-

(i) to default rates;

(ii) to recovery rates;

(iii) to credit spreads;

(iv) to correlations on the correlation trading desk's profit and loss;

(dd) based on which stress testing results, the Registrar may impose a supplemental capital requirement against the bank's correlation trading portfolio, which requirement shall be in addition to the bank's relevant internally calculated capital requirement;

- (B) the said approach and models shall duly capture not only incremental default and migration risks as stated hereinbefore, but all relevant components of price risk, that is, the bank shall have in place a comprehensive risk measurement approach in respect of its correlation trading portfolio that captures all relevant components of price risk that impact the value of the relevant instruments or products, including-
- (i) the cumulative risk arising from multiple defaults, including the ordering of defaults, in tranching products;
 - (ii) credit spread risk, including the relevant gamma and cross-gamma effects;
 - (iii) volatility of implied correlations, including the relevant cross effect between spreads and correlations;
 - (iv) basis risk, including both-
 - (aa) the basis between the spread of an index and those of its constituent single names; and
 - (bb) the basis between the implied correlation of an index and that of bespoke portfolios;
 - (v) recovery rate volatility, as it relates to the propensity for recovery rates to affect tranche prices; and
 - (vi) to the extent that the comprehensive risk measure incorporates the benefits from dynamic hedging, the risk of hedge slippage and the potential cost of rebalancing such hedges.
- (C) this exception shall be available only to banks that actively buy and sell the relevant instruments or products;
- (D) the bank's required amount of capital and reserve funds relating to exposures included in the bank's internally developed approach and models shall not be less than eight per cent of the specific risk requirement calculated in accordance with the relevant requirements specified in subregulation (7);
- (E) the relevant exposures shall be incorporated into both the value-at-risk and stressed value-at-risk measures of the bank;
- (F) the bank shall at least weekly, or more frequently when directed in writing by the Registrar, calculate the incremental risk measure according to the relevant requirements specified in subparagraph (i)(E) above, and the comprehensive risk measure according to the requirements specified in this subparagraph (ii);

- (G) the bank's capital requirement-
- (i) for incremental risk shall be equal to the higher of-
 - (aa) the average of the incremental risk measures over 12 weeks; and
 - (bb) the most recent incremental risk measure,
multiplied by a scaling factor of 1.0.
 - (ii) for comprehensive risk shall be equal to the higher of-
 - (aa) the average of the comprehensive risk measures over 12 weeks; and
 - (bb) the most recent comprehensive risk measure,
multiplied by a scaling factor of 1.0.
 - (iii) shall be the sum of the aforesaid two amounts, calculated in accordance with the requirements specified in sub-items (i) and (ii) of this item (F).

Provided that for the purposes of these Regulations no adjustment shall be made in respect of any potential double counting between the comprehensive risk measure and any other relevant risk measure.

- (iii) For the purposes of these Regulations the presumption shall be that models that incorporate specific risk are not eligible for approval when the stress-testing and backtesting results of the model, at sub-portfolio level, produce a number of exceptions commensurate with the red zones specified in writing by the Registrar in respect stress-testing and backtesting from time to time.

DAILY RETURN: SELECTED RISK EXPOSURE

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DAILY REPORT: SELECTED RISK EXPOSURE

(Confidential and not available for inspection by the public)

Name of bank.....

Date.....(yyyy-mm-dd)

BA325

Daily

(All amounts to be rounded off to the nearest R'000)

Summary of selected information	Line no.	Total
		1
Market risk requirement (total of items 2 to 4)	1	
Minimum prescribed pillar 1 market risk requirement ¹ (item 18, column 1, plus item 24, columns 1 to 4)	2	
Systemic risk add-on (pillar 2a) market risk requirement ²	3	
Additionally specified bank-specific (pillar 2b) market risk requirement ³	4	
Allocated capital and reserve funds for market risk	5	
Surplus/ (deficit) (item 5 less item 1)	6	
Memorandum items:		
Counterparty risk requirement arising from trading book positions (items 8 to 10)	7	
OTC	8	
SFT	9	
Credit-derivative instruments	10	
Liquidity risk		
SARB repo participation	11	
Liquid assets		
Held on preceding day	12	
Month to date average held	13	
Requirement (item 14 of form BA 310)	14	
Liquidity coverage ratio ⁴ (LCR)		
High quality liquid assets	15	
Net cash outflow	16	
LCR (item 15 divided by item 16, multiplied with 100)	17	

1. Based on the minimum percentage requirement specified in item 9 column 3 of the form BA 700.

2. Based on the add-on percentage requirement specified in item 9 column 3 of the form BA 700.

3. Based on the add-on percentage requirement or amount reported in item 12 column 3 of the form BA 700.

4. Refer to regulation 26(12).

(All amounts to be rounded off to the nearest R'000)

Standardised approach Position risk requirement	Line no.	Total	of which:	
			Specific risk	General risk
		1	2	3
Total (of items 19 to 23)	18			
Interest rate risk	19			
Equity risk	20			
Foreign exchange risk, including gold	21			
Commodity risk	22			
Options ("carved-out" positions)	23			

(All amounts to be rounded off to the nearest R'000)

Internal models approach Position risk requirement	Line no.	Regulatory VaR amounts ^{1,2}				Internal VaR ³		Backtesting ⁴	
		VaR ²	VaR S (specific risk surcharge)	sVaR ² (stressed VaR)	Incremental ^{1,7} risk charge	VaR amount	VaR limit	Hypothetical	Actual
Total VaR amounts ⁵ and incremental risk amount	24	1	2	3	4	5	6	7	8
Interest rate risk	25								
Equity risk	26								
Foreign exchange risk, including gold	27								
Commodity risk	28								
Other	29								
Diversification benefit	30								
Memorandum items:									
Total VaR amount ^{5,6}	31								
Desk 1 ⁶	32								
Desk 2 ⁶	33								
Desk 3 ⁶	34								
Other desks ⁶	35								

1. Calculated in accordance with the relevant requirements specified in these Regulations.
2. Based on, amongst other things, a 99 per cent, one-tailed confidence interval, and a minimum holding period of ten trading days.
3. May be based on a confidence interval and/or minimum holding period that differs from the requirements specified in these Regulations.
4. Number of exceptions recorded during the previous 250 days.
5. May not be equal to the sum of individual requirements calculated in respect of the respective risk categories or trading desks due to, amongst others, diversification benefits.
6. Please separately submit in writing the relevant desk description and other relevant information.
7. Refer to regulation 28(8)(h)(i)(E).

(All amounts to be rounded off to the nearest US \$'000)

Line no.	USD	Euro	GBP	CHF	JPY	Other	Total
	1	2	3	4	5	6	7
Foreign-currency exposure							
Total foreign-currency assets (net of infrastructural investments) (total of items 37 and 42)							
Non-residents (total of items 38 to 41)							
Foreign currency placed with non-residents							
Foreign currency placed in respect of securities borrowing							
Foreign currency on-lent to non-residents (line 40 equals line 55)							
Other foreign currency							
Residents (total of items 43 to 49)							
Customer foreign-currency accounts (CFC)							
Foreign currency placed in respect of securities borrowing							
Foreign currency placements with authorised dealers							
Foreign currency placements with S A Reserve Bank							
Foreign currency placed with residents, not specified above							
Gold coin and bullion							
Other foreign currency							
Total foreign-currency liabilities (total of items 51 and 56)							
Non-residents (total of items 52 to 55)							
Foreign-currency funding (loans received)							
Foreign-currency deposits attracted							
Foreign-currency deposits held in respect of securities lending							
Liability in respect of foreign-currency borrowings on-lent to non-residents							
Residents (total of items 57 to 60)							
Customer foreign-currency accounts (CFC)							
Foreign-currency accounts (CFA)							
Foreign-currency deposits held in respect of securities lending							
Foreign-currency placements from authorised dealers							
Commitments ¹ to purchase foreign currency (total of items 62 and 67)							
Commitments ¹ to purchase foreign currency against rand							
Residents							
Non-residents							
Authorised dealers							
S A Reserve Bank							
Commitments ¹ to purchase foreign currency against foreign currency							
Commitments ¹ to sell foreign currency (total of items 69 and 74)							
Commitments ¹ to sell foreign currency against rand							
Residents							
Non-residents							
Authorised dealers							
S A Reserve Bank							
Commitments ¹ to sell foreign currency against foreign currency							
Effective net open foreign-currency position(s) of reporting bank (item 36 plus 61) less (50 plus 68) in each foreign currency and in all foreign currencies taken together							
Limit specified by the Registrar							
Internal overnight limits set by the bank's board of directors or senior management (in respect of each individual currency and in the aggregate)							
1. Include all unsettled transactions, including spot, forward, options, futures and interest flows.							

(All amounts to be rounded off to the nearest R'000)

	Line no.	Overnight			Longer than overnight		
		Amount at the repo rate 1	Amount at other rates 2	Weighted average rate 3	Amount at the repo rate 4	Amount at other rates 5	Weighted average rate 6
Summary of selected interbank information							
Total loans to or deposits with other domestic banks	78						
Specify (per institution)	79						
Total loans from or deposits by other domestic banks	80						
Specify (per institution)	81						
Hash total	82						

29. Daily return - Directives, definitions and interpretations for completion of daily return concerning selected risk exposure (Form BA 325)

(1) The content of the relevant return is confidential and not available for inspection by the public.

(2) The purpose of the form BA 325, amongst other things-

(a) is to determine on a daily basis the nature and extent of the reporting bank's exposure to and the related capital requirements in respect of-

(i) market risk or position risk; and

(ii) counterparty risk arising from positions held in the bank's trading book;

(b) is to obtain selected liquidity related information from banks that submit daily information in respect of their exposure to market risk;

(c) is to obtain selected information in respect of the bank's exposure to currency risk arising from positions held in the bank's banking book and trading book.

(3) The aggregate effective net open foreign currency position of the reporting bank in the Republic, together with its foreign operations, calculated in the manner prescribed in this form BA 325, in any one foreign currency and in all foreign currencies taken together, shall not at the close of business on any day exceed an amount specified in writing by the Registrar.

(4) Instructions relating to the completion of the daily return concerning selected risk exposure are furnished with reference to the item descriptions and line item numbers appearing on form BA 325, as follows:

*Line item***1, 18 to 23 Market or position risk requirement
and 24 to**

35 Based on, amongst other things, the relevant directives and requirements specified in regulation 28 and in the form BA 320, these items shall reflect the reporting bank's respective required amounts of capital and reserve funds in respect of market risk or position risk.

5 Allocated capital and reserve funds for market risk

This item shall reflect the relevant amount of allocated capital and reserve funds in order to provide for the risks pertaining to or arising from the bank's exposure to market risk.

7 to 10 Counterparty risk

Based on, amongst other things, the relevant directives and requirements specified in regulation 23 and in the form BA 200, these items shall reflect the respective required amounts of capital and reserve funds relating to counterparty credit risk incurred by the reporting bank in respect of transactions, agreements, contracts or instruments held in its trading book.

11 SARB repo participation

Based on, amongst other things, the relevant information reported to the bank's senior management and board of directors, this item shall reflect the relevant required amount relating to the bank's participation in the repo-market activity of the Reserve Bank.

12 to 14 Liquid assets

Based on, among other things, the relevant information reported to the bank's senior management and board of directors, and the relevant directives specified in regulation 27 and in the form BA 310, these items shall reflect the respective required amounts relating to the bank's statutory liquid asset portfolio, including information relating to the daily balance of liquid assets held, the month-to-date average of liquid assets held and the bank's liquid asset requirement.

24 to 35 VaR amounts

A bank that adopted the internal models approach for the measurement of the bank's exposure to position risk or market risk shall report in items 24 to 35 the relevant required information relating to, amongst other things, the bank's VaR amount calculated in accordance with the relevant directives and requirements specified in regulation 28(8) and in the form BA 320, and the specified information relating to the bank's internal VaR amount and backtesting results.

30 Diversification benefit

Based on the previous day's VaR amount and the respective specified risk categories and/or trading desks, a bank shall report the relevant diversification benefit in line item 30.

36 to 77 Foreign-currency exposure

Items 36 to 75 shall reflect the foreign-currency positions in selected currencies and in all currencies taken together in respect of the reporting bank in the Republic.

37 A non-resident is an individual, institution or branch of an authorised dealer domiciled outside the Republic of South Africa.

- 40 Foreign currency on-lent to a non-resident represents advances on-lent to the off-shore office or branch of a South African institution, in terms of the rules, regulations or arrangements issued by the Financial Surveillance Department of the South African Reserve Bank from time to time. (Refer to line item 55 below.)
- 42 A resident is an individual or institution domiciled in the Republic of South Africa.
- 43 A customer foreign-currency account (CFC), as an asset account, is a foreign-currency account of a South African institution with an authorised dealer, in terms of the rules, regulations or arrangements issued by the Financial Surveillance Department of the South African Reserve Bank from time to time.
- 45 An authorised dealer is an institution domiciled in the Republic of South Africa that has been authorised to deal in foreign currency.
- 52 Foreign-currency funding represents loans obtained by the reporting bank, at the bank's own initiative.
- 53 Foreign-currency deposits are deposits placed with the reporting bank by non-residents.
- 54 Foreign-currency deposits held in respect of securities lending represent deposits placed with the reporting bank in respect of securities-lending transactions, in terms of the rules, regulations or arrangements issued by the Financial Surveillance Department of the South African Reserve Bank from time to time.
- 55 Foreign-currency borrowing on-lent to non-residents represents deposits obtained from the parent company of a foreign institution and on-lent to the off-shore office or branch of a South African institution, in terms of the rules, regulations or arrangements issued by the Financial Surveillance Department of the South African Reserve Bank from time to time.
- 57 Customer foreign-currency accounts (CFC), as a liability, reflect foreign-currency accounts of South African institutions in terms of the CFC rules, regulations or arrangements issued by the Financial Surveillance Department of the South African Reserve Bank from time to time.
- 58 Foreign-currency accounts (CFA) reflect resident foreign-currency accounts held with the reporting bank, in terms of the rules, regulations or arrangements issued by the Financial Surveillance Department of the South African Reserve Bank from time to time.
- 61 Commitments to purchase foreign currency include all unsettled transactions with a commitment to purchase foreign exchange, that is, spot, forward, options, futures and interest flows, etc., at close of business on the reporting date.

- 68 Commitments to sell foreign currency include all unsettled transactions with a commitment to sell foreign exchange, that is, spot, forward, options, futures and interest flow, etc., at close of business on the reporting date.
- 62 to 73 For purposes of the completion of items 62 to 73, all transaction between the reporting bank and-
- import and/or export companies, individuals, parastatals and other financial and non-financial companies resident in the Republic, excluding the South African Reserve Bank and other authorised dealers, shall be reported as transactions with **residents**;
 - any institution, individual, government, an authorised dealer in foreign exchange resident outside the Republic, etc. shall be reported as transactions with **non-residents**;
 - other authorised dealers resident in the Republic shall be reported as transactions with **authorised dealers**;
 - the South African Reserve Bank shall be reported as transactions with the **S A Reserve Bank**.

INTEREST-RATE RISK: BANKING BOOK

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BA 330
Monthly

INTEREST RATE RISK: BANKING BOOK
(Confidential and not available for inspection by the public)
Name of bank.....
Month ended..... (yyyy-mm-dd)

(All amounts to be rounded off to the nearest R'000)

Line no.	Up to 1 month	2 months	3 months	More than 3 months to 6 months	4 months	More than 6 months to 12 months	5 months to 12 months	6 months to 5 years	More than 3 years to 5 years	7 years to 10 years	8 years to 10 years	Non-rate sensitive items	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13
Static repricing gap													
Assets (total of items 2 to 6)													
Variable rate items													
Adjustable rate items													
Discretionary/ administered rate items													
Fixed rate items													
Non rate sensitive items ¹													
Liabilities and capital and reserve funds (total of items 8 to 12)													
Variable rate items													
Adjustable rate items													
Discretionary/ administered rate items													
Fixed rate items													
Non rate sensitive items ¹													
Net funding to / (from) trading desk													
Net funding to / (from) ZAR banking book ²													
Net static gap, excluding derivative instruments (item 1 minus item 7 plus items 13 and 14)													
Net impact of derivative instruments held in the banking book (total of items 17 and 20)													
Swaps and FRAs (total of items 18 and 19)													
of which: pay fixed and receive floating													
of which: receive fixed and pay floating													
Other													
Net static gap, including derivative instruments (item 15 and 16)													
Cumulative static gap, including derivative instruments													

1. Including the aggregate amount of all relevant fair value adjustments. Refer to regulation 30(3)(e).
2. Relates only to the completion of the form BA 330 on a legal entity basis that includes any relevant activity/ exposure of a foreign branch.

(All amounts to be rounded off to the nearest R'000)

Line no.	Up to 1 month	More than 1 month to 2 months	More than 2 months to 3 months	More than 3 months to 6 months	More than 6 months to 12 months	Cumulative total for 12 months
	1	2	3	4	5	6
Interest rate sensitivity: banking book						
Impact on Net Interest Income (NII)						
Impact of a parallel rate shock, excluding derivative instruments						
23						
24						
Impact of a parallel rate shock, including derivative instruments						
25						
26						
Percentage impact of a parallel rate shock on qualifying capital and reserve funds relating to risks other than market risk						
27						
28						
Percentage impact of a parallel rate shock on forecast NII						
29						
30						
Impact of adverse change in specified key rates						
31						

(All amounts to be rounded off to the nearest R'000)

Line no.	Up to 1 month	More than 1 month to 2 months	More than 2 months to 3 months	More than 3 months to 6 months	More than 6 months to 12 months	Cumulative total for 12 months
	1	2	3	4	5	6
Interest rate sensitivity: banking book						
Adverse correlated risk shock						
32						
33						
34						
Change in the economic value of equity						
35						
36						
						Total
						1

1. Relates only to a bank that calculates the relationship between interest rate movements or shocks and non-interest income, bad debts and other relevant variables.
 2. Please separately provide information relating to the manner of calculation and any relevant assumptions applied in the said calculation.

30. Interest-rate risk – Directives, definitions and interpretations for completion of monthly return concerning interest-rate risk (Form BA 330)

- (1) The content of the relevant return is confidential and not available for inspection by the public.
- (2) The purpose of the return, amongst other things, is-
 - (a) to determine the repricing gap between the reporting bank's assets and liabilities, before and after the impact of derivative instruments are taken into consideration;
 - (b) to determine the expected cumulative impact on or sensitivity of the reporting bank's net interest income resulting from a two hundred basis points or such other percentage or basis points as may be specified in writing by the Registrar, change in interest rates from expected rates in respect of the reporting bank's expected or forecasted balance sheet relating to banking activities.

Note: For the purpose of these Regulations the risk of changes in the capital value of instruments resulting from changes in interest rates shall be deemed to constitute market risk (position risk), and shall be reported in the form BA 320.

- (3) Unless specifically otherwise provided in this regulation 30-
 - (a) the relevant required information in the form BA 330 shall be reported in Rand and completed on the basis of nominal or notional amounts, provided that subject to the prior written approval of and such conditions as may be specified in writing by the Registrar a bank may complete the form BA 330 on a fair value basis;
 - (b) subject to the provisions of paragraph (a) above, all relevant amounts shall be calculated and reported on an accrual basis;
 - (c) all on-balance sheet items and all off-balance sheet items relating to banking activities, which items affect the exposure of the reporting bank to interest-rate risk, shall be included in the form BA 330, including-
 - (i) any interest-bearing asset or liability instrument or item;
 - (ii) any security or instrument valued on a discounted basis;
 - (iii) any zero coupon bond;
 - (iv) any variable rate instrument that may reprice on a daily or monthly basis, such as call deposits or prime linked instruments;

- (v) any adjustable rate instrument with a known reset date, such as a 3 month JIBAR linked product, which instrument-
 - (A) is linked to a regular base rate;
 - (B) shall be reported based on its next known reset date;
- (vi) any discretionary or administered rate instrument, such as a savings or current account-
 - (A) the relevant rate of which instrument may or may not change in line with a regular base rate;
 - (B) the relevant rate of which instrument may be varied at the discretion of the reporting bank;
 - (C) which instrument shall be reported on the basis of the earliest adjustable interest-rate date;
- (vii) any fixed rate instrument, such as a 12 month fixed deposit, which instrument has a predefined fixed interest rate until maturity and shall be reported on the basis of the instrument's relevant residual maturity;
- (viii) any relevant derivative instrument,
the relevant values of which instruments or items are influenced by and sensitive to changes in interest rates, irrespective whether or not-
 - (A) formal interest payments are/were made in respect of the said item or instrument;
 - (B) the said item or instrument is denominated in Rand or a foreign currency.
- (d) any instrument not sensitive to or directly impacted by changes in interest rates, that is, instruments the relevant values of which are indifferent to changes in interest rates, such as capital and reserve funds, shall be included in the form BA 330 as non rate sensitive items;
- (e) in order to prevent a net negative interest rate from being applied to interest rate sensitive items, whenever the reporting bank simulates the impact of a rate shock or change on its net interest income, any relevant downward rate shock or change shall be limited to a minimum of zero per cent interest.

(4) A bank-

(a) shall obtain the prior written approval of its board of directors or board-approved committee in respect of any behavioural assumptions or adjustments made in respect of the bank's exposure to interest-rate risk, which assumptions or adjustments might include matters relating to-

- (i) business volume;
- (ii) business growth; or
- (iii) product mix,

provided that-

- (A) no bank shall without the prior written approval of and subject to such conditions as may be specified in writing by the Registrar apply any behavioural assumption or adjustment when the bank completes items 1 to 31 of the form BA 330;
- (B) the bank may in the completion of items 32 to 34 of the form BA 330 include all relevant assumptions or adjustment approved by the bank's board of directors or board-approved committee in respect of the bank's exposure to interest-rate risk;
- (C) the bank shall duly document any behavioural adjustments or assumptions made in respect of the bank's exposure to interest-rate risk;
- (D) on prior written request, the bank shall in writing provide to the Registrar any relevant information relating to the assumptions or adjustment approved by the bank's board of directors or board-approved committee in respect of the bank's exposure to interest-rate risk;

(b) shall maintain an appropriate audit trail in respect of the data underlying the base models used for the completion of the form BA 330, which audit trail-

- (i) shall include a comprehensive reconciliation between the relevant amounts of assets and liabilities included in the bank's management and board reports and the relevant assets and liabilities relating to banking activities respectively included in the forms BA 330 and BA 100;
- (ii) shall duly explain any relevant reconciliation differences;
- (iii) on prior written request, shall be submitted in writing to the Registrar.

(c) shall, based on the earliest date of the next interest rate reset date or the maturity of any item, report all relevant positions in the relevant time bands specified in the form BA 330;

CONTINUES ON PAGE 642—PART 5



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PART 5 OF 8

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- (d) shall value any option contract based on the relevant delta value of the said contract or a simplified proxy of the delta value, which delta equivalent value shall be obtained by multiplying the delta value of the relevant contract with the principal value of the relevant underlying instrument.

(5) Instructions relating to the completion of the return are furnished with reference to certain item descriptions and line items appearing on the form BA 330, as follows:

Line items

1 to 22 **Static repricing gap**

Subject to the relevant requirements or provisions specified in subregulation (3), all relevant bucket values shall represent the relevant total amount of assets, gross of any related credit impairment, allowance or provision for loss, and liability items, including the notional amount of any relevant derivative instrument subject to repricing or interest rate risk.

6 **Non rate sensitive assets**

This item shall include any asset item the relevant value of which is not sensitive to or influenced by a change in interest rates, such as a deferred tax asset.

12 **Non rate sensitive liabilities, and capital and reserve funds**

This item shall include any liability item or relevant item related to capital and reserve funds of the reporting bank, the relevant value of which is not sensitive to or influenced by a change in interest rates, such as balances due to creditors or any non interest bearing capital instrument or reserve fund held in the bank's banking book.

13 **Net funding to / (from) trading**

This item shall reflect the net amount of funds borrowed from or lent to the banking related activities of the reporting bank by the bank's treasury, which treasury activity normally is managed in accordance with market risk limits and included in the market risk return as part of the reporting bank's trading activities.

14 **Net funding to / (from) ZAR banking book**

This item relates to the completion of the form BA 330 on a legal entity basis that includes any relevant activity or exposure of a foreign branch and shall reflect the net amount of funds borrowed from or lent to the foreign denominated activities of the reporting bank by the bank's ZAR banking book.

17 to 19 **Swaps and forward rate agreements**

The reporting bank shall separately report swap contracts that pay fixed and receiving floating, and swap contracts that receive fixed and pay floating, as specified in the form BA 330.

The bank shall treat an interest-rate swap contract in terms of which the bank receives a floating-rate as being equivalent to a long position in a floating-rate instrument with a maturity equivalent to the period until the next interest-rate fixing, and a short position in a fixed-rate instrument with the same maturity as the interest-rate swap contract itself.

For example, the reporting bank shall report a two year pay fixed and receive floating forward swap contract commencing in one year's time, which contract has a floating reset date of three months, as a long position in the one year time band and a short position in the three year time band.

Forward rate agreements (FRAs) and future contracts shall be reported on the same basis as purchased and sold positions, that is, long positions and short positions. The maturity of an instrument shall be based on the exercise date, plus the life of the underlying instrument when relevant.

For example, a buyer of a 3 x 6 FRA, that is, borrow money in three month's time, shall report a long position in the 3-month time band and a short position in the 6-month time band.

20 **Other derivative instruments**

This item shall include the aggregate amount of all derivative instruments other than swaps, futures and FRAs, which derivative instruments form part of managing the reporting bank's exposure to interest rate risk in the banking book.

Similar to other derivative contracts the reporting bank shall in the case of an option contract report the relevant contract amounts in the relevant time bands based on the relevant settlement date and maturity date of the contract.

For example, when a bank buys a call option in respect of a 3-month interest future, which option is exercisable in two month's time, the bank shall, based on the relevant delta equivalent value of the contract, report a long position in the 5-month time bucket and a short position in the 2-month time bucket.

Similarly, in the case of a swaption contract, a bank that bought a swaption shall report a short position, that is, a sold position, in respect of the strike date, and a long position, that is, a purchased position, in respect of the maturity date.

22 **Cumulative gap, including derivative instruments**

Based on the net amounts reported in item 21, this item shall reflect the relevant cumulative amount in respect of the reporting bank's repricing gap in a specified time band.

23 to 36 Interest rate sensitivity

Subject to the provisions of subregulation (4)(a), based on the reporting bank's ALCO process and model, including all relevant assumptions or adjustments approved by the bank's board of directors or board-approved committee, these items shall reflect and be reconcilable to the relevant ALCO information reported to the reporting bank's senior management and board of directors.

23 to 26 Sensitivity of net-interest income

Based on a parallel shift or shock of 200 basis points in the yield curve, up and down, these items shall reflect the simulated impact of the said rate change on the reporting bank's net interest income, which impact shall be reported in respect of each discrete time bucket specified in the form BA 330, with the cumulative total impact amount reported in column 6, before and after the relevant effects of derivative instruments are taken into consideration.

27 and 28 Impact on qualifying capital and reserve funds

Based on the relevant amounts reported in items 25 and 26, the reporting bank shall express the relevant impact of the specified rate change on its net interest income as a percentage of the bank's allocated qualifying capital and reserve funds relating to risks other than market risk, as reported in item 88 of the form BA 700 less item 89 of the form BA 700.

29 and 30 Impact of parallel rate shock in yield curve on forecast net interest income

Based on the relevant amounts reported in items 25 and 26, the reporting bank shall express the relevant impact of a rate change on its net interest income as a percentage of the bank's forecast net interest income for the twelve-month period following the reporting month.

31 Impact on net interest income of a rate shock in selected key rates

This item shall reflect the impact on the reporting bank's net interest income over a 12 month period of an unchanged prime interest rate but an adverse movement of 25 basis points in the call rate and 3-month JIBAR rate, or the impact on net interest income of such an adverse change in the said rates as may be specified in writing by the Registrar.

32 to 34 Impact of adverse correlated risk shock

Based on the prime rate as the base rate, these items shall reflect the required impact on net interest income and net income of an unfavourable correlated risk shock of 200 basis points, which correlated risk shock shall be calculated on a simulated basis taking into account such assumptions and yield curve shifts that best reflect the uniqueness and complexity of the reporting bank, provided that the reporting bank shall submit in writing to the Registrar all relevant information relating to the said assumptions and yield curve shifts applied in the said calculation and provide the Registrar with such further information as may be specified in writing by the Registrar.

- 33 Based on the relevant amount reported in item 32, the reporting bank shall express the calculated impact on its net interest income as a percentage of the bank's forecasted net interest income for the twelve-month period following the reporting month.
- 34 Based on, amongst other things, the impact of an adverse correlated risk shock of 200 basis points on net interest related income, including the impact on net interest income calculated for purposes of item 32, and any other relevant income components that reasonably may be estimated in order to obtain net income, this item shall express the impact of the said adverse correlated risk shock on net income as a percentage of the bank's forecasted net income for the twelve-month period following the reporting month.
- 35 Based on the formula specified below, a static balance sheet position and a 200 basis point upward parallel shift in the bank's expected yield curve, this item shall reflect the relevant amount by which the economic value of the reporting bank is expected to change.

$$EVE_{\text{sensitivity}} = EVE^* - EVE$$

where:

EVE* is the economic value of equity after the said 200 basis point upward parallel shift in the expected yield curve is applied

EVE is the base economic value of equity before the said 200 basis point upward parallel shift in the expected yield curve is applied

- 36 Based on the formula specified below, a static balance sheet position and a 200 basis point downward parallel shift in the bank's expected yield curve, this item shall reflect the relevant amount by which the economic value of the reporting bank is expected to change.

$$EVE_{\text{sensitivity}} = EVE^* - EVE$$

where:

EVE* is the economic value of equity after the said 200 basis point downward parallel shift in the expected yield curve is applied

EVE is the base economic value of equity before the said 200 basis point downward parallel shift in the expected yield curve is applied

EQUITY RISK IN THE BANKING BOOK

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BA 340
Monthly

EQUITY RISK IN THE BANKING BOOK

(Confidential and not available for inspection by the public)

Name of bank.....

Month ended.....(yyyy-mm-dd)

(All amounts to be rounded off to the nearest R'000)

Line no.	Exposure value	Risk weighting	Risk weighted exposure	Capital requirement
	1	2	3	4
Equities - listed and unlisted		100%		
Private equity and venture capital		150%		

1. Including the simplified standardised approach for credit risk.

(All amounts to be rounded off to the nearest R'000)

Line no.	Exposure value	Risk weighting	Risk weighted exposure ¹	Capital requirement
	1	2	3	4
IRB approach for credit risk				
Market based approach				
Simple risk weight method (total of items 4 and 5)				
Equities - listed		300%		
Equities - unlisted		400%		
		Risk weighting floor	Risk weighted exposure ¹	Capital requirement
	1	2	Without limit ²	With limit ³
			3	4
Internal models approach (total of items 7 and 8)				
Equities - listed				
Equities - unlisted		200%		
		300%		
Memorandum item:				
Diversified amount				

1. After the application of a scaling factor of 1.06.

2. Means the relevant risk weighted exposure amount prior to the application of the specified risk weighting floor, if relevant.

3. Means the relevant risk weighted exposure amount after the application of the specified risk weighting floor, when relevant.

(All amounts to be rounded off to the nearest R'000)

IRB approach for credit risk PD/LGD approach Internal obligor grade ¹	Line no.	Internal rating: PD ratio			Average PD assigned to the obligor grade (%)	Exposure value		Risk weighted exposure ²	Capital requirement
		PD range		In respect of which the 1,5 scaling factor applies		4	5		
		1 Lower bound (%)	2 Upper bound (%)						
	10	0.0001	0.0120						
	11	0.0121	0.0170						
	12	0.0171	0.0240						
	13	0.0241	0.0340						
	14	0.0341	0.0480						
	15	0.0481	0.0670						
	16	0.0671	0.0950						
	17	0.0951	0.1350						
	18	0.1351	0.1900						
	19	0.1901	0.2690						
	20	0.2691	0.3810						
	21	0.3811	0.5380						
	22	0.5381	0.7610						
	23	0.7611	1.0760						
	24	1.0761	1.5220						
	25	1.5221	2.1530						
	26	2.1531	3.0440						
	27	3.0441	4.3050						
	28	4.3051	6.0890						
	29	6.0891	8.6110						
	30	8.6111	12.1770						
	31	12.1771	17.2220						
	32	17.2221	24.3550						
	33	24.3551	34.4430						
	34	34.4431	99.9999						
	35	100.0000	100.0000						
	36								
Total (of items 10 to 35)									

1. In ascending order, based on exposure weighted average PD.

2. After the application of a scaling factor of 1.06.

(All amounts to be rounded off to the nearest R'000)

Memorandum items:	Line no.	Exposure amount
Equity exposures exempt from the market based and PD/LGD approaches	37	1
Deductions against capital and reserve funds in respect of investments in related entities	38	
Investments in unconsolidated majority owned banking, securities and other financial subsidiaries	39	
Significant minority investments in banking, securities and other financial entities	40	
Investments in insurance subsidiaries and significant minority investments in insurance entities	41	
Significant minority and majority investments in commercial entities that exceed the specified materiality levels	42	
Other investments in related entities, which entities are included in the consolidation of the reporting banking group's accounts, such as significant minority- and majority-owned commercial entities below the specified materiality level	43	

31. Equity risk in the banking book – Directives and interpretations for completion of monthly return concerning equity risk in the banking book (Form BA 340)

(1) The content of the relevant return is confidential and not available for inspection by the public.

(2) The purpose of the return, amongst other things, is to determine the nature and extent of the reporting bank's exposure to investment risk arising from equity positions and other relevant investments or instruments held in its banking book.

(3) *Criteria relating to categorisation of equity exposures held in a bank's banking book*

Based on the economic substance and not the legal form of an instrument, and irrespective whether or not the said instrument makes provision for a voting right, for the purposes of these Regulations equity exposures held in a bank's banking book-

(a) shall include-

- (i) any direct ownership interest in the assets and income of a commercial or financial institution;
- (ii) any indirect ownership interest in the assets and income of a commercial or financial institution, including-
 - (A) a derivative instrument held, which derivative instrument is linked to an equity interest;
 - (B) any instrument or interest held in a corporation, partnership, limited liability company or other type of enterprise that issue ownership interests and which in turn principally is engaged in the business of investing in equity instruments;
- (iii) any instrument that-
 - (A) is not redeemable, that is, the return of invested funds can be achieved only by way of the sale of the relevant instrument, the sale of the rights to the relevant investment or the liquidation of the issuer of the relevant instrument;
 - (B) does not constitute an obligation of the issuer of the instrument;
 - (C) entitles the holder of or investor in the said instrument to a residual claim in respect of the assets or income of the issuer of the said instrument;
 - (D) exhibits or contains characteristics similar to an instrument that qualifies as primary share capital of a bank, as defined in section 1 of the Act;

- (E) constitutes an obligation of the issuer of the instrument and the said obligation or instrument makes provision for any one of the conditions or circumstances specified below:
 - (i) The issuer of the said instrument has the right indefinitely to defer the settlement of the said obligation.
 - (ii) The obligation specifies that settlement will, or at the discretion of the issuer may, take place by way of the issuance of a fixed number of equity shares of the obligor.
 - (iii) The obligation specifies that settlement will, or at the discretion of the issuer may, take place by way of the issuance of a variable number of the issuer's equity shares and any change in the value of the obligation is related to, and in the same direction as, the change in the value of a fixed number of the issuer's equity shares.
 - (iv) The holder of the instrument has the option to require that the obligation be settled in equity shares.
- (b) shall exclude any instrument-
 - (i) held in any institution or entity of which the assets and liabilities are consolidated with the assets and the liabilities of the reporting bank or controlling company;
 - (ii) that constitutes a deduction against the primary or secondary capital and reserve funds, or tertiary capital, of the reporting bank;
 - (iii) specified in writing by the Registrar, which instrument or any part thereof, in the discretion of and subject to the conditions specified in writing by the Registrar, should be treated as debt instead of equity.
- (4) Based on-
 - (a) the relevant requirements specified in regulation 23, including in particular regulations 23(6)(j), 23(8)(j), 23(11)(b)(vii), 23(11)(c)(v) and/or 23(11)(d)(v), as the case may be;
 - (b) the relevant requirements specified in this regulation 31; and
 - (c) the relevant requirements specified in regulation 38, including in particular regulations 38(2)(a) and/or 38(8), as the case may be,

a bank shall calculate and report, among other things, its relevant specified exposure amounts, risk weighted exposure amounts and/or required amount of capital and reserve funds.

(5) Once a bank adopts the IRB approach as envisaged in regulation 23(10) for all or part of any of its corporate, bank, sovereign, or retail asset classes, the bank shall simultaneously adopt the IRB approach for its equity exposures, subject only to materiality levels as may be specified in writing by the Registrar from time to time, provided that the Registrar may require a bank to implement one of the IRB equity approaches specified in subregulation (6) below when the bank's equity exposures constitute a significant part of its business, even though the bank may not adopt an IRB approach in respect of other asset classes, business units or activities.

(6) *Calculation of risk weighted exposure in respect of equity instruments held in the banking book of a bank that adopted the IRB approach for the measurement of the bank's exposure to credit risk*

- (a) Subject to the provisions of regulation 38(2)(a), a bank that adopted the IRB approach for the measurement of the bank's exposure to credit risk shall calculate its risk-weighted assets and related required amount of capital and reserve funds in respect of equity exposures held in its banking book in accordance with the market-based approach or PD/LGD approach specified below, or, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, a combination of the said approaches, provided that-
- (i) the bank shall apply a selected approach in a consistent manner;
 - (ii) each relevant risk category shall be assessed using a single approach;
 - (iii) all relevant elements of the reporting bank's exposure to equity risk in the banking book shall be subject to the bank's risk management policies, processes and procedures, and the relevant requirements specified in this subregulation (6);
 - (iv) no bank shall be allowed to apply a combination of approaches-
 - (A) within a specific risk category; or
 - (B) in respect of the same type of risk, across different risk centres;
 - (v) any relevant equity exposure that constitutes a deduction against the reporting bank's capital and reserve funds in terms of the provisions of regulations 23(6), 23(8), 23(11), 23(13) or 38(5) shall be included in the form BA 340, and the relevant amount shall be deducted from the bank's capital and reserve funds in accordance with the relevant requirements specified in section 70 of the Act read with the provisions of the aforesaid regulations;
 - (vi) a bank that adopted the market-based approach-
 - (A) shall continuously comply with the relevant minimum requirements specified in regulation 23(11)(b)(vii) if the bank wishes to apply the internal model market-based approach specified in paragraph (b)(ii) below;
 - (B) shall calculate its risk weighted exposure in terms of the simple risk-weight method when the bank is unable to comply with the said minimum requirements relating to the internal model market-based approach specified in regulation 23(11)(b)(vii);

- (C) may in the calculation of the bank's risk-weighted exposure recognise the effects of guarantees, but not collateral, obtained in respect of a particular equity position;
- (vii) a bank that adopted the PD/LGD approach shall in addition to the requirements specified in paragraph (c) below, comply with the relevant minimum requirements relating to corporate exposure specified in regulations 23(11)(b)(v)(A), 23(11)(b)(v)(B), 23(11)(b)(vi)(A) and 23(11)(d)(ii);
- (viii) no investment in a significant minority owned or majority owned or controlled commercial entity, which investment amounts to less than 15 per cent of the sum of the bank's issued common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the reporting bank, as reported in items 41, 65 and 78 of the form BA 700, shall be assigned a risk weight of less than 100 per cent;
- (ix) based on such conditions, requirements or criteria as may be specified in writing by the Registrar, the Registrar may exempt from the provisions of this subregulation (5) specified types of equity exposure;
- (x) any investment in an equity instrument shall be valued in accordance with the relevant provisions of Financial Reporting Standards issued from time to time, which value shall also be applied by the reporting bank in the calculation of the bank's relevant risk weighted exposure amount and the related required amount of capital and reserve funds;
- (xi) when the bank invests in instruments issued by a fund, which fund invests in equity and non-equity instruments, the bank shall base its calculations on the assumption that the fund firstly invests, to the maximum extent allowed in terms of the mandate of the fund, in the asset classes attracting the highest capital requirement, and then continues to make investments in descending order until the maximum total investment level is reached;
- (xii) the bank's total risk weighted exposure amount relating to equity instruments held in the bank's banking book, and the related required amount of capital and reserve funds, shall be equal to the sum of amounts calculated in accordance with the relevant requirements specified in this subregulation (5).
- (b) Market-based approach

A bank that adopted the market based approach for the calculation of its capital requirements relating to equity positions held in the bank's banking book shall apply one or both of the methods specified below in respect of the bank's various equity portfolios provided that the method selected by the bank shall be consistent with the complexity of the bank's equity holdings and shall be applied in a consistent manner.

(i) Simple risk weight method

A bank that adopted the simple risk weight method-

- (A) shall assign to the appropriate categories specified in table 1 below the bank's relevant net equity positions, calculated in accordance with the relevant definition of a long or short position.

Table 1

Description	Risk weight
Publicly traded equity, that is, any equity instrument traded on a licensed exchange ¹	300%
Other equity positions ¹	400%

1. Including the absolute values of net short positions.

- (B) may net short cash positions and positions relating to derivative instruments held in its banking book against long positions held in respect of the same instrument, provided that-
- (i) the said instrument shall explicitly be designated as a hedge in respect of that particular equity instrument; and
 - (ii) both instruments shall have remaining maturities of no less than one year;
- (C) shall treat any maturity mismatched positions in accordance with the relevant requirements relating to corporate exposures specified in regulation 23(11)(d)(ii) read with the relevant requirements specified in regulation 23(12)(f).

(ii) Internal models approach

A bank that adopted or has been directed by the Registrar to apply the internal models approach shall calculate its risk-weighted exposure relating to its equity positions through the application of the formula specified below:

$$RWA = K \times 12,5$$

where:

RWA is the relevant risk-weighted exposure amount

K is the capital requirement, which capital requirement-

- (A) shall be equal to the potential loss that may arise from the bank's equity positions held in its banking book, derived from the bank's internal value-at-risk model;
- (B) shall be based on a 99th percentile, one-tailed confidence interval of the difference between quarterly returns and an appropriate risk-free rate computed over a long-term sample period,

provided that the said capital requirement-

- (i) shall not be less than the capital requirement calculated in terms of the simple risk-weight method specified in subparagraph (i) above, applying a risk weight of 200 per cent in respect of publicly traded equity and a risk weight of 300 per cent in respect of all other equity positions;
- (ii) shall be calculated in respect of individual instruments and not at a portfolio level.

(c) PD/LGD approach

A bank that adopted the PD/LGD approach shall calculate its risk-weighted exposure amount in respect of equity positions held in the bank's banking book in accordance with the relevant requirements relating to corporate exposure specified in regulation 23(11)(d)(ii), provided that-

- (i) the bank's estimate of the PD ratio of a corporate institution in which the bank holds an equity position shall be based on the same requirements as the bank's estimate of the PD ratio of a corporate institution in respect of which the bank has a debt exposure.

When the bank has no debt exposure in respect of a corporate institution in which the bank holds an equity instrument and the bank has insufficient information in respect of the said corporate institution to adhere to the definition of default, but the bank complies with the other relevant standards, the bank shall apply a scaling factor of 1.5 to the relevant risk weight derived from the relevant corporate risk-weight function;

- (ii) when a default event occurs in respect of a debt obligation of a particular corporate institution in which the reporting bank holds an equity position, it shall for purposes of these Regulations be deemed that a simultaneous default event occurred in respect of the said equity position held by the bank;
- (iii) the bank shall in respect of each relevant equity exposure apply-
 - (A) a LGD ratio of 90 per cent, and
 - (B) a five year maturity adjustment;
- (iv) the bank shall apply a minimum risk weight of 100 per cent in respect of-
 - (A) public equities, provided that-
 - (i) the bank's investment forms part of a long-term customer relationship;
 - (ii) capital gains are not expected to be realised in the short term;
 - (iii) the bank has lending and/or general banking relationships with the portfolio company in order to estimate or obtain the probability of default;

- (B) private equities, provided that-
 - (i) the bank's return on the investment is based on regular and periodic cash flows, which cash flows are not derived from capital gains;
 - (ii) the bank has no expectation of any abnormal future capital gain or realising any existing gain in respect of the said investment;
- (v) in the case of all equity positions other than the equity positions referred to in subparagraph (iv) above, including any net short positions, the bank's capital requirement shall not be less than the capital requirement calculated in terms of the simple risk weight method, based on a risk weight of 200 per cent in respect of publicly traded equity and a risk weight of 300 per cent in respect of other equity exposures;
- (vi) the bank shall include in its calculation any equity instruments held in respect of companies that are included in one of the bank's retail portfolios;
- (vii) when the sum of a bank's unexpected loss (UL) and expected loss (EL) associated with a relevant equity exposure held in the bank's banking book results in a lower amount of required capital and reserve funds than what would be the case when the relevant aforesaid specified minimum risk weights are applied, the bank shall apply the relevant aforesaid specified minimum risk weights to that relevant equity position held;
- (viii) the maximum risk weight in respect of any equity exposure shall be equal to 1250 per cent or the relevant imputed percentage equivalent to a deduction from the bank's capital and reserve funds, provided that instead of adding to the bank's risk weighted exposure amount the said equity exposure amount, the reporting bank may deduct from its common equity tier 1 capital and reserve funds the relevant equity exposure amount, which amount shall in the case of the said deduction approach be deemed to represent the expected loss amount relating to the said equity exposure;
- (ix) when the bank obtained a hedge in respect of the equity exposure, the bank shall apply-
 - (A) an LGD ratio of 90 per cent in respect of the exposure to the protection provider; and
 - (B) a five-year maturity in respect of the said equity exposure.

(7) Instructions relating to the completion of the return are furnished with reference to certain item descriptions and line items appearing on the form BA 340, as follows:

Line item:

1 Equity, listed and unlisted

Based on the relevant requirements specified in regulations 23(6)(j) and 23(8)(j), this item shall reflect the relevant aggregate amount of the reporting bank's equity investments other than private equity investments or investment in venture capital.

2 Private equity and venture capital

Based on the relevant requirements specified in regulations 23(6)(j) and 23(8)(j), this item shall reflect the relevant aggregate amount of the reporting bank's investments in private equity and venture capital.

4 Publicly traded equity or listed equity

This item shall reflect the aggregate amount of publicly traded equity instruments, which instruments are included in items 27 and 35 of the form BA 100.

5 Other equity or unlisted equity

This item shall reflect the aggregate amount of equity instruments other than publicly traded equity instruments, including any unlisted equity instrument and investments in subsidiaries and associates, which instruments are included in items 28, 36 and 39 to 41 of the form BA 100.

43 Other investments in related entities

This item shall reflect the aggregate amount of investments in subsidiaries and associates other than subsidiaries and associates reported in items 40 to 42, which subsidiaries and associates are included in the consolidation of the banking group's accounts.

DERIVATIVE INSTRUMENTS

	<u>Page no.</u>
1. Form BA 350 - Derivative instruments.....	653
2. Regulation 32 - Directives and interpretations for completion of monthly return concerning derivative instruments (Form BA 350)	664

(All amounts to be rounded off to the nearest R'000)

Line no.	Derivative instruments other than credit derivative instruments	Notional gross amounts relating to underlying asset											
		Interest-rate contracts		Foreign exchange (including gold)		Equity and indices		Commodities		Other		Total	
		Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking
		1	2	3	4	5	6	7	8	9	10	11	12
23	Unexpired contracts ¹ at month-end												
24	Exchange traded contracts (total of items 24, 28, 32, 36, 40, 44, 48 and 52)												
25	Futures contracts bought (total of items 25 to 27)												
26	less than 1 year												
27	1 year to 5 years												
28	more than 5 years												
29	Futures contracts sold (total of items 29 to 31)												
30	less than 1 year												
31	1 year to 5 years												
32	more than 5 years												
33	Call options written (total of items 33 to 35)												
34	less than 1 year												
35	1 year to 5 years												
36	more than 5 years												
37	Call options purchased (total of items 37 to 39)												
38	less than 1 year												
39	1 year to 5 years												
40	more than 5 years												
41	Put options written (total of items 41 to 43)												
42	less than 1 year												
43	1 year to 5 years												
44	more than 5 years												
45	Put options purchased (total of items 45 to 47)												
46	less than 1 year												
47	1 year to 5 years												
48	more than 5 years												
49	Swaps (total of items 49 to 51)												
50	less than 1 year												
51	1 year to 5 years												
52	more than 5 years												
53	Other (total of items 53 to 55)												
54	less than 1 year												
55	1 year to 5 years												
	more than 5 years												

1. Based on the remaining contractual maturity of the relevant contract.

(All amounts to be rounded off to the nearest R'000)

Line no.	Derivative instruments other than credit derivative instruments	Notional gross amounts relating to underlying asset											
		Interest-rate contracts		Foreign exchange (including gold)		Equity and indices		Commodities		Other		Total	
		Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking
		1	2	3	4	5	6	7	8	9	10	11	12
56	OTC contracts (total of items 57, 61, 65, 69, 73, 77 and 81)												
57	Forwards and FRA's (total of items 58 to 60)												
58	less than 1 year												
59	1 year to 5 years												
60	more than 5 years												
61	Swaps (total of items 62 to 64)												
62	less than 1 year												
63	1 year to 5 years												
64	more than 5 years												
65	Call options written (total of items 66 to 68)												
66	less than 1 year												
67	1 year to 5 years												
68	more than 5 years												
69	Call options purchased (total of items 70 to 72)												
70	less than 1 year												
71	1 year to 5 years												
72	more than 5 years												
73	Put options written (total of items 74 to 76)												
74	less than 1 year												
75	1 year to 5 years												
76	more than 5 years												
77	Put options purchased (total of items 78 to 80)												
78	less than 1 year												
79	1 year to 5 years												
80	more than 5 years												
81	Other (total of items 82 to 84)												
82	less than 1 year												
83	1 year to 5 years												
84	more than 5 years												

1. Based on the remaining contractual maturity of the relevant contract.

32. Derivative instruments - Directives and interpretations for completion of monthly return concerning derivative instruments (Form BA 350)

- (1) The content of the relevant return is confidential and not available for inspection by the public.
- (2) The purpose of the return, amongst other things, is to determine -
 - (a) the relevant notional amounts underlying all contracts in derivative instruments entered into during the reporting month, that is, the turnover in respect of transactions in derivative instruments entered into during the reporting month;
 - (b) the relevant notional amounts underlying all contracts in derivative instruments that had not yet terminated at month-end, that is, the notional amounts underlying all unexpired derivative contracts;
 - (c) the relevant fair value amounts underlying all contracts in derivative instruments that had not yet terminated at month-end, that is, the fair value amount underlying all unexpired derivative contracts.
- (3) The form BA 350-
 - (a) distinguishes between transactions entered into in respect of credit-derivative instruments and transactions entered into in respect of derivative instruments other than credit-derivative instruments;
 - (b) distinguishes between the broad categories of risk, including credit risk, interest rate risk, foreign exchange risk, equity risk and commodity risk;
 - (c) distinguishes between the various types of instrument, including forwards, swaps and options;
 - (d) determines whether the reporting bank primarily conducts business in over-the-counter derivative instruments or exchange-traded contracts (in order to distinguish risk profiles); and
 - (e) determines whether derivative instruments are used for trading purposes or banking purposes, such as hedging.
- (4) A bank shall have in place a written policy relating to derivative instruments, which policy-
 - (a) shall be approved by the bank's board of directors;
 - (b) shall duly specify the criteria for determining which derivative instruments are classified as part of the bank's trading activities and which of the said items are classified as part of the bank's banking activities;

- (c) shall duly specify any relevant limits relating to transactions in derivative instruments; and
- (d) shall ensure that transactions in derivative instruments are subject to adequate internal controls and appropriate internal audit coverage.

(5) *Matters relating to notional amounts*

- (a) Notional amounts-
 - (i) reflect the nominal amounts underlying the respective derivative contracts listed in the form BA 350;
 - (ii) are the contracted base values on which payments and receivables are calculated;
 - (iii) in relation to derivative contracts with multiplier components shall be the contracts' effective notional amounts or par values. For example, the effective notional amount of a swap contract with a stated notional amount of R1 000 000 and a specified quarterly settlement rate multiplied by 10 shall be R10 000 000.
- (b) For the purposes of reporting notional amounts on the form BA 350, when a bank, for example, enters into a swap contract with an underlying notional amount of R100 million, in terms of which contract the bank pays interest at a fixed interest rate and receives interest at a floating interest rate, the bank shall report in the relevant specified line items of the form BA 350 the said notional amount of the contract, that is, R100 million, and not R200 million.

The fact that the bank effectively established a position or positions equivalent to a liability of R100 million in respect of which the bank pays fixed interest, and an asset of R100 million in respect of which the bank receives floating or variable interest, does not alter the fact that the said contract's underlying notional amount is R100 million.

(6) *Matters relating to fair value*

For purposes of this regulation 32, unless specifically otherwise stated in this regulation 32 or directed in writing by the Registrar, fair value-

- (a) shall have the same meaning as specified in relevant Financial Reporting Standards issued from time to time;
- (b) is regarded as a broader term than market value since the market value of an instrument usually refers to the price obtainable in an active market.

(7) In this regulation, detailed instructions relating to the completion of the return concerning derivative instruments are furnished with reference to the headings and columns appearing on the form BA 350, as follows:

Line item

1 to 22 **Turnover**

These items shall reflect the notional gross amounts underlying all transactions entered into during the current reporting month where the reporting bank acted as a principal. The purpose of the information is to obtain an understanding of the scope, nature and extent of the reporting bank's involvement in derivative instruments.

All relevant notional amounts shall be reflected as absolute amounts.

23 to 84 **Unexpired contracts at month-end**

Based on the remaining contractual maturity of all relevant contracts these items shall reflect the relevant notional gross amounts underlying all contracts that had not yet terminated at the end of the reporting month.

85 to 108 **Fair value**

These items shall reflect the relevant required fair value amounts of all transactions that had not yet terminated at the end of the reporting month.

The identification of the respective fair value amounts for contracts other than contracts relating to trading gives an indication of the extent to which the bank may be exposed to unrealised losses.

109 to 116 Reporting of absolute amounts

Except for any relevant amount to be reported as a negative amount in column 7 or 8 of items 109 to 116, to indicate the appropriate movement during the month, all the other relevant required amounts shall be reported as absolute amounts.

OPERATIONAL RISK

			<u>Page no.</u>
1.	Form BA 400	- Operational risk	668
2.	Regulation 33	- Directives and interpretations for completion of six-monthly return concerning operational risk (Form BA 400).....	671
3.	Form BA 410	- Operational risk	695
4.	Regulation 34	- Directives and interpretations for completion of six-monthly return concerning operational risk (Form BA 410)	698

BA400
Six monthly

OPERATIONAL RISK
(Confidential and not available for inspection by the public)
Name of bank.....
Six months ended.....(yyyy-mm-dd)

(All amounts to be rounded off to the nearest R'000)

Reconciliation of gross income	Line no.	Financial year -3	Financial year -2	Financial year -1
Gross operating income (item 65 of form BA120)	1		2	3
Adjustments ^{1,2} (total of items 3 to 9)	2			
Income derived from insurance	3			
Operating expenses, including fees paid by the reporting bank to service providers in respect of outsourcing	4			
Realised profits/losses on sale of securities held in the banking book	5			
Impairment	6			
Extraordinary or irregular items	7			
Adjusted prior period errors	8			
Other adjustments (please specify)	9			
Gross income (item 1 minus item 2)	10			

1. To the extent that these items are included in item 1 above.
2. Report any relevant expense or other amount to be deducted from gross operating income as a negative amount.

(All amounts to be rounded off to the nearest R'000)

Line no.	Required capital and reserve funds	Gross income			Loans and advances			Relevant risk exposure	Percentage requirement	Capital requirement
		Financial year -3	Financial year -2	Financial year -1	Year -3	Year -2	Year -1			
11	Basic indicator approach									
12	Standardised approach¹: gross income derived from-									
13	(total of items 13 to 20)									
14	Corporate finance									
15	Trading and sales									
16	Retail brokerage									
17	Commercial banking									
18	Retail banking									
19	Payment and settlement									
20	Agency services									
21	Asset management									
22	Alternative standardised approach¹ (total of items 22 to 25)									
23	Commercial banking ^{1,2}									
24	Retail banking ^{1,2}									
25	Commercial banking and retail banking ^{1,3}									
26	Business lines other than commercial banking and retail banking ^{1,4}									
27	Advanced measurement approach									
28	Capital requirement in respect of operational risk (total of items 11, 12, 21 and 26)									
29	Risk weighted exposure equivalent amount									
30	Memorandum items⁵:									
31	Total capital requirement in terms of the AMA approach of which:									
32	partial use - basic indicator approach									
33	partial use - standardised approach									
34	AMA requirement before insurance and deductions in respect of expected loss									
35	of which:									
36	relates to expected loss									
37	Expected loss captured in business practice excluded from capital requirements									
	Total capital alleviation from insurance									
	Excess on limit for insurance capital alleviation									
	AMA due to an allocation mechanism									
	Total									

1. A bank that obtained the approval of the Registrar to apply the alternative standardised approach shall instead of items 13 to 20 complete the relevant items specified in items 22 to 25 below. Refer to the relevant directives specified in regulation 33(8)(c).

2. Refer to regulation 33(8)(c)(iii)(A).

3. Refer to regulation 33(8)(c)(iii)(B).

4. Refer to regulation 33(8)(c)(iii)(C).

5. Relates to advanced measurement approach only.

(All amounts to be rounded off to the nearest R'000)

Model descriptive statistics ¹	Line no.	Description				
		Mean	25 th percentile	50 th percentile (Median)	75 th percentile	99.9 th percentile
Undiversified VaR	38					
Diversified VaR ²	39					
Hashtotal	40	1	2	3	4	5

1. Relates only to the advanced measurement approach.
2. Relates only to banks that obtained the approval of the Registrar to calculate and apply diversified VaR.

33. Operational risk - Directives and interpretations for completion of six-monthly return concerning operational risk (Form BA 400)

- (1) The content of the relevant return is confidential and not available for inspection by the public.
- (2) The purpose of the return, amongst other things, is-
 - (a) to provide a reconciliation between gross operating income reported in the form BA 120 and gross income used by a bank that adopted the basic indicator approach or standardised approach in order to calculate the bank's required amount of capital and reserve funds in respect of operational risk;
 - (b) to calculate a bank's capital requirement in respect of operational risk.
- (3) For the measurement of a bank's exposure to operational risk, the bank shall, at the discretion of the bank, use one of the alternative methodologies specified below:
 - (a) The basic indicator approach prescribed in subregulation (7);
 - (b) Subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, and the bank complying with the relevant minimum qualifying criteria specified in subregulation (8), the standardised or alternative standardised approach;
 - (c) Subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, and the bank complying with the minimum qualifying criteria specified in subregulation (9), the advanced measurement approach.
- (4) Subject to the provisions of subregulations (5) and (6) below, once a bank adopted one of the more sophisticated approaches for the measurement of the bank's exposure to operational risk, the bank shall not revert to a simpler approach without the prior written approval of the Registrar.
- (5) Subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, a bank may use the advanced measurement approach for some parts of its operations and the basic indicator approach or standardised approach for the remainder of its operations, provided that-
 - (a) the bank shall duly capture the operational risk of its global consolidated operations;
 - (b) all the operations of the bank that are included in the advanced measurement approach shall adhere to the relevant qualifying criteria specified in subregulation (9), whilst the relevant parts of the bank's operations that are subject to one of the simpler approaches shall adhere to the qualifying criteria specified in respect of that relevant approach;

- (c) on the date of the implementation of the advanced measurement approach, a significant part of the bank's exposure to operational risk shall be subject to the advanced measurement approach;
 - (d) the bank shall submit in writing to the Registrar a comprehensive plan that, amongst other things, shall specify the time period during which the bank intends to roll out the advanced measurement approach across all its operations provided that should the bank plan not to implement the advanced measurement approach across all its operations the bank shall specify and duly motivate in its plan to the Registrar any operation in respect of which the advanced measurement approach will not be implemented, which operation shall constitute an immaterial part of the bank's operations.
- (6) When a bank is unable, unwilling or unprepared to comply with the qualifying criteria specified for a particular approach in order to measure the bank's exposure to operational risk, the Registrar may in writing direct the bank to apply a different specified method for the measurement of the bank's exposure to operational risk, subject to such conditions as may be specified in writing by the Registrar.
- (7) *Basic indicator approach*
- (a) A bank that adopted the basic indicator approach shall calculate its required amount of capital and reserve funds in respect of operational risk through the application of the formula specified below, which formula is designed to calculate a capital requirement based on the average amount of the bank's positive annual gross income derived during the preceding three-year period, multiplied by 15 per cent, provided that-
 - (i) when the annual gross income for a particular year was negative or equal to zero, the bank shall exclude the relevant amounts for that particular year from both the numerator and the denominator when the bank calculates the relevant average amount of gross income;
 - (ii) amounts included in the calculation of average gross income shall be the relevant audited amounts in respect of the relevant year. When audited amounts are not available, the bank may with the prior written approval of and subject to such conditions as may be specified in writing by the Registrar use the latest amounts reported by the bank to its board of directors or senior management in respect of the relevant period;
 - (iii) a newly established bank that does not have the required gross income data to calculate the required gross income amounts may with the prior written approval of and subject to such conditions as may be specified in writing by the Registrar use gross income projections for all or part of the said three-year period.

The formula is expressed as follows:

$$K_{BIA} = [\sum(GI_{1...n} \times \alpha)]/n$$

where:

K_{BIA} is the relevant required amount of capital and reserve funds under the basic indicator approach

GI is the relevant annual positive gross income amount derived during the preceding three-year period

n is the relevant number of the previous three years in respect of which gross income was positive

α is a fixed percentage, equal to 15 per cent

(b) For the purposes of subregulations (7) and (8), gross income means net interest income plus net non interest income, provided that the aforesaid amount of gross income shall not include-

- (i) any provision for loss or impairment raised by the reporting bank;
- (ii) any operating expenses of the reporting bank, including fees **paid by the reporting bank** to service providers in respect of outsourcing;
- (iii) any realised profits or losses arising from the sale of securities held in the reporting bank's banking book, including any relevant amounts relating to securities classified as "held to maturity" or "available for sale";
- (iv) any extraordinary or irregular item;
- (v) any income derived from insurance.

(8) *Standardised approach and alternative standardised approach*

(a) A bank that wishes to adopt the standardised approach or alternative standardised approach for the measurement of the bank's exposure to operational risk-

- (i) shall obtain the prior written approval of and comply with such conditions as may be specified in writing by the Registrar, which conditions may include a period of initial monitoring by the Registrar before the bank is allowed to adopt the said approach for the calculation of its capital requirement in respect of operational risk;
- (ii) as a minimum, shall comply with the relevant qualifying criteria specified in paragraph (b) below;

- (iii) shall divide its activities into the eight business lines specified in table 1 below;
- (iv) shall calculate its capital requirement in accordance with the relevant provisions specified in paragraph (c) below.

(b) *Qualifying criteria*

- (i) As a minimum, a bank that wishes to adopt the standardised approach for the measurement of the bank's exposure to operational risk shall demonstrate to the satisfaction of the Registrar-
 - (A) that the bank's board of directors and senior management are actively involved in the oversight of the bank's operational risk management framework;
 - (B) that the bank's operational risk management system is conceptually sound and implemented with integrity;
 - (C) that the bank has sufficient resources for the use of the standardised approach in the bank's major business lines, and in the bank's control and audit units;
 - (D) that the bank has in place adequate policies and documented criteria to map its business lines and gross income into the business lines indicated in table 1 below, in accordance with the requirements specified in paragraph (d) below.
- (ii) As a minimum, in addition to the requirements specified in subparagraph (i) above, a bank with internationally active branches or subsidiaries, which bank wishes to adopt the standardised approach for the measurement of the bank's exposure to operational risk-
 - (A) shall have in place an adequate operational risk management system with clear responsibilities being assigned to an operational risk management function, which operational risk management function, amongst other things, shall be responsible for-
 - (i) the development of strategies to identify, assess, monitor and control or mitigate the bank's exposure to operational risk;
 - (ii) the development of comprehensive policies and procedures relating to operational risk management and controls, including policies to address areas of non-compliance;

- (iii) the design and implementation of a methodology to comprehensively assess the bank's exposure to operational risk;
 - (iv) the design and implementation of a risk reporting system in respect of operational risk;
 - (v) the development and implementation of techniques to create appropriate incentives to improve the management and control of operational risk throughout the bank.
- (B) shall as part of the bank's internal operational risk assessment system track relevant operational risk data, including material losses per business line-
- (i) which operational risk assessment system-
 - (aa) shall be closely integrated with the risk management processes of the bank;
 - (bb) shall be subject to regular validation and independent review;
 - (ii) the output of which system shall form an integral part of the process to monitor and control the bank's operational risk profile, including any risk reporting, management reporting and risk analysis;
- (C) shall on a regular basis report to the relevant management of the bank's business units, the senior management of the bank and the bank's board of directors its exposure to operational risk, including material losses suffered in respect of operational risk;
- (D) shall duly document the bank's operational risk management system;
- (E) shall have in place-
- (i) procedures to take appropriate action based on information contained in the reports submitted to the management of the bank's business units, the senior management of the bank and the bank's board of directors;
 - (ii) a robust process to ensure compliance with the bank's documented set of internal policies, controls and procedures concerning the operational risk management system;

(iii) policies that comprehensively deal with the manner in which any area or matter of non-compliance will be dealt with;

(F) shall ensure that the bank's operational risk management process is subject to regular independent review.

(c) *Capital requirement*

- (i) Subject to the provisions of subparagraph (ii) below, a bank shall separately calculate a capital requirement in respect of each relevant business line specified in table 1 below by multiplying the three-year average amount of gross income relating to each relevant business line with the beta factor specified in table 1 below, provided that the requirements and conditions specified in subregulation (7) relating to gross income, and in particular any relevant negative amount of gross income, to the extent that the said requirements and conditions are relevant, shall *mutatis mutandis* apply to each relevant business line specified in table 1 below.

In the absence of any negative amount of gross income in any of the relevant business lines during any of the relevant three years, the relevant capital requirement for the bank may be calculated through the application of the formula specified below:

$$K_{TSA} = \{\sum_{\text{years 1-3}} \max[\sum(GI_{1-8} \times \beta_{1-8}), 0]\}/3$$

where:

K_{TSA} is the aggregate required amount of capital in terms of the standardised approach

GI₁₋₈ is the annual gross income amount in a specific year, as defined in and calculated in accordance with the conditions and requirements relating to gross income specified in subregulation (7) above, in respect of each of the relevant eight business lines

β₁₋₈ is the relevant beta factor specified in table 1 below

Table 1
Standardised approach

Business line	Consisting of:	Activities which may be included	Beta factor
Corporate finance	Corporate finance	Mergers and acquisitions, underwriting, privatisations, securitisation, research, debt (government or high yield), equity, syndications, IPO, secondary private placements	18%
	Municipal/ Government finance		
	Merchant banking		
	Advisory services		
Trading and sales	Sales	Fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repurchase/ resale agreements, brokerage, debt, prime brokerage	18%
	Market making		
	Proprietary positions		
	Treasury		
Retail banking	Retail banking	Retail lending and deposits, banking services, trust and estates	12%
	Private banking	Private lending and deposits, banking services, trust and estates, investment advice	
	Card services	Merchant/ commercial/ corporate cards, private labels and retail	
Commercial banking	Commercial banking	Project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bills of exchange	15%
Payment and settlement	External clients	Payments and collections, funds transfer, clearing and settlement	18%
Agency services	Custody	Escrow, depository receipts, securities lending (customers) corporate actions	15%
	Corporate agency	Issuer and paying agents	
	Corporate trust		
Asset management	Discretionary fund management	Pooled, segregated, retail, institutional, closed, open, private equity	12%
	Non-discretionary fund management	Pooled, segregated, retail, institutional, closed, open	
Retail brokerage	Retail brokerage	Execution and full service	12%

(ii) Subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, which approval shall be granted only in exceptional cases, a bank may use an alternative standardised approach to calculate the bank's capital requirement relating to operational risk, in terms of which alternative standardised approach the bank-

(A) may in respect of its retail banking and commercial banking business lines, instead of the gross income, multiply the loans and advances of the said business lines with the respective beta factors specified in table 1 in subparagraph (i) above and a constant factor "m" in accordance with the formula specified below:

(i) In the case of the bank's retail banking business line, as follows:

$$K_{RB} = \beta_{RB} \times m \times LA_{RB}$$

where:

K_{RB} is the relevant capital requirement in respect of the retail banking business line

β_{RB} is the relevant beta factor for the retail banking business line, as specified in table 1, in paragraph (i) above

LA_{RB} is the total outstanding amount of specified retail loans and advances, which total amount-

(aa) shall not be risk weighted;

(bb) shall be gross of any provision;

(cc) shall be derived by calculating the relevant average amount based on the relevant total outstanding amount at the end of each year in the three year period preceding the reporting date;

(dd) shall include the total drawn amount in respect of the credit portfolios specified below:

(i) retail;

(ii) SMEs treated as retail;

(iii) purchased retail receivables

m is a constant factor equal to 0.035

- (ii) In the case of the bank's commercial banking business line, as follows:

$$K_{CB} = \beta_{CB} \times m \times LA_{CB}$$

where:

K_{CB} is the relevant capital requirement in respect of the commercial banking business line

β_{CB} is the relevant beta factor for the commercial banking business line, as specified in table 1, in paragraph (i) above

LA_{CB} is the total outstanding amount of specified commercial loans and advances, which total amount-

- (aa) shall not be risk weighted;
- (bb) shall be gross of any provision;
- (cc) shall be derived by calculating the relevant average amount based on the relevant total outstanding amount at the end of each year in the three year period preceding the reporting date;
- (dd) shall include the book value of securities held in the bank's banking book;
- (ee) shall include the total drawn amount in respect of the credit portfolios specified below:
 - (i) corporate;
 - (ii) sovereign;
 - (iii) bank;
 - (iv) specialised lending;
 - (v) SMEs treated as corporate exposure;
 - (vi) purchased corporate receivables;

m is a constant factor equal to 0.035

- (B) may aggregate the retail and commercial banking business lines and apply to the said aggregated amount a beta factor of 15 per cent instead of the percentages specified in table 1 in subparagraph (i) above;

- (C) may aggregate the gross income of the business lines other than the retail and commercial banking business lines and apply to the said aggregated amount a beta factor of 18 per cent instead of the percentages specified in table 1 in subparagraph (i) above;
 - (D) shall in the calculation of average amounts comply with the relevant requirements relating to negative or zero amounts, specified in subregulation (7) above.
- (iii) The bank's total capital requirement in terms of the standardised approach and alternative standardised approach shall be equal to the sum of the respective capital requirements calculated in accordance with the relevant requirements specified in this paragraph (c).

(d) *Mapping of business lines*

A bank that adopted the standardised approach for the measurement of the bank's exposure to operational risk-

- (i) shall have in place a board approved policy compiled by the senior management of the bank for the mapping of the bank's business lines in accordance with the relevant requirements specified in this subregulation (8);
- (ii) shall in a mutually exclusive and jointly exhaustive manner map all its activities into one of the eight business lines specified in table 1 in paragraph (c) above, provided that-
 - (A) the said process to map activities into business lines for purposes of this subregulation (8) shall be consistent with the definitions of business lines applied by the bank for the calculation of the bank's required amount of capital and reserve funds in respect of other categories of risk, such as credit risk and market risk;
 - (B) any banking or trading activity of the reporting bank which cannot readily be mapped into the business line framework specified in table 1, but which activity represents an ancillary function to an activity specified in table 1, shall be allocated to the business line that it supports;
 - (C) when the bank maps gross income into one of the eight business lines specified in table 1 and the bank is unable to map a particular activity into a specific business line, and the activity does not represent an ancillary function to an activity specified in table 1, as envisaged in item (B), the bank shall allocate the said particular activity to the business line with the highest capital requirement;

- (iii) may use its internal pricing method to allocate gross income between the business lines specified in table 1, provided that the aggregate amount of gross income relating to the eight business lines specified in table 1 shall be equal to the relevant aggregate amount of gross income for the reporting bank;
- (iv) shall duly document its mapping process, including the relevant definitions that were applied in the mapping process, which documentation-
 - (A) shall duly motivate any exceptions or overrides that took place during the mapping process;
 - (B) amongst other things, shall contain business line definitions sufficiently clear to allow a third party to replicate the bank's process of business line mapping;
- (v) shall have in place a sufficiently robust process to define the mapping of any new activities or products;
- (vi) shall ensure that the bank's mapping process to business lines is subject to adequate internal controls and appropriate internal audit coverage, including independent review.

(9) *Advanced measurement approach*

- (a) A bank that wishes to adopt the advanced measurement approach for the calculation of the bank's capital requirement relating to operational risk in terms of the bank's internal risk measurement system-
 - (i) shall obtain the prior written approval of the Registrar;
 - (ii) shall at all times adhere to such conditions as may be specified in writing by the Registrar, which conditions may include a period of initial monitoring by the Registrar before the bank is allowed to adopt the said approach for the calculation of its capital requirement in respect of operational risk;
 - (iii) as a minimum, shall comply with the qualifying criteria specified in paragraph (d) below;
 - (iv) shall calculate its capital requirement relating to operational risk in accordance with the relevant provisions of paragraphs (e) and (f) below.
- (b) An application for the written approval of the Registrar shall be accompanied by a written statement containing adequate details in respect of, amongst other things, the bank's compliance with the quantitative and qualitative requirements specified in paragraph (d) below.

- (c) When a bank wishes to apply an allocation mechanism in order to determine the capital requirements relating to operational risk for the bank's internationally active subsidiaries, the bank shall include in its application to the Registrar sufficient details, including details relating to the empirical process to calculate the capital requirements of the said subsidiaries, in order for the Registrar to determine the significance and the risk profile of the said subsidiaries.
- (d) *Qualifying criteria*
- (i) As a minimum, a bank that wishes to adopt the advanced measurement approach for the calculation of the bank's capital requirement in respect of operational risk shall demonstrate to the satisfaction of the Registrar-
- (A) that the bank's board of directors and senior management are actively involved in the oversight of the bank's operational risk management framework;
 - (B) that the bank's operational risk management system is conceptually sound and implemented with integrity;
 - (C) that the bank has sufficient resources for the use of the approach in the bank's major business lines, and in the bank's control and audit units;
 - (D) that the bank's internal measurement system is able to reasonably estimate unexpected losses based on the combined use of-
 - (i) internal loss data;
 - (ii) relevant external loss data;
 - (iii) scenario analysis;
 - (iv) the bank's internal control factors and the business environment in which the bank operates;
 - (E) that the bank's measurement system is capable of supporting the allocation of economic capital for operational risk across business lines in such a manner that incentives are created to improve the risk management capabilities in each relevant business line;
 - (F) that the bank complies with the qualitative and quantitative standards specified below.

(ii) *Qualitative standards*

A bank that wishes to adopt the advanced measurement approach for the calculation of the bank's capital requirement relating to operational risk shall comply with the qualitative requirements specified in regulation 39(15).

(iii) *Quantitative standards*

As a minimum, a bank that wishes to adopt the advanced measurement approach for the calculation of the bank's capital requirement relating to operational risk-

- (A) shall have in place a duly documented and robust approach for the measurement of the bank's exposure to operational risk, which approach, amongst other things, shall ensure that the bank has in place rigorous procedures for the development of a robust operational risk model;
- (B) shall have in place a robust operational risk measurement system, which operational risk measurement system-
 - (i) shall be consistent with the scope of operational risk, as defined in regulation 67;
 - (ii) shall be consistent with the loss event types specified in subparagraph (iv) below;
 - (iii) shall duly capture potentially severe 'tail' loss events;
 - (iv) shall be subject to independent validation;
 - (v) shall be sufficiently granular to capture the major drivers of operational risk, which drivers may affect the shape of the tail of the bank's estimates of loss;
 - (vi) shall not double count the effects of correlation or risk mitigation;
 - (vii) shall comply with the minimum requirements relating to-
 - (aa) internal data specified in subparagraph (v) below;
 - (bb) relevant external data specified in subparagraph (vi) below;
 - (cc) scenario analysis specified in subparagraph (vii) below;
 - (dd) internal control systems and the factors reflecting the business environment in which the bank conducts business, specified in subparagraph (viii) below;

(iv) Loss event types

Category relating to event type (Level 1)	Definition	Category relating to activity (Level 2)	Examples of activities include: (Level 3)
Internal fraud	Losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity/discrimination events, which acts involve at least one internal party	Unauthorised activity	Transactions intentionally not reported Unauthorised transaction with monetary loss Intentional misrepresentation of position Fraud / credit fraud / worthless deposits Theft / extortion / embezzlement / robbery Misappropriation of assets Malicious destruction of assets Forgery Cheque kiting Smuggling Account take-over / impersonation / etc. Tax non-compliance / wilful evasion Bribes / kickbacks Insider trading (not on bank/ firm's account)
		Theft and fraud	Theft/ robbery Forgery Cheque kiting Hacking damage Theft of information with monetary loss
External fraud	Losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party	Theft and fraud	Compensation, benefit, termination issues Organised labour activity General liability such as slip and fall Employee health & safety rules events Workers compensation All discrimination types
		Systems security	
Employment practices and workplace safety	Losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity / discrimination events	Employee relations	
		Safe environment	
		Diversity and discrimination	

Category relating to event type (Level 1)	Definition	Category relating to activity (Level 2)	Examples of activities include: (Level 3)
Clients, products and business practices	Losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product.	Suitability, disclosure and fiduciary	Fiduciary breaches / guideline violations Suitability / disclosure issues (KYC, etc.) Retail customer disclosure violations Breach of privacy Aggressive sales Account churning Abuse of confidential information Lender liability Antitrust Improper trade / market practices Market manipulation Insider trading (on bank/ firm's account) Unlicensed activity Money laundering
Damage to physical assets	Losses arising from loss or damage to physical assets from natural disaster or other events.	Product flaws Selection, sponsorship and exposure Advisory activities	Product defects (unauthorised, etc.) Model errors Failure to investigate client per guidelines Exceeding client exposure limits Disputes over performance of advisory activities
Business disruption and system failures	Losses arising from disruption of business or system failures	Disasters and other events	Natural disaster losses Human losses from external sources (terrorism, vandalism) Hardware Software Telecommunications Utility outage / disruptions

Category relating to event type (Level 1)	Definition	Category relating to activity (Level 2)	Examples of activities include: (Level 3)
Execution, delivery and process management	Losses from failed transaction processing or process management, from relations with trade counterparties and vendors	<p>Transaction capture, execution and maintenance</p> <p>Monitoring and reporting</p> <p>Customer intake and documentation</p> <p>Customer / client account management</p> <p>Trade counterparties</p> <p>Vendors and suppliers</p>	<p>Miscommunication</p> <p>Data entry, maintenance or loading error</p> <p>Missed deadline or responsibility</p> <p>Model / system failure</p> <p>Accounting error / entity attribution error</p> <p>Other task malfunctioning</p> <p>Delivery failure</p> <p>Collateral management failure</p> <p>Reference data maintenance</p> <p>Failed mandatory reporting obligation</p> <p>Inaccurate external report (loss incurred)</p> <p>Client permissions / disclaimers missing</p> <p>Legal documents missing / incomplete</p> <p>Unapproved access given to accounts</p> <p>Incorrect client records (loss incurred)</p> <p>Negligent loss or damage of client assets</p> <p>Non-client counterparty misperformance</p> <p>Misc. non-client counterparty disputes</p> <p>Outsourcing</p> <p>Vendor disputes</p>

(v) Internal data

As a minimum-

(A) a bank shall duly capture internal loss data-

- (i) in order for the bank, amongst other things, to validate or compare its risk estimates with the bank's actual experience of loss;
- (ii) which loss data shall clearly be linked to the bank's business activities, technological processes and risk management procedures;

(B) a bank's internal processes relating to the collection of loss data-

- (i) shall be adequate to map the bank's historical internal loss data into the relevant level 1 categories specified in subparagraph (iv) above, which level 1 categories relate to loss event types;
- (ii) shall be duly documented, which documentation, amongst other things-
 - (aa) shall include objective criteria for the allocation of losses to the relevant business lines specified in table 1, in subregulation (8)(c)(i), and the specified loss event types;
 - (bb) shall duly specify the relevant criteria to be applied when assigning loss data arising from an event in a centralised function, such as an information technology department, or an activity that spans more than one business line, as well as from related events over time;
- (iii) shall be sufficiently robust-
 - (aa) to ensure that the bank's internal loss data is comprehensive in the sense that the bank's internal process captures all material activities and exposures from all appropriate sub-systems and geographic locations;
 - (bb) to capture adequate information in respect of-
 - (i) the gross loss amounts;
 - (ii) the date of the loss event;

- (iii) any recovery of gross loss amounts;
 - (iv) descriptive information relating to the drivers or causes of the loss event;
 - (iv) shall include an appropriate *de minimis* gross loss threshold amount for the collection of internal loss data provided that in order to ensure broadly consistent data collection between banks that adopted the advanced measurement approach for the calculation of their respective capital requirements relating to operational risk the Registrar may from time to time specify a minimum gross loss threshold amount;
- (C) a bank shall have in place duly documented procedures in order to assess the ongoing relevance of historical data, which documented procedures shall duly specify the situations in which judgement, scaling or other adjustments to internal loss data may be used, including the extent to which such judgement may be used and the officials who are authorised to make such decisions;
- (D) when a bank's capital requirement in respect of operational risk is based on internal loss data, the said capital requirement shall be based on a minimum observation period of-
 - (i) five years of data; or
 - (ii) when the bank originally adopts the advanced measurement approach, subject to such conditions as may be specified in writing by the Registrar, a minimum observation period of less than five years of data, but in no case less than three years of data,irrespective whether the internal loss data is used to calculate or validate the bank's measure of loss.
- (vi) External data
 - As a minimum-
 - (A) a bank shall have in place board approved policies and procedures in order to determine-
 - (i) the circumstances under which external data such as public data and/or pooled industry data should be used in addition to internal data;

- (ii) the methodologies that should be used in order to incorporate the relevant external data, such as scaling or qualitative adjustments,

provided that the bank's operational risk measurement system shall incorporate relevant external data when there is reason to believe that the bank is exposed to infrequent, yet potentially severe, losses.

- (B) the external data referred to in item (A) above shall include information in respect of-
 - (i) the actual loss amounts;
 - (ii) the scale of business operations where the loss event occurred;
 - (iii) the causes of and circumstances surrounding the loss event;
 - (iv) any other information that would assist the bank in assessing the relevance of the loss event and/or data;
- (C) a bank's policies and procedures relating to the use of external data shall be subject to regular independent review and appropriate internal audit coverage.

(vii) Scenario analysis

As a minimum, a bank-

- (A) shall use scenario analysis in conjunction with external data in order to evaluate-
 - (i) the bank's exposure to high-severity events;
 - (ii) the impact of deviations from the correlation assumptions embedded in the bank's operational risk measurement framework;
 - (iii) potential losses which may arise from multiple simultaneous operational risk loss events;
- (B) shall have adequately skilled staff-
 - (i) to conduct the scenario analysis;
 - (ii) to derive reasoned assessments of plausible severe losses;

- (C) shall over time, in order to ensure the reasonableness of its risk measures and assessments, validate and re-assess the said assessments of plausible severe losses generated through scenario analysis through comparison to actual loss experience.

(viii) Business environment and internal control factors

As a minimum-

- (A) a bank's operational risk assessment methodology shall be sufficiently robust to capture key business environment and internal control factors that may have an impact on the bank's operational risk profile, which factors-
 - (i) shall be a meaningful driver of risk based on the experience and involving the expert judgment of the affected business areas;
 - (ii) as far as possible, shall be translatable into quantitative measures that lend themselves to verification;
 - (B) a bank's estimates in respect of operational risk shall be sufficiently sensitive to changes in the factors referred to in item (A) above;
 - (C) the relative weightings of the various factors referred to in item (A) above shall be appropriate, that is, the bank's risk framework shall be able to capture potential increases in risk due to greater complexity of activities or increased business volume, or changes in risk due to improvements in risk controls;
 - (D) a bank's operational risk framework and each instance of its application-
 - (i) shall be duly documented and subject to independent review;
 - (ii) shall be validated through comparison to actual internal loss experience and relevant external data.
- (e) The capital requirement of a bank that adopted the advanced measurement approach for the measurement of the bank's exposure to operational risk-
- (i) shall be equal to the sum of the bank's expected loss amounts and unexpected loss amounts, unless the bank can demonstrate to the satisfaction of the Registrar that the bank duly measures and accounts for expected losses;

- (ii) shall be equal to the aggregate amount of the bank's risk measures for the different operational risk estimates, provided that, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, the bank may use internally determined correlations in respect of operational risk losses across individual operational risk estimates, provided that-
 - (A) the bank's systems-
 - (i) shall duly take into account uncertainty in respect of correlation estimates;
 - (ii) shall be subject to sufficiently robust stress testing.
 - (B) the bank shall validate its correlation assumptions by making use of appropriate quantitative and qualitative techniques.
- (iii) shall be the amount after the bank has taken into account the effect of eligible risk mitigation, that is, in order to take into account the effect of risk mitigation in respect of operational risk the bank shall comply with the relevant requirements relating to risk mitigation specified in paragraph (f) below.

(f) *Eligible risk mitigation*

A bank that adopted the advanced measurement approach for the calculation of the bank's capital requirement relating to operational risk may recognise the risk mitigating impact of insurance, provided that-

- (i) the insurance provider-
 - (A) shall have a minimum rating of A, or the equivalent thereof, in respect of its ability to pay claims;
 - (B) shall be independent from the reporting bank, that is, a third party entity or institution, provided that when a bank obtains insurance through captives or affiliates the bank shall lay off its risk exposure to an independent third-party entity or institution, for example, through re-insurance, provided that the entity or institution that provides the re-insurance shall comply with the eligibility criteria specified in this paragraph (f);

- (ii) the insurance policy-
 - (A) shall have an initial term of no less than one year, provided that when an insurance policy has a residual term of less than one year the bank shall make provision for appropriate haircuts that reflect the declining residual term of the policy, which haircut shall be equal to 100 per cent in respect of policies with a residual term of 90 days or less;
 - (B) shall have a minimum notice period for cancellation of 90 days;
 - (C) shall not contain any exclusions or limitations triggered by supervisory actions or, in the case of a failed bank, that preclude the bank, receiver or liquidator from recovering for damages suffered or expenses incurred by the bank, except when an event occurs after the initiation of receivership or liquidation proceedings in respect of the bank, provided that the insurance policy may exclude any fine, penalty or punitive damages resulting from supervisory actions.
- (iii) the bank's calculations relating to risk mitigation-
 - (A) shall duly reflect the bank's insurance coverage;
 - (B) shall be consistent with the actual likelihood and impact of loss used in the bank's overall determination of its operational risk capital;
- (iv) the bank's framework for the recognition of insurance shall be duly documented;
- (v) the bank shall adequately disclose its use of insurance for operational risk mitigation purposes;
- (vi) by way of appropriate discounts or haircuts, the bank's methodology for the recognition of insurance shall duly capture-
 - (A) the insurance policy's cancellation terms and residual term;
 - (B) any uncertainty of payment;
 - (C) any mismatches in protection;
- (vii) the bank's recognition of operational risk mitigation through insurance shall be limited to 20 per cent of the bank's total capital requirement in respect of operational risk, calculated in terms of the advanced measurement approach.

(10) Instructions relating to the completion of the return are furnished with reference to certain item descriptions and line item numbers appearing on the form BA 400, as follows:

**Line item
number**

- 8 Adjusted prior period errors
- In respect of any relevant item affecting gross income, this item shall reflect the aggregate amount of errors, omissions or misstatement of amounts in respect of a reporting period preceding the current reporting period.
- 11 Based on the relevant requirements specified in subregulation (7) the reporting bank shall calculate its relevant required amount of capital and reserve funds in terms of the basic indicator approach.
- 12 to 20 Based on the relevant requirements specified in subregulation (8) the reporting bank shall calculate its relevant required amount of capital and reserve funds in terms of the standardised approach.
- 21 to 25 Based on the relevant requirements specified in subregulation (8)(c)(ii) the reporting bank shall calculate its relevant required amount of capital and reserve funds in terms of the alternative standardised approach.
- 26 and
29 to 37 Based on the relevant requirements specified in subregulation (9) the reporting bank shall, amongst other things, calculate its relevant required amount of capital and reserve funds in terms of the advanced measurement approach.
- 28 A bank shall convert its required amount of capital and reserve funds for operational risk reported in item 27 to the required risk weighted asset equivalent amount through the application of the formula specified below:
- $$RWE = K \times 12,5$$
- where:
- RWE** is the required risk weighted asset equivalent amount
- K** is the required amount of capital and reserve funds for operational risk reported in item 27.
- 38 and 39 Based on the relevant requirements specified in subregulation (9) and the bank's relevant annual aggregate loss distribution constructed during the relevant period, a bank that obtained the approval of the Registrar to adopt and apply the advanced measurement approach shall complete the required information specified in items 38 and 39.

Columns relating to items 11 to 25

- 7 Based on the relevant requirements specified in subregulations (7) and (8), this column 7 shall reflect the relevant risk exposure amount.

(All amounts to be rounded off to the nearest R'000)

Selected information relating to recorded losses	Line no.	Internal code ²	Entity code where event took place ²	Gross loss amount	Total loss recovered (col. 5 plus 6)	Loss mitigation/recovered		Risk event type ^{2,3}	Dates (yyyy/mm/dd)			
						Insurance	Other		Event	Recognition	1 st payment from risk transfer mechanism	Latest payment from risk transfer mechanism
Total ²		1	2	3	4	5	6	7	8	9	10	11
	64											
	65											
	66											
	67											
	68											
	69											
	70											
	71											
	72											
	73											
	74											
	75											

Selected information relating to recorded losses	Line no.	Breakdown of gross loss (%) per business line							Status: ended (Y/N)	Comment ²	
		Corporate finance	Trading and sales	Retail brokerage	Commercial banking	Retail banking	Payment and settlement	Agency services			Asset management
Total ²		12	13	14	15	16	17	18	19	20	21
	64										
	65										
	66										
	67										
	68										
	69										
	70										
	71										
	72										
	73										
	74										
	75										

1. Relates to gross losses recorded during the current reporting period, which loss events may still be open.
 2. Please provide relevant required detail and additional comment on a separate list.
 3. Based on the following specified keys: 1 = internal fraud; 2 = external fraud; 3 = employment practices and workplace safety; 4 = clients, products and business practices; 5 = damage to physical assets; 6 = business disruption and system failure; 7 = execution, delivery and process management

34. Operational risk - Directives and interpretations for completion of six-monthly return concerning operational risk (Form BA 410)

(1) The content of the relevant return is confidential and not available for inspection by the public.

(2) The purpose of the return is to obtain from a bank that adopted the advanced measurement approach for the calculation of its required amount of capital and reserve funds in respect of operational risk selected information in respect of, amongst other things, the bank's loss event types, recorded losses and recovery of loss, which information is based on specified business lines and specified loss event types.

(3) Instructions relating to the completion of the return are furnished with reference to certain item descriptions and line item numbers appearing on the form BA 410, as follows:

Line item number

1 to 75 Based on the relevant requirements specified in regulation 33(9) a bank that adopted the advanced measurement approach for the calculation of the bank's required amount of capital and reserve funds relating to operational risk shall complete items 1 to 75.

2, 9, 16, 23, 30, 37, 44, 51, 58 The **gross loss amount** shall include any expenses incurred by the reporting bank in relation to the loss event but not any amount in respect of an investment programme, an opportunity cost amount, an amount relating to revenue forgone or any amount constituting a gain. For example, when a computer related fault results in a break in business activity and market rates move against the bank during the period that the fault continues the gross loss amount shall include any loss arising from a subsequent unwinding of the position, any related amount paid to a client, any cost relating to a consultant specifically engaged to resolve the problem and any related amount paid in respect of overtime. However, when the bank decides to invest in hardware in order to prevent a similar situation, the amount in respect of the said investment in hardware shall not be included into the gross loss amount.

4, 11, 18, 25, 32 39, 46, 53, 60 These items shall reflect the aggregate amount of insurance recoveries and any other relevant recoveries received by the reporting bank in the current reporting period.

In order to ensure an accurate measure of recovery rates the reporting bank shall not net off an amount related to a recovery against the relevant gross loss amount but shall instead separately capture the said recovery amount.

For the purposes of this regulation 34 a recovery means an independent occurrence that is separate from the original event and in terms of which funds are recovered by or contributed to the reporting bank, which funds are usually received from or by a third party.

When the recovery in respect of an event exceeds the amount initially written off, a gain would be derived in respect of the reported event.

5, 12, 19, 26, 33
40, 47, 54, 61 These items shall reflect the aggregate amount of insurance recoveries and any other relevant recoveries received by the reporting bank in the current reporting period in respect of losses recorded in previous reporting periods.

Columns relating to items 1 to 63

9 and 10 A bank shall report in column 9 the relevant *de minimis* gross loss threshold amount specified by the bank for the collection of internal loss data, as envisaged in regulation 33(9)(d)(v)(B)(iv), which *de minimis* gross loss threshold amount shall be subject to the minimum amount that may be specified by the Registrar from time to time in order to ensure broadly consistent data collection between banks that adopted the advanced measurement approach for the calculation of their respective capital requirements relating to operational risk, provided that when the bank specified different threshold amounts within a specified business line the bank shall report in column 10 the highest threshold amount specified in respect of the relevant business line.

Columns relating to items 64 to 75

1 to 21 In respect of the specific recorded loss event identified in column 1, which loss event was incurred in the period to which the relevant reporting period relates, and in respect of which loss event the recorded gross loss amount exceeds the relevant threshold amount specified by the bank or Registrar, a bank shall report in columns 2 to 21 the relevant required information.

- 3 This column shall reflect the aggregate amount of gross loss arising from the loss event types specified in regulation 33(9)(d)(iv), that is, from internal fraud, external fraud, employment practices and workplace safety, clients and products and business practices, damage to physical assets, business disruption and system failure, and execution, delivery and process management.
- 5 and 6 These columns shall respectively reflect the aggregate amounts in respect of losses recovered from insurance or other third parties, which recovery may be direct or indirect.
- An indirect recovery relates to a recovery paid for in advance, such as a recovery of loss through an insurance contract, whereas a direct recovery relates to a recovery of loss that is obtained without the aforesaid payment in advance.
- Normally the respective categories of recovery focus on where or how the relevant funds were obtained, and, for example, may include-
- (a) asset seizure/ collateral, that is, the proceeds are derived from the liquidation of assets or collateral;
 - (b) contractual recovery, that is, payment is received from a third party service provider or vendor in terms of a contractual agreement or arrangement;
 - (c) client recovery, that is, payment is received from a client or employee;
 - (d) interest earned, that is, interest is earned on failed settlement or another operational event that results in a subsequent liability of a client or other third party;
 - (e) legal judgement, that is, payment is received in terms of a court order or judgement in favour of the reporting bank;
 - (f) insurance recovery, that is, payment is received in terms of an insurance policy, including any recovery of an amount from an insurance subsidiary or captive insurance entity.
- 8 This column shall reflect the relevant event date, that is, the date on which the relevant loss event occurred or commenced.

- 10 This column shall reflect the relevant date on which the bank first received payment as compensation for the relevant loss event, which payment may have been received from an insurance company.
- 11 This column shall reflect the most recent date on which the bank received payment as compensation for the relevant loss event, which payment may have been received from an insurance company.
- 12 to 19 In respect of the specified business lines these columns shall reflect the percentage breakdown of the relevant incurred gross loss amount reported in column 3.
- 20 For the purposes of these Regulations an event shall be deemed to have ended or be closed when all avenues of recovery have been exhausted and/or when the relevant reporting bank decides not to further ensue recovery.

SECURITISATION SCHEMES

	<u>Page no.</u>
1. Form BA 500 - Securitisation schemes	703
2. Regulation 35 - Directives and interpretations for completion of the monthly return concerning securitisation schemes (Form BA 500)	717

BA 500
Monthly

SECURITISATION EXPOSURES

(Confidential and not available for inspection by the public)

Name of bank.....
Month ended.....(yyyy-mm-dd)

(All amounts to be rounded off to the nearest R'000)

Line no.	Risk weighted exposure	Supervisory deductions against common equity tier 1 capital and reserve funds
1		2
2		
3		

1. After the application of a scaling factor of 1.06.

(All amounts to be rounded off to the nearest R'000)

Line no.	Corporate receivables	SME receivables	Retail mortgages	Retail revolving products	Retail: instalment sales and leasing	Retail: other	Total
4	1	2	3	4	5	6	7
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							

Memorandum item:
Profit or loss recognised on sale of securitised assets

(All amounts to be rounded off to the nearest R'000)

Line no.	Corporate receivables	SME receivables	Retail: mortgages	Retail: revolving products	Retail: instalment sales and leasing	Retail: other	Total
	1	2	3	4	5	6	7
Summary of selected information							
Securitisation or resecuritisation exposure and balances at month-end							
On-balance-sheet instruments (total of items 20 and 26)							
Exposures included in item 31 or 53 of form BA 100 (total of items 21 and 22)							
Retained exposures relating to a traditional securitisation or resecuritisation scheme							
Investment in third party assets (total of items 23 to 25)							
Exposures resulting from repackaging activities							
Exposures resulting from remote originator activities							
Other exposures regarded as securitisation or resecuritisation exposures							
Exposures not included in item 31 or 53 of form BA 100 (total of items 27 and 28)							
Traditional securitisation or resecuritisation							
Synthetic securitisation or resecuritisation							
Off-balance-sheet instruments (total of items 30 to 33)							
Underwriting exposures							
Credit enhancement							
Liquidity facilities							
Other							
Other items (total of items 35 and 36)							
Deemed originator balances: ABCP programmes							
Servicing agent nominal balances							
Memorandum item:							
Repurchased exposures							

(All amounts to be rounded off to the nearest R'000)

Standardised approach Summary of selected information	Line no.	Securitisation exposures		Resecuritisation exposures	
		Risk weighted exposure 1	Supervisory deductions against common equity tier 1 capital and reserve funds 2	Risk weighted exposure 3	Supervisory deductions against common equity tier 1 capital and reserve funds 4
Total (of items 39 to 44)	38				
Gain on sale	39				
Credit-enhancing interest-only strips, net of gain on sale	40				
Rated positions	41				
Unrated positions	42				
Investors' interest subject to early amortisation requirement	43				
Non credit-enhancing interest-only strips or principal-only strips	44				
		Total		Total	
		1		2	
Specific provisions raised against securitisation or resecuritisation exposures in respect of which the relevant net amount is subsequently deducted from capital and reserve funds	45				

(All amounts to be rounded off to the nearest R'000)

Standardised approach	Line no.	Corporate receivables	SME receivables	Retail: mortgages	Retail: revolving products	Retail: instalment sales and leasing	Retail: other	Total
Summary of securitisation and resecuritisation exposure at month-end	1		2	3	4	5	6	7
Securitisation exposure:								
Exposure amount before credit conversion factors	46							
On balance sheet (item 19)	47							
Off balance sheet (items 29 and 34)	48							
Exposure amount after credit conversion factors but before credit risk mitigation	49							
On balance sheet	50							
Off balance sheet	51							
Exposure amount after adjustment for credit risk mitigation	52							
On balance sheet	53							
Off balance sheet	54							
Resecuritisation exposure:								
Exposure amount before credit conversion factors	55							
On balance sheet (item 19)	56							
Off balance sheet (items 29 and 34)	57							
Exposure amount after credit conversion factors but before credit risk mitigation	58							
On balance sheet	59							
Off balance sheet	60							
Exposure amount after adjustment for credit risk mitigation	61							
On balance sheet	62							
Off balance sheet	63							

(All amounts to be rounded off to the nearest R'000)

Standardised approach Rated exposures based on rating categories and specified risk weights	Line no.	Corporate receivables	SME receivables	Retail: mortgages	Retail: revolving products	Retail: instalment sales and leasing	Retail: other	Total
		1	2	3	4	5	6	7
Total securitisation exposure (total of items 65 to 68)	64							
AAA to AA- or A1 / P1	65							
20%								
A+ to A- or A2 / P2	66							
50%								
BBB+ to BBB- or A3/ P3	67							
100%								
BB+ to BB- (investors)	68							
350%								
Total resecuritisation exposure (total of items 70 to 73)	69							
AAA to AA- or A1 / P1	70							
40%								
A+ to A- or A2 / P2	71							
100%								
BBB+ to BBB- or A3/ P3	72							
225%								
BB+ to BB- (investors)	73							
650%								
Total high risk securitisation exposures (total of items 75 and 76)	74							
BB+ to BB- (originators)	75							
1250% ²								
Rated below BB- or A3 / P3	76							
1250% ²								
Total high risk resecuritisation exposures (total of items 78 and 79)	77							
BB+ to BB- (originators)	78							
1250% ²								
Rated below BB- or A3 / P3	79							
1250% ²								
Memorandum item:								
Total risk weighted exposure i.r.o rated exposures ¹	80							

1. Amounts reported in items 65 to 68, 70 to 73, 75, 76, 78 and 79, multiplied by the specified risk weights.

2. Or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds.

(All amounts to be rounded off to the nearest R'000)

Standardised approach Unrated exposures	Line no.	Exposures after credit risk mitigation							Total
		Corporate receivables	SME receivables	Retail: mortgages	Retail: revolving products	Retail: instalment sales and leasing	Retail: other		
Unrated most senior exposures	81	1	2	3	4	5	6	7	
of which: relates to securitisation exposure	82								
Other exposures (total of items 84 to 88)	83								
Eligible liquidity facilities	84								
Market disruption facilities	85								
Servicer cash advance facilities	86								
Second loss positions in ABCP programmes	87								
Other unrated exposures	88								
Memorandum items:									
Total risk weighted exposure i.r.o unrated exposures ¹	89								

1. Relevant unrated exposure amount multiplied by the relevant risk weight.

(All amounts to be rounded off to the nearest R'000)

Standardised approach Investors' interest i.r.o schemes with early amortisation features	Line no.	Credit exposure and risk weighted exposure					Total
		Controlled amortisation		Uncontrolled amortisation		Undrawn exposures ¹	
		Drawn exposures ¹	Undrawn exposures ¹	Drawn exposures ¹	Undrawn exposures ¹		
	1		2		3	4	5
Total (of items 92 and 95)	90						
<i>of which: relates to resecuritisation exposures</i>	91						
Retail lines (total of items 93 and 94)	92						
Committed	93						
Uncommitted	94						
Non-retail lines (total of items 96 and 97)	95						
Committed	96						
Uncommitted	97						
Memorandum item:							
Risk weighted exposure	98						

1. After credit conversion factors.

Standardised approach Non credit enhancing IOs and Pos	Line no.	Total
Exposure amount	99	
Risk weighted exposure ¹	100	1

1. Item 99 multiplied by 100% risk weight.

(All amounts to be rounded off to the nearest R'000)

IRB approach Summary of selected information	Line no.	Securitisation exposures		Resecuritisation exposures	
		Risk weighted exposure ¹	Supervisory deductions against common equity tier 1 capital and reserve funds	Risk weighted exposure ¹	Supervisory deductions against common equity tier 1 capital and reserve funds
Total (of items 102 to 107)	101	1	2	3	4
Gain on sale	102				
Credit-enhancing interest-only strips, net of gain on sale	103				
Exposures subject to ratings-based or internal assessment approach	104				
Unrated exposures - treated in respect of standard formula or otherwise	105				
Investors' interest subject to early amortisation requirements	106				
Non credit enhancing IOs and POs	107				
		Total		Total	
		1		2	
Specific provisions raised against securitisation or resecuritisation exposures in respect of which the relevant net amount is subsequently deducted from capital and reserve funds	108				

1. After the application of a scaling factor of 1.06.

(All amounts to be rounded off to the nearest R'000)

IRB approach Summary of securitisation and resecuritisation exposure at month-end	Line no.	Corporate receivables	SME receivables	Retail mortgages	Retail revolving products	Retail instalment sales and leasing	Retail other	Total
		1	2	3	4	5	6	7
Securitisation exposure								
Exposure amount before credit conversion factors	109							
On balance sheet (item 19)	110							
Off balance sheet (items 29 and 34)	111							
Exposure amount after credit conversion factors but before credit risk mitigation	112							
On balance sheet	113							
Off balance sheet	114							
Exposure amount after adjustment for credit risk mitigation	115							
On balance sheet	116							
Off balance sheet	117							
Resecuritisation exposure								
Exposure amount before credit conversion factors	118							
On balance sheet (item 19)	119							
Off balance sheet (items 29 and 34)	120							
Exposure amount after credit conversion factors but before credit risk mitigation	121							
On balance sheet	122							
Off balance sheet	123							
Exposure amount after adjustment for credit risk mitigation	124							
On balance sheet	125							
Off balance sheet	126							

(All amounts to be rounded off to the nearest R'000)

IRB approach	Line no.	Exposures after credit conversion factor and credit risk mitigation						
		Corporate receivables	SME receivables	Retail: mortgages	Retail: revolving products	Retail: instalment sales and leasing	Retail: other	Total
		1	2	3	4	5	6	7
Securitisation exposures subject to ratings-based (external or inferred) or internal assessment approach, based on rating categories and specified risk weights								
Total senior exposures rated BBB or better (total of items 128 to 134)								
AAA or A1 / P1	127							
AA	128							
A+	129							
A or A2 / P2	130							
A-	131							
BBB+	132							
BBB or A3 / P3	133							
Total base risk weight exposures rated BBB or better (total of items 136 to 142)								
AAA or A1 / P1	134							
AA	135							
A+	136							
A or A2 / P2	137							
A-	138							
BBB+	139							
BBB or A3 / P3	140							
Total exposures backed by non-granular pools, rated BBB or better (total of items 144 to 150)								
AAA or A1 / P1	141							
AA	142							
A+	143							
A or A2 / P2	144							
A-	145							
BBB+	146							
BBB or A3 / P3	147							
Total exposures rated BBB- or below (total of items 152 to 156)								
BBB-	148							
BB+	149							
BB	150							
BB-	151							
Rated below BB- or A3 / P3	152							
Memorandum items:								
Total risk weighted exposure i.r.o rated exposures ^{1, 2}	153							
1. Amounts reported in items 128 to 134, 136 to 142, 144 to 150 and 152 to 156, multiplied by the specified risk weights and a scaling factor of 1.06.	154							
2. After the application of the look-through approach specified in regulation 23(1)(b)(xii)(i).	155							
3. Or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds.	156							
	157							

(All amounts to be rounded off to the nearest R'000)

IRB approach		Exposures after credit conversion factor and credit risk mitigation						
		Corporate receivables	SME receivables	Retail: mortgages	Retail: revolving products	Retail: instalment sales and leasing	Retail: other	Total
Line no.		1	2	3	4	5	6	7
	Resecuritisation exposures subject to ratings-based (external or inferred) or internal assessment approach, based on rating categories and specified risk weights							
158	Total senior exposures rated BBB or better (total of items 159 to 165)							
159	AAA or A1 / P1							
160	AA							
161	A+							
162	A or A2 / P2							
163	A-							
164	BBB+							
165	BBB or A3 / P3							
166	Total senior exposures rated BBB- or below (total of items 167 to 171)							
167	BBB-							
168	BB+							
169	BB							
170	BB-							
171	Rated below BB- or A3 / P3							
172	Total non-senior exposures rated BBB or better (total of items 173 to 179)							
173	AAA or A1 / P1							
174	AA							
175	A+							
176	A or A2 / P2							
177	A-							
178	BBB+							
179	BBB or A3 / P3							
180	Total non-senior exposures rated BBB- or below (total of items 181 to 185)							
181	BBB-							
182	BB+							
183	BB							
184	BB-							
185	Rated below BB- or A3 / P3							
186	Memorandum items:							
	Total risk weighted exposure i.r.o. rated exposures ¹							

1. Amounts reported in items 159 to 165, 167 to 171, 173 to 179 and 181 to 185, multiplied by the specified risk weights and a scaling factor of 1.06.
 2. After the application of the look-through approach specified in regulation 23(1)(b)(xi)(i).
 3. Or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds.

(All amounts to be rounded off to the nearest R'000)

Line no.	IRB approach	Exposures after credit conversion factor and credit risk mitigation						Total
		Corporate receivables	SME receivables	Retail: mortgages	Retail: revolving products	Retail: instalment sales and leasing	Retail: other	
		1	2	3	4	5	6	7
187	Total securitisation exposures ¹ (total of items 188 to 195)							
188	7.00% to 20%							
189	20.01% to 50%							
190	50.01% to 100%							
191	100.01% to 250%							
192	250.01% to 425%							
193	425.01% to 650%							
194	650.01% to 1249.99%							
195	1250% ⁵							
	Memorandum item:							
196	Total risk weighted exposure i.r.o exposures ^{2,4}							
197	Total resecuritisation exposures ¹ (total of items 198 to 204)							
198	20.00% to 50%							
199	50.01% to 100%							
200	100.01% to 250%							
201	250.01% to 425%							
202	425.01% to 650%							
203	650.01% to 1249.99%							
204	1250% ⁵							
	Memorandum item:							
205	Total risk weighted exposure i.r.o exposures ^{3,4}							

1. Risk weights after credit risk mitigation.

2. Amounts reported in items 188 to 195, multiplied by the relevant risk weight and a scaling factor of 1.06.

3. Amounts reported in items 198 to 204, multiplied by the relevant risk weight and a scaling factor of 1.06.

4. After the application of the look-through approach specified in regulation 23(1)(b)(xii)(i).

5. Or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds.

(All amounts to be rounded off to the nearest R'000)

	Line no.	Exposures not benefiting from credit risk mitigation			
		Securitisation exposure		Resecuritisation exposure	
		Exposure	Risk weighted exposure ¹	Exposure	Risk weighted exposure ¹
IRB approach		1	2	3	4
Unrated securitisation and resecuritisation exposures not subject to the internal assessment approach and in respect of which no IRB treatment is available for the underlying pool					
Retained exposures	206				
Other exposures such as investments	207				
Total (of items 206 and 207)	208				

1. After the application of a scaling factor of 1.06.

(All amounts to be rounded off to the nearest R'000)

	Line no.	Exposures not benefiting from credit risk mitigation			
		Securitisation exposure		Resecuritisation exposure	
		Exposure	Risk weighted exposure ¹	Exposure	Risk weighted exposure ¹
IRB approach		1	2	3	4
Other unrated securitisation and resecuritisation exposures not subject to the rating-based approach, standard formula approach or internal assessment approach					
On-balance sheet unrated exposures	209				
Off-balance sheet unrated exposures	210				
of which: market disruption facilities	211				
of which: servicer cash advance facilities	212				
of which: eligible liquidity facilities	213				
of which: liquidity facilities to ABCP programme ²	214				
of which: credit enhancement facilities to ABCP programme ²	215				
Other unrated exposures	216				
of which: liquidity facilities to ABCP programme ²	217				

1. After the application of a scaling factor of 1.06.

2. Not eligible for the internal assessment approach.

(All amounts to be rounded off to the nearest R'000)

IRB approach Investors' interest i.r.o schemes with early amortisation features	Line no.	Controlled amortisation		Uncontrolled amortisation		Total
		Drawn exposures ¹	Undrawn exposures ¹	Drawn exposures ¹	Undrawn exposures ¹	
		1	2	3	4	5
Total (of items 220 and 223) of which: relates to resecuritisation exposures	218					
Retail lines (total of items 221 and 222)	219					
Committed	220					
Uncommitted	221					
Non-retail lines (total of items 224 and 225)	222					
Committed	223					
Uncommitted	224					
Memorandum item: Risk weighted exposure ²	225					
1. After credit conversion factors.	226					
2. After the application of a scaling factor of 1.06.						

IRB approach Non credit enhancing IOs and Pos	Line no.	Total
		1
Exposure amount	227	
Risk weighted exposure ¹	228	
Hash total	229	

1. Item 227 multiplied by 100% risk weight and a scaling factor of 1.06.

35. Securitisation schemes - Directives and interpretations for completion of the monthly return concerning securitisation schemes (Form BA 500)

(1) The content of the relevant return is confidential and not available for inspection by the public.

(2) The purpose of the return, amongst other things, is-

- (a) to determine the amount of assets securitised by the reporting bank;
- (b) to determine the required amount of capital and reserve funds of the reporting bank in respect of securitisation exposures;
- (c) to obtain selected information in relation to securitisation schemes, including selected information relating to the role(s) played by the reporting bank in respect of securitisation schemes.

(3) When a bank or institution within a banking group of which the reporting bank is a member acts in a primary or secondary role, or both a primary and a secondary role, in respect of a traditional securitisation scheme or synthetic securitisation scheme, the said bank or banking group shall, at all times, amongst other things, comply with such conditions, directives and interpretations as may be specified in the exemption notice relating to securitisation schemes.

(4) Since a bank's exposure to risk arising from securitisation or resecuritisation positions held in the bank's banking book forms an integral part of, *inter alia*, the bank's exposure to credit risk, a bank shall, based on the relevant requirements specified in, among others-

- (a) regulation 23 of these Regulations;
- (b) regulation 38 of these Regulations;
- (c) this regulation 35; and
- (d) the exemption notice relating to securitisation schemes,

duly complete the form BA500.

(5) For the purposes of these Regulations, unless specifically otherwise provided-

- (a) a traditional securitisation scheme shall bear the meaning assigned to such as scheme in the exemption notice relating to securitisation schemes;
- (b) a synthetic securitisation scheme shall bear the meaning assigned to such as scheme in the exemption notice relating to securitisation schemes;
- (c) asset finance includes any moveable asset;
- (d) any word or expression to which a meaning has been assigned in the exemption notice relating to securitisation schemes, shall bear such meaning;

- (e) securitisation exposures may include, but are not restricted to-
- (i) asset-backed securities;
 - (ii) mortgage-backed securities;
 - (iii) credit-enhancement facilities or instruments;
 - (iv) liquidity facilities or instruments;
 - (v) interest-rate swaps or currency swaps;
 - (vi) credit-derivative instruments;
 - (vii) refundable price discounts;
 - (viii) tranching cover;
 - (ix) specified reserve accounts, such as a cash collateral account, which account subsequently is recorded by the relevant originating bank as an asset;
- (f) in order to avoid the risk of double counting, once a securitisation scheme has been perfected as envisaged in the exemption notice relating to securitisation schemes, an originator of the relevant transferred assets or exposures shall no longer include in the form BA 200 the relevant portfolio of underlying assets or exposures, provided that-
- (i) the provisions of this paragraph (f), to the extent that they are relevant, shall *mutatis mutandis* apply to any synthetic securitisation transaction or exposure;
 - (ii) without derogating from the provisions of paragraph 17 of the exemption notice relating to securitisation schemes, which provisions relate to non-compliance, when a bank or another institution within a banking group of which such a bank is a member fails to comply with the relevant qualifying requirements specified in the aforesaid exemption notice, the relevant bank, amongst other things, shall report on the form BA 200, as part of the underlying pool of assets or exposures, the relevant assets or exposures;
 - (iii) any uncertainty regarding the appropriate treatment or reporting of an asset or exposure shall be referred in writing to the Registrar for an appropriate directive.

(6) As a minimum, when a bank invests in structured products and assesses the risks associated with securitisation or resecuritisation exposure, the bank-

- (a) shall conduct an appropriate analyses of the underlying risks, that is, the bank shall ensure that it fully understands the credit quality and the risk characteristics of the underlying exposures, including any potential risk concentrations;
- (b) shall not solely rely on the external credit ratings assigned to the securitisation or resecuritisation exposures by an external credit assessment institution;
- (c) shall review the maturity of the exposures underlying the structured credit transactions relative to the issued liabilities, in order to assess potential maturity mismatches;
- (d) shall track credit risk in the relevant securitisation or resecuritisation exposures at the transaction level and across securitisation or resecuritisation exposures within each relevant business line, and across business lines;
- (e) shall track all potential concentrations in securitisation or resecuritisation exposures, such as name, product or sector concentrations, and incorporate the said information into all relevant risk aggregation systems that track, for example, credit exposure to a particular obligor;
- (f) shall identify all relevant types of triggers, credit events or other legal provisions that may affect the performance of the bank's on-balance-sheet and off-balance-sheet exposures, and appropriately integrate the aforesaid triggers and provisions into the bank's funding, liquidity, credit and balance sheet management processes and systems;
- (g) shall duly consider and evaluate the impact of all relevant events or triggers on the bank's liquidity, credit, earnings and capital positions;
- (h) shall, for example, in relevant cases, as part of its risk management processes and stress testing, consider scenarios which may prevent the bank from securitising its assets, and identify the potential effect of such exposures on the bank's liquidity, earnings and capital adequacy.

(7) Instructions relating to the completion of the monthly form BA500 are furnished with reference to the headings and item descriptions of certain columns and line item numbers appearing on the form BA 500, as follows:

Columns and items relating to the summary of risk weighted exposure and supervisory deductions, items 1 to 3

Column number	Description
1 of item 2	This item shall be equal to the sum of amounts reported in item 38 columns 1 and 3 of the form BA 500.
2 of item 2	This item shall be equal to the sum of amounts reported in item 38 columns 2 and 4 of the form BA 500.
1 of item 3	This item shall be equal to the sum of amounts reported in item 101 columns 1 and 3 of the form BA 500.
2 of item 3	This item shall be equal to the sum of amounts reported in item 101 columns 2 and 4 of the form BA 500.

Items relating to turnover activity in respect of new securitisations or resecuritisations during the reporting month

Item number	Description
4 to 18	<p>These line items shall reflect the relevant required information in respect of new securitisation or resecuritisation activity conducted by the reporting bank during the reporting month, that is, based on notional amounts, the new market activity in respect of securitisation or resecuritisation transactions conducted during the reporting month.</p> <p>Line items 4 to 18 are not intended to reflect risk related information and no negative amounts shall be reported in line items 4 to 18.</p> <p>For example, during March 2012 a bank securitised mortgage advances of R3,5 billion, invested in senior commercial paper of R500 million issued in respect of an asset finance securitisation scheme and also acts as a servicing agent in respect of the said securitisation of mortgage advances.</p> <p>The bank shall report the amounts specified below in the form BA 500 for March 2012 (R'000)</p> <p>Line items 5 and 6, column 3: R3 500 000</p> <p>Line item 13, column 5: R 500 000</p> <p>Line item 17, column 3: R3 500 000</p> <p>Unless the reporting bank is involved in any new or further securitisation transactions conducted in April 2012, no amounts shall be reported in line items 4 to 18 for the reporting month of April 2012.</p>

Columns relating to turnover activity in respect of new securitisations or resecuritisations during the reporting month, items 4 to 18

Column number	Description
1 to 7 of item 5	These items shall reflect all amounts relating to new traditional or synthetic securitisation or resecuritisation schemes conducted during the reporting month in respect of which schemes the reporting bank acts as an originator, other than an asset-backed commercial paper programme or other schemes in respect of which the reporting bank is deemed to be an originator, which amounts shall be reported in item 8.
1 to 7 of item 10	These items shall reflect all amounts relating to new securitisation or resecuritisation schemes conducted during the reporting month in respect of which schemes the reporting bank acts as a sponsor, other than an asset-backed commercial paper programme in respect of which a bank that acts as a sponsor is deemed to be an originator.
1 to 7 of item 13	These items shall reflect all relevant amounts relating to a securitisation or resecuritisation scheme in respect of which scheme the reporting bank purchased or invested in commercial paper issued by the relevant special-purpose institution, other than an instrument issued that relate to a first-loss or second-loss credit-enhancement position in respect of which the relevant amount shall be reported in item 15.
1 to 7 of item 18	These items shall reflect any amount relating to a profit or loss made by the reporting bank in respect of the securitisation or resecuritisation of the bank's own assets during the reporting month.

Items relating to securitisation or resecuritisation exposure and balances at month-end

Item number	Description
19 to 37	<p>These items shall reflect the relevant required information in respect of the month-end balances of the reporting bank, that is, the aggregate or cumulative securitisation or resecuritisation exposure amounts of the reporting bank at the end of the reporting month.</p> <p>For example, during March 2012 a bank securitised mortgage advances of R3,5 billion, invested in senior commercial paper of R500 million issued in respect of an asset finance securitisation scheme that is unrelated to the banking group of which the reporting bank is a member and also acts as a servicing agent in respect of the said securitisation of mortgage advances.</p> <p>The bank shall report the amounts specified below in the form BA 500 for March 2012 (R'000)</p> <p>Line item 22, column 5: R 500 000</p> <p>Unless the reporting bank acquires further instruments, makes further investments or is involved in any new or further securitisation transactions or exposures in April 2012, no amounts other than the amount to be reported in item 22, column 5, shall be reported in line items 19 to 36 for the reporting month of April 2012.</p>

Columns relating to securitisation or resecuritisation exposure and balances at month-end, items 19 to 37

Column number	Description
1 to 7 of item 21	These items shall reflect any outstanding amounts in respect of exposures retained by the reporting bank in respect of assets that were securitised or resecuritised by the said bank in terms of a traditional securitisation or resecuritisation scheme, that is, retained exposures in respect of assets previously included in the balance sheet of the reporting bank but subsequently transferred by the reporting bank to a special-purpose institution in terms of a traditional securitisation or resecuritisation scheme, which securitised or resecuritised assets have been derecognised and no longer form part of the assets of the reporting bank.
1 to 7 of item 26 to 28	These items shall reflect any outstanding amounts at month-end in respect of exposures or assets that were securitised or resecuritised by the reporting bank in terms of a securitisation or resecuritisation scheme, but in respect of which securitised or resecuritised exposures or assets the reporting bank has not achieved derecognition, and the said exposures or assets are required still to be included under the relevant exposure or asset class items, as was the case prior to the said securitisation or resecuritisation scheme.

Columns relating to the summary of selected information in respect of the standardised approach, items 38 to 45

Column number	Description
2 of item 39	Based on the relevant requirements specified in regulation 38(5), a bank shall report in column 2 any amount included in its common equity tier 1 capital and reserve funds, which amount resulted from the recognition of any gain-on-sale in respect of a securitisation or resecuritisation transaction, such as the recognition of future margin income.
1 to 4 of item 40	Based on the relevant requirements specified in regulation 38(5) of these Regulations, read with the relevant requirements specified in table 7 in regulation 23(6)(j), a bank shall report the relevant required net amounts, that is, the amount after any specific credit impairment has been taken into account, relating to any credit enhancing interest-only strip in respect of a securitisation or resecuritisation transaction, provided that the bank shall respectively report in items 99 and 100 the relevant exposure amount and risk weighted exposure amount in respect of any non-credit-enhancing interest-only strip.

Columns relating to the summary of selected information in respect of the standardised approach, items 38 to 45

Column number	Description
1 and 3 of item 41	The sum of these items shall be equal to the amount reported in item 80 column 7 of the form BA 500.
1 and 3 of item 42	The sum of these items shall be equal to the amount reported in item 89 column 7 of the form BA 500.
1 and 3 of item 43	The sum of these items shall be equal to the amount reported in item 98 column 5 of the form BA 500.
1 and 2 of item 45	These items shall reflect the relevant aggregate amount of specific provisions raised by the reporting bank against securitisation and resecuritisation exposures in respect of which the relevant net amount is subsequently deducted from capital and reserve funds.

Columns relating to unrated exposures: standardised approach, items 81 to 89

Column number	Description
1 to 7 of item 81	Based on the relevant requirements specified in regulation 23(6)(h)(iii), these columns shall reflect the relevant amount relating to the unrated most senior position in a securitisation or resecuritisation scheme in respect of which the reporting bank applies the "look-through" approach.

Columns relating to the investors' interest i.r.o schemes with early amortisation features: standardised approach, items 90 to 98

Column number	Description
1 to 5 of items 90 to 98	Based on the relevant requirements specified in regulation 23(6)(h)(xi), these columns shall reflect the relevant required information in respect of the investors' interests in securitisation or resecuritisation assets or exposures that contain early amortisation mechanisms and which assets or exposures are of a revolving nature, such as credit card receivables or corporate loan commitments.

Columns relating to the summary of selected information: internal rating-based approach, items 101 to 108

Column number	Description
2 and 4 of item 102	Based on the relevant requirements specified in regulation 38(5) of these Regulations, a bank shall respectively report in columns 2 and 4 any amount included in its common equity tier 1 capital and reserve funds, which amount resulted from the recognition of any gain-on-sale in respect of a securitisation or resecuritisation transaction, such as the recognition of future margin income.
1 to 4 of item 103	Based on the relevant requirements specified in regulation 38(5) of these Regulations, read with the relevant requirements specified in table 7 in regulation 23(6)(j), a bank shall report the relevant required net amounts, that is, the amount after any specific credit impairment has been taken into account, relating to any credit enhancing interest-only strip in respect of a securitisation or resecuritisation transaction, provided that the bank shall respectively report in items 227 and 228 the relevant exposure amount and risk weighted exposure amount in respect of any non-credit-enhancing interest-only strip.
1 of item 104	This item shall be equal to the amount reported in item 157 column 7 of the form BA 500.
3 of item 104	This item shall be equal to the amount reported in item 186 column 7 of the form BA 500.
1 of item 105	This item shall be equal to the amount reported in item 196 column 7 of the form BA 500.
3 of item 105	This item shall be equal to the amount reported in item 205 column 7 of the form BA 500.
1 and 3 of item 106	The sum of these items shall be equal to the amount reported in item 226 column 5 of the form BA 500.
1 and 3 of item 107	The sum of these items shall be equal to the amount reported in item 228 column 1 of the form BA 500.
1 and 2 of item 108	The sum of these items shall reflect the aggregate amount of specific provisions raised by the reporting bank against securitisation and resecuritisation exposures in respect of which the relevant net amount is subsequently deducted from capital and reserve funds.

Columns relating to the summary of exposure at month-end: internal rating-based approach, items 109 to 126

1 to 7 of items 109 to 111	These items shall reflect the respective gross securitisation exposure amounts, before the effect of any credit-conversion factor has been taken into consideration.
1 to 7 of items 112 to 114	These items shall reflect the respective gross securitisation exposure amounts, before the effect of credit risk mitigation, but after the effect of any credit-conversion factor, has been taken into consideration.

Columns relating to the summary of exposure at month-end: internal rating-based approach, items 109 to 126

1 to 7 of items 115 to 117	Based on, among other things, the relevant requirements specified in regulations 23(11)(e) and 23(11)(i) read with the relevant requirements specified in regulations 23(12) and 38(4), these items shall reflect the respective securitisation exposure amounts after the effects of credit risk mitigation and credit-conversion factors have been taken into consideration.
1 to 7 of items 118 to 120	These items shall reflect the respective gross resecuritisation exposure amounts, before the effect of any credit-conversion factor has been taken into consideration.
1 to 7 of items 121 to 123	These items shall reflect the respective gross resecuritisation exposure amounts, before the effect of credit risk mitigation, but after the effect of any credit-conversion factor, has been taken into consideration.
1 to 7 of items 124 to 126	Based on, among other things, the relevant requirements specified in regulations 23(11)(e) and 23(11)(i) read with the relevant requirements specified in regulations 23(12) and 38(4), these items shall reflect the respective resecuritisation exposure amounts after the effects of credit risk mitigation and credit-conversion factors have been taken into consideration.

Columns relating to unrated exposures not subject to the internal assessment approach and in respect of which no IRB treatment is available

Column number	Description
1 and 2 of item 206	Based on the relevant requirements specified in regulation 23(11)(b)(xii)(C), these items shall reflect the relevant required aggregate amounts of securitisation exposures in respect of which no specific IRB treatment is specified for the underlying asset type, other than any amount included in item 102 or 103.
1 and 2 of item 207	These items shall reflect the relevant required aggregate amounts of securitisation exposures in respect of which neither of the rating-based approach, internal assessment approach or standard formula approach applies, the respective amounts of which exposures have to be deducted from the bank's capital and reserve funds in accordance with the relevant requirements specified in regulation 23(11)(b)(xii)(D).
3 and 4 of item 206	Based on the relevant requirements specified in regulation 23(11)(b)(xii)(C), these items shall reflect the relevant required aggregate amounts of resecuritisation exposures in respect of which no specific IRB treatment is specified for the underlying asset type, other than any amount included in item 102 or 103.
3 and 4 of item 207	These items shall reflect the relevant required aggregate amounts of resecuritisation exposures in respect of which neither of the rating-based approach, internal assessment approach or standard formula approach applies, the respective amounts of which exposures have to be deducted from the bank's capital and reserve funds in accordance with the relevant requirements specified in regulation 23(11)(b)(xii)(D).

Columns relating to the investors' interest i.r.o schemes with early amortisation features: IRB approach, items 218 to 226

Column number	Description
1 to 5 of items 218 to 226	Based on the relevant requirements specified in regulation 23(11)(b)(xii)(G) read with the requirements specified in regulation 23(11)(p), these columns shall reflect the relevant required information in respect of the investors' interests in securitisation or resecuritisation assets or exposures that contain early amortisation mechanisms and which assets or exposures are of a revolving nature, such as credit card receivables or corporate loan commitments.

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BA 600
Quarterly

CONSOLIDATED RETURN

(Confidential and not available for inspection by the public)

Name of bank/ controlling company.....

Quarter ended.....(yyyy-mm-dd)

		(All amounts to be rounded off to the nearest R'000)			
Line no.	Common equity tier 1 capital and reserve funds ¹	Tier 1 capital and reserve funds ²	Tier 2 capital and reserve funds ³	Total (col. 2 + 3)	
	1	2	3	4	
Summary of matters related to group capital adequacy					
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
	Calculated ratio or total	Specified minimum			
	1	2			
15					
16		≤ 20%			
17		≤ 10%			
18					
19					
20					
21					

Memorandum items:

- Tier 2 capital as % of Tier 1 capital (item 10 col 3/ item 10 col 2)
- Non significant and other group entities as % of total, based on net income after tax (item 30 col 4 as % of item 32 col 4)
- Non significant and other group entities as % of total, based on total assets (item 30 col 5 as % of item 32 col 5)
- Common Equity Tier 1 capital held by minorities included in consolidated Common Equity Tier 1 capital⁷
- Tier 1 capital held by minorities included in consolidated Additional Tier 1 capital⁷
- Capital held by minorities included in consolidated Tier 2 capital⁷
- Number of entities included in item 31
- 1. Means the total of common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds.
- 2. Means the relevant minimum required capital and reserve funds ratio specified in regulation 38(9) of these Regulations, prior to any requirement specified in item 5 below.
- 3. Means the sum of any relevant countercyclical buffer requirement, any requirement for systemically important banks, any idiosyncratic add-on and any relevant conservation buffer requirement.
- 4. Item 10 column 1 shall be equal to item 32 column 21; and to item 22, column 1, of the relevant consolidated form BA 700.
- 5. Item 10 column 2 shall be equal to item 32 column 22; and items 22, column 2, of the relevant consolidated form BA 700.
- 6. Item 10 column 3 shall be equal to item 32 column 23; and to item 22, column 3 less column 2, of the relevant consolidated form BA 700.
- 7. Sum of items 18, 19 and 20 column 1 shall be equal to item 47 column 8.

(All amounts to be rounded off to the nearest R'000)

Group capital adequacy	Line no.	Regulatory approach ^{1,2}	Interest held (%)	Book value of investment	Net income after tax based on FRS	Total assets based on FRS	Credit risk ³	Counter-party credit risk ³	Operational risk ³	Market risk ³	Equity risk ³	Other ³	Sub-total (sum of col. 6 to 11)	Intra-group exposure	Additional risk weighted exposure specified by the Registrar ^{4,5}	Total (col. 12-13 + 14)
Entities included in banking group	22															
Registered banks (Specify)																
Eliminations	23															
Sub-total: registered banks (item 22 less item 23)	24															
Bank controlling company (Specify)	25															
Significant financial entities (Specify)	26															
Significant commercial entities (Specify)	27															
Significant insurance entities (Specify)	28															
Securitisation entities (Specify)	29															
Aggregate of non-significant and other group entities	30															
Eliminations	31															
Total (of items 24 to 30, less item 31) ⁶	32															
Definition and other differences between these Regulations and FRS, and goodwill	33															
Group total (item 32 plus 33)	34															

1. Based on the following keys: 1 = 1988 Capital Accord; 2 = revised capital framework (Basel II); 3 = limited adoption of Basel II; 9 = other.
 2. Based on the following keys: E = deemed equivalent; NE = not equivalent; NR = not relevant.
 3. In order to prevent any double counting of risk, when a particular risk exposure of a particular entity is already included in the risk weighted exposure amount of its relevant parent company following a consolidation of accounts, the bank/controller company shall in respect of that particular entity report a "c" instead of the relevant risk weighted exposure amount.
 4. Means the relevant risk weighted exposure amount, or equivalent amount, of any additional required amount of capital and reserve funds.
 5. After the application of a scaling factor of 1.06 in the case of the IRB approach.
 6. Item 32 columns 6 to 12 shall reconcile to item 6 columns 1 to 7 of the form BA 700.

(All amounts to be rounded off to the nearest R'000)

Group capital adequacy	Line no.	Analysis of capital and reserve funds						Calculated capital adequacy ratio of each relevant entity	Minimum required capital adequacy ratio of each relevant entity		
		Total shareholder equity based on FRS	Other instruments issued	Non qualifying capital and reserve funds ¹	Prescribed deductions against capital and reserve funds	Total (col. 16+17-18-19)	Qualifying capital and reserve funds				
Entities included in banking group		16	17	18	19	20	21	22	23	24	25
Registered banks (Specify)	22										
Eliminations	23										
Sub-total: registered banks (item 22 less item 23)	24										
Bank controlling company (Specify)	25										
Significant financial entities (Specify)	26										
Significant commercial entities (Specify)	27										
Significant insurance entities (Specify)	28										
Securitisation entities (Specify)	29										
Aggregate of non-significant and other group entities	30										
Eliminations	31										
Total (of items 24 to 30, less item 31)	32										
Definition and other differences between these Regulations and FRS	33										
Group total (item 32 plus 33)	34										

¹. Shall include the amount of surplus capital attributable to third parties that is excluded from the consolidated capital of the group.

(All amounts to be rounded off to the nearest R'000)

Minority interest	Line no.	Analysis of minority interest							
		Source of capital ¹	Qualifying capital and reserve funds net of deductions	Paid in amount plus related reserves/retained earnings owned by third parties gross of all deductions	Lower of the risk-weighted assets of the subsidiary and the contribution to consolidated risk-weighted exposure	Minimum required capital adequacy ratio ² (%)	Surplus capital of the subsidiary		Amount held by third parties to be included in consolidated equity ⁴
		1	2	3	4	5	Total	Amount attributable to third parties ³	8
Registered banks Specify	35						6	7	
Significant financial entities Specify	36								
Securitisation entities Specify	37								
Aggregate of non-significant and other group entities	38								
Group total (of items 35 to 38)	39								

1. Based on the following keys: "1" = common equity tier 1 capital; "2" = additional tier 1 capital; "3" = tier 2 capital.
 2. Based on the relevant minimum required capital adequacy ratio specified in terms of these Regulations. See item 4 above.
 3. Refer to regulation 38(16).
 4. Items 35 to 38, column 8, is equal to column 3 less column 7.

(All amounts to be rounded off to the nearest R'000)

Line no.	Current period exposure						Prior period exposure			Current exposure as % of qualifying capital and reserve funds ¹	Responses to questions in notes 2a to 2c		
	On-balance sheet exposure			Off-balance sheet exposure	Total (col. 3+4)	On-balance sheet exposure	Total exposure	Variance in exposure (col. 5 minus 7)	2a. At arms-length		2b. Board monitoring	2c. Risk mitigation	
	Investment	Other	Total (col. 1+2)										
40	1	2	3	4	5	6	7	8	9	10	11	12	
41													
42													
43													
44													
45													
46													

Notes:
 1 Means exposure to an entity within the banking group resulting in the banking group being exposed to that entity to an aggregate amount exceeding 1% of group qualifying capital and reserve funds as reported in item 13, column 4.
 2a. Are loans and advances to intra-group entities conducted on an arm's-length basis? (Yes = 1; no = 2)
 When no, a separate schedule of all exposure to intra-group entities not at arm's length shall on request be submitted in writing.
 2b. Does the board of directors of the relevant bank or controlling company effectively monitor extension of credit to intra-group entities? (Yes = 1; no = 2)
 2c. Are appropriate steps taken to control or mitigate the risks relating to intra-group exposures? (Yes = 1; no = 2)

(All amounts to be rounded off to the nearest R'000)

Group concentration risk/ large exposure ¹	Line no.	Original credit and counterparty exposure ²						Total exposure as % of qualifying capital and reserve funds	Additional required amount of capital and reserve funds
		Asset class	On-balance-sheet exposure	Off-balance-sheet exposure	Exposure arising from repurchase and resale agreements	Exposure arising from derivative instruments	Total credit exposure (col. 2 to 5)		
Exposure to:		1	2	3	4	5	6	7	8
Private-sector non-bank: total (Specify)	47								
Bank/ regulated securities firm: total (Specify)	48								
Other: total (Specify)	49								
Total (of items 47 to 49)	50								
Less: amount already held in solo return	51								
Net additional required amount relating to group large exposure (item 50 less item 51)	52								
Risk weighted equivalent amount	53								Total
									1

1. Means a large exposure to a person as envisaged in section 73 of the Act read with the relevant provisions of regulations 24(f) to 24(h).

2. Before the application of any credit conversion factor.

(All amounts to be rounded off to the nearest US\$'000)

Group currency risk	Line no.	US Dollar	Euro	Japanese Yen	Swiss franc	Pound Sterling	Other	Total
		1	2	3	4	5	6	7
Aggregate effective net open foreign-currency position(s) of the reporting banks and their foreign branches and subsidiaries	54							
Aggregate effective net open foreign-currency position(s) of all foreign branches ¹ and subsidiaries ¹ of the controlling company	55							
Aggregate effective net open foreign-currency position(s) of the reporting controlling company and its foreign branches and subsidiaries	56							
Limit specified by the Registrar	57							
Maximum effective net open foreign-currency position(s), per each currency and in total, during quarter (maximum based on item 56)	58							

1. Include all branches and subsidiaries of the reporting controlling company not already included in item 54.

(All amounts to be rounded off to the nearest R'000)

Group liquidity	Line no.	Liquidity Coverage Ratio ¹ (LCR)							Net Stable Funding Ratio ² (NSFR)			
		High quality liquid assets				Cash flows			LCR ¹	Available stable funding	Required stable funding	NSFR ²
		Total high quality liquid assets (col 2 to col 4)	Level one high quality liquid assets	Level two high quality liquid assets	Other qualifying instruments or items	Cash outflows	Cash inflows	Net Cash outflows (col 5 less col 6)				
Registered banks (Specify)	59	1	2	3	4	5	6	7	8	9	10	11
Bank controlling company (Specify)	60											
Significant financial entities (Specify)	61											
Aggregate of non-significant financial entities	62											
Group total (items 59 to 62)	63											
Hash total	64											

1. Refer to regulation 26(12).
 2. Refer to regulation 26(14).

CERTIFICATION BY GROUP CHIEF ACCOUNTING OFFICER AND GROUP CHIEF EXECUTIVE OFFICER

We, the undersigned, hereby certify that-

- (i) all information submitted in and with this form is to the best of our knowledge and belief correct;
- (ii) this bank or controlling company, as the case may be, has from the thirtieth business day of the month following the quarter to which the preceding form BA 600 relates to date maintained, and will continue to maintain, for every day until the twenty-ninth business day of the month following the quarter to which this return relates, the prescribed minimum amount of capital and reserve funds, as prescribed in section 70A of the Act, and complies/will comply, as from the thirtieth business day of the month following the quarter to which this return relates, with the aforesaid requirements relating to the maintenance of the prescribed minimum amounts;
- (iii) this bank or controlling company, as the case may be, has not exceeded on any day during the reporting quarter the limits on its effective net open position(s) in foreign currency reported in item 57 of this return. (When the bank or controlling company has exceeded the prescribed limits, the declaration shall be qualified, and a statement showing the relevant excess(es), for every day on which an excess existed, shall accompany this return.)

Signed at this day of (yyyy-mm).

.....
*Group Chief Accounting Officer**

.....
*Group Chief Executive Officer**

*Please note: When the Group Chief Executive Officer or Group Chief Accounting Officer is not available to sign, the officer performing the relevant function shall sign in an acting capacity and not on behalf of the absent officer, and the normal office of the officer so acting shall be clearly indicated.

36. Consolidated return - Matters relating to consolidated supervision including directives and interpretations for completion of quarterly consolidated return (Form BA 600)

(1) The content of the relevant return is confidential and not available for inspection by the public.

(2) The purpose of the directives and the instructions contained in this regulation 36, and in the form BA 600, read with the relevant instructions and information included or specified in the forms BA 100, BA 110, BA 120 and BA 700, among other things-

- (a) is to establish minimum standards in respect of consolidated supervision;
- (b) in the case of a bank, is to determine on a consolidated basis the financial condition and performance of the relevant bank, including:
 - (i) the nature and the extent of-
 - (A) the bank's on-balance sheet assets and liabilities;
 - (B) the bank's off-balance sheet items;
 - (C) the bank's exposure to credit risk, including-
 - (i) any relevant large exposures;
 - (ii) allowance for any relevant credit or other impairment;
 - (iii) any relevant exposure to counterparty credit risk;
 - (iv) any relevant intragroup exposures;
 - (v) any relevant exposure to a connected or related person;
 - (D) the bank's exposure to market risk;
 - (E) the bank's exposure to operational risk;
 - (F) the bank's exposure to currency risk;
 - (G) the bank's deposit sources;
 - (ii) information relating to the bank's income statement, that is, the bank's profit or loss position;

- (iii) the bank's capital adequacy position;
- (iv) the bank's liquidity position and liquidity structure;
- (c) in the case of a controlling company, is to determine on a consolidated basis the financial condition and performance of the relevant controlling company, including:
 - (i) the nature and the extent of-
 - (A) the controlling company's on-balance sheet assets and liabilities;
 - (B) the controlling company's off-balance sheet items;
 - (C) the controlling company's exposure to credit risk, including-
 - (i) any relevant large exposures;
 - (ii) allowance for any relevant credit or other impairment;
 - (iii) any relevant exposure to counterparty credit risk;
 - (iv) any relevant intragroup exposures;
 - (v) any relevant exposure to a connected or related person;
 - (D) the controlling company's exposure to market risk;
 - (E) the controlling company's exposure to operational risk;
 - (F) the controlling company's exposure to currency risk;
 - (G) the controlling company's funding sources;
 - (ii) information relating to the controlling company's income statement, that is, the controlling company's profit or loss position;
 - (iii) the controlling company's capital adequacy position;
 - (iv) the controlling company's liquidity position and liquidity structure;

Provided that, unless specifically otherwise stated or specified in writing by the Registrar, all the directives, instructions or requirements specified in these Regulations that relate to a bank on a solo basis shall *mutatis mutandis* apply to that bank or its controlling company on a consolidated basis.

(3) *Matters specifically related to consolidated supervision*

- (a) Supervision of a banking group on a consolidated basis, that is, consolidated supervision-
- (i) aims to achieve at least two primary objectives, namely-
 - (A) to duly capture all material risks to which the banking group may be exposed, including its exposure to credit risk, market risk and operational risk;
 - (B) to preserve the integrity of the banking group's capital and reserve funds, amongst other things, by eliminating any double or multiple gearing of capital and reserve funds;
 - (ii) includes the accounting consolidation or sub-consolidation of financial information by a bank or controlling company at such a level or sub-group of the banking group and in such a manner as may be prescribed in these Regulations or specified in writing by the Registrar;
 - (iii) is an overall evaluation, both quantitative and qualitative, of the risks incurred by and the strength of a group to which a bank belongs, primarily to assess the potential impact of other group financial entities on the bank;
 - (iv) means the supervision of a bank as part of a group of entities to which the bank belongs and therefore, as a minimum, includes all financial entities and all financial activities within the banking group without the Registrar being responsible for the supervision of any non-bank entity, which entities or activities include-
 - (A) all banks in the relevant banking group;
 - (B) all related regulated or unregulated financial entities or financial activities conducted by such banks or any relevant subsidiary, joint venture or associate;
 - (C) the controlling company of such banks;
 - (D) all related regulated or unregulated financial entities or financial activities conducted by such controlling company or any relevant subsidiary, joint venture or associate; and

- (E) any other entity that may be specified in the form BA 600, this regulation 36 or in writing by the Registrar, the financial distress or potential insolvency of which entity is deemed by the Registrar potentially to constitute a material or significant risk to the relevant banking group,

provided that the Registrar may, subject to such conditions as may be specified in writing by the Registrar, exempt a financial entity, financial activity or non-financial entity from being included in consolidated returns or consolidated reporting.

- (v) serves as a compliment to instead of a substitute for the solo supervision of a bank.

Consolidated supervision thus may extend to all the companies, institutions or entities in a banking group, including a controlling company and its subsidiaries, joint ventures and companies, institutions or entities in which the controlling company or its subsidiaries have a direct or an indirect participation.

- (b) Once a bank or controlling company adopts-
 - (i) the IRB approach for the measurement of a part of its relevant exposures to credit risk, the said bank or controlling company, as the case may be, shall, with the exception of its relevant exposure to central counterparties, as envisaged in regulation 23(15)(c), adopt the said approach across all relevant significant asset classes, significant business units and relevant significant entities or activities within the banking group, provided that-
 - (A) when the bank or controlling company is unable to adopt the said approach across all significant asset classes, business units and relevant entities or activities within the banking group, the bank or controlling company may adopt a phased rollout of the IRB approach across the banking group, which phased rollout may include-
 - (i) the adoption of the IRB approach across asset classes within the same business unit;
 - (ii) the adoption of the IRB approach across business units in the same banking group; and
 - (iii) moving from the foundation approach to the advanced approach for certain risk components;

- (B) when the bank or controlling company adopts the IRB approach for an asset class within a particular business unit or in the case of retail exposures for an individual sub-class the bank or controlling company shall apply the IRB approach to all exposures within that asset class or sub-class in the said business unit;
- (C) when the bank or controlling company is unable to adopt the said approach across all relevant significant asset classes, business units and relevant entities or activities within the banking group the said bank or controlling company shall submit in writing to the Registrar a detailed implementation plan, which implementation plan, as a minimum, shall specify the extent to which and expected dates by which the bank or controlling company intends to roll out over time the IRB approach across all relevant significant asset classes, or sub-classes in the case of retail, and relevant business units or activities;
- (D) subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, the Registrar may exempt a bank or controlling company from implementing the IRB approach in respect of non-significant business units, activities or asset classes, or sub-classes in the case of retail, provided that the relevant exempt exposures-
 - (i) shall be regarded as non-significant in terms of size and perceived risk profile;
 - (ii) shall be subject to the relevant requirements of the standardised approach specified in regulations 23(8) and 23(9);
- (E) once a bank or controlling company adopted the IRB approach for all or part of any of its corporate, bank, sovereign, or retail asset classes, the bank or controlling company, as the case may be, shall simultaneously adopt the IRB approach for its equity exposures, subject only to materiality;
- (F) the Registrar may require a bank or controlling company to implement one of the IRB equity approaches when its equity exposures constitute a significant part of the bank or controlling company's business, even though the bank or controlling company may not adopt an IRB approach in respect of other business units or activities;

- (G) once a bank or controlling company adopted the IRB approach for corporate exposure, the bank or controlling company, as the case may be, shall adopt the IRB approach in respect of the specialized lending sub-classes within the corporate exposure class;
- (H) once a bank or controlling company, for example-
 - (i) adopted the advanced IRB approach the bank or controlling company, as the case may be, shall not be allowed to revert to the standardised or foundation IRB approach unless, based on extraordinary circumstances, the Registrar grants approval for the bank or controlling company to revert to the said standardised or foundation IRB approach;
 - (ii) adopted the foundation IRB approach the bank or controlling company, as the case may be, shall not be allowed to revert to the standardised approach unless, based on extraordinary circumstances, the Registrar grants approval for the bank or controlling company to revert to the said standardised approach;
- (I) due to data limitations often associated with exposures arising from specialized lending, a bank or controlling company may remain on the prescribed slotting criteria approach specified in regulation 23(11)(d)(iii) for one or more of the specialized lending sub-classes, and move to the foundation or advanced approach for other sub-classes within the corporate asset class, provided that the bank or controlling company shall not implement the advanced approach in respect of the high-volatility commercial real estate sub-class without simultaneously doing so for material or significant income producing real estate exposure;
- (J) irrespective of materiality or significance, any relevant exposure to a central counterparty as envisaged in regulation 23(15)(c), arising from an OTC derivative instrument, an exchange traded derivative instrument or a securities financing transaction, shall be treated in accordance with the relevant requirements specified in the said regulation 23(15)(c), provided that, when assessing significance or materiality for purposes of item (D) above, the relevant measure or ratio shall be unaffected by the bank or controlling company's relevant exposure to central counterparties that are subject to the relevant requirements specified in regulation 23(15)(c), that is, the said exposures shall be excluded from both the numerator and the denominator of any relevant ratio used for purposes of item (D) above;

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- (K) the bank or controlling company shall comply with such further conditions as may be specified in writing by the Registrar after consultation with any relevant host supervisor;
- (ii) the internal model method for the measurement of the bank or controlling company's exposure to counterparty credit risk arising from a particular category of exposure, such as OTC derivative instruments or securities financing transactions, the bank or controlling company, as the case may be, shall submit in writing to the Registrar a sufficiently detailed plan to include in the said internal model method all material or significant exposure to counterparty credit risk arising from the said category of exposure, provided that-
- (A) irrespective of the method adopted by the reporting bank or controlling company for the measurement of its exposure to counterparty credit risk arising from OTC derivative instruments or securities financing transactions, the bank or controlling company may adopt any of the three methods envisaged in regulations 23(15) to 23(19) of these Regulations for the measurement of the bank or controlling company's consolidated exposure or EAD arising from long settlement transactions;
- (B) in respect of exposure to counterparty credit risk for which the said bank or controlling company has not obtained approval from the Registrar to adopt the internal model method, the Registrar may allow the bank or controlling company to adopt on a permanent basis within the banking group a combination of the current exposure method and the standardised method;
- (iii) the more sophisticated approaches for the measurement of the bank or controlling company's exposure to operational risk, the bank or controlling company, as the case may be, shall not revert to a simpler approach unless the bank or controlling company no longer complies with the relevant qualifying criteria for the said more sophisticated approach and the Registrar requires the bank or controlling company to revert to the said simpler approach for some or all of its operations, until the said bank or controlling company complies with the relevant conditions specified by the Registrar in order for the bank or controlling company to return to the more advanced approaches, provided that-
- (A) a bank or controlling company with significant exposure to operational risk shall adopt an approach that is appropriate for the risk profile of the said bank or controlling company;

- (B) subject to such conditions as may be specified in writing by the Registrar, a bank or controlling company may adopt the basic indicator, standardised or alternative standardised approach for some parts of its operations, and an advanced measurement approach for others;
 - (C) the bank or controlling company shall comply with such further conditions as may be specified in writing by the Registrar after consultation with any relevant host supervisor regarding the bank or controlling company's consolidated exposure to operational risk;
 - (iv) the internal models approach for the measurement of one or more risk categories such as interest rates, foreign exchange rates that include gold, equity prices or commodity prices, which risk categories shall include all related option volatilities, the Registrar may require the bank or controlling company, during the time period specified in writing by the Registrar and subject to the relevant requirements specified in regulations 28(5), 28(8) and subregulation (9), to develop and implement an integrated risk measurement system that captures and measures the bank's aggregate exposure to market risk arising from all the said categories of risk.
- (4) For the measurement on a consolidated basis of a bank or controlling company's aggregate risk-weighted exposure as contemplated in sections 70A of the Act, the bank or controlling company, as the case may be-
- (a) shall at the discretion of the relevant bank or controlling company, subject to the relevant requirements specified in subregulation (3), use one of the alternative methodologies specified below to determine its exposure to credit risk:
 - (i) The standardised approach, using one of the alternative frameworks prescribed in regulation 23(5) read with the relevant requirements specified in regulations 23(6) and 23(8); or
 - (ii) Subject to the prior written approval of the Registrar and such conditions as may be specified in writing by the Registrar, the IRB approach, using one of the alternative frameworks prescribed in regulation 23(10) read with the relevant requirements specified in regulations 23(11) and 23(13);
 - (iii) Subject to the prior written approval of the Registrar and such conditions as may be specified in writing by the Registrar, a combination of the approaches envisaged in subparagraphs (i) and (ii) above;

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- (b) shall at the discretion of the relevant bank or controlling company, subject to the relevant requirements specified in subregulation (3), use one of the alternative methodologies specified below to determine its exposure to counterparty credit risk:
- (i) The current exposure method specified in regulation 23(17);
 - (ii) The standardised method specified in regulation 23(18);
 - (iii) Subject to the prior written approval of and such further conditions as may be specified in writing by the Registrar, the internal model method specified in regulation 23(19);
 - (iv) Subject to the requirements specified in regulation 23(15), the prior written approval of and such further conditions as may be specified in writing by the Registrar, a combination of the approaches specified in subparagraphs (i) to (iii) above;
- (c) shall at the discretion of the relevant bank or controlling company, subject to the relevant requirements specified in subregulation (3), use one of the alternative methodologies specified below to determine its exposure to market risk:
- (i) The standardised approach prescribed in regulation 28(7); or
 - (ii) Subject to the fulfilment of specified quantitative and qualitative requirements, the prior written approval of and such further conditions as may be specified in writing by the Registrar, the internal models approach specified in regulation 28(8);
 - (iii) Subject to the prior written approval of and such further conditions as may be specified in writing by the Registrar, a combination of the approaches specified in subparagraphs (i) and (ii) above;
- (d) shall at the discretion of the relevant bank or controlling company, subject to the relevant requirements specified in subregulation (3), use one of the alternative methodologies specified below to determine its exposure to operational risk:
- (i) The basic indicator approach specified in regulation 33(7);
 - (ii) Subject to the prior written approval of and such conditions as may be specified in writing by the Registrar the standardised approach or alternative standardised approach specified in regulation 33(8);

(iii) Subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, the advanced measurement approach prescribed in regulation 33(9), provided that when the bank or controlling company wishes to apply the allocation mechanism envisaged in regulation 33(9)(c) the bank or controlling company, as the case may be, shall obtain the prior written approval of the Registrar and the relevant host supervisor.

(e) shall, based on-

(i) the approach adopted by the relevant bank or controlling company for the measurement of its exposure to credit risk, as envisaged in paragraph (a) above;

(ii) such conditions as may be specified in writing by the Registrar,

use one of the alternative approaches specified below to determine the bank or controlling company's exposure in respect of a securitisation scheme:

(A) the standardised approach specified in regulation 23(5) read with the relevant provisions specified in regulations 23(6), 23(8) and 38(7);

(B) the IRB approach using one of the alternative frameworks specified in regulation 23(10) read with the relevant requirements specified in regulations 23(11), 23(13) and 38(7).

(5) Unless specifically otherwise provided in this regulation 36 or specified in writing by the Registrar, all the relevant directives and interpretations-

(a) relating to the completion on a solo basis of the relevant risk-based returns by a bank; or

(b) for the calculation on a solo basis of the relevant minimum required amount of capital and reserve funds of a bank,

shall *mutatis mutandis* apply to the completion of the consolidated return or calculation of the minimum required consolidated amount of capital and reserve funds to be held by a bank or controlling company.

- (6) For the purposes of this regulation 36, unless specifically otherwise provided-
- (a) a banking group means a group as defined in section 1(1) of the Act;
 - (b) an associate means an associate as defined in the relevant Financial Reporting Standard that relates to accounting for investments in associates, as amended from time to time;
 - (c) a related person in respect of a bank or controlling company includes-
 - (i) any associate of the relevant bank or controlling company;
 - (ii) a significant shareholder of the relevant bank or controlling company;
 - (iii) a board member of the relevant bank or controlling company, or a close family member of the board member;
 - (iv) a member of senior management of the relevant bank or controlling company, or a close family member of the member of senior management;
 - (v) a key member of staff of the relevant bank or controlling company, or a close family member of the key member of staff;
 - (vi) a company controlled by any shareholder of the relevant bank or controlling company;
 - (vii) any majority owned or controlled entity;
 - (viii) any significant minority owned or controlled entity;
 - (ix) any other person or entity specified in writing by the Registrar.
 - (d) a financial entity includes-
 - (i) any entity that conducts-
 - (A) the business of a bank;
 - (B) ancillary banking services or services directly related to the business of a bank, such as the management of data processing services or property;

- (C) any securities services as envisaged in the Securities Services Act, 2004, including any trading related business in instruments such as money-market instruments, foreign exchange, financial futures and options, exchange and interest rate instruments or transferable securities;
 - (D) lending business such as consumer credit, mortgage credit or factoring;
 - (E) the business of financial leasing;
 - (F) money transmission services;
 - (G) business relating to the issue or administration of means of payment such as credit cards or travelers cheques;
 - (H) business relating to the issue of guarantees or commitments;
 - (I) business relating to the provision of advice in respect of matters such as mergers and acquisitions or the structuring of capital or business strategy;
 - (J) the business of money broking;
 - (K) the business of portfolio management and/or investment advice; or
 - (L) the business of safekeeping and administration of securities;
- (ii) any other financial entity specified in writing by the Registrar,
- but does not include any insurer or entity that conducts insurance business;
- (e) a financial activity or service includes any regulated or unregulated activity or service conducted by a financial entity within a group of entities that includes a bank but does not include any insurance activity or business conducted by an insurer;
 - (f) an insurer means an entity that conducts insurance business and includes any entity registered as an insurer in terms of the Short-term Insurance Act, 1998, or Long-term Insurance Act, 1998;

- (g) a significant minority investment or interest means any ownership interest between 20 per cent and 50 per cent of the voting rights or capital held by the reporting bank or controlling company in the relevant entity,
- (h) an entity that potentially constitutes a material or significant risk to the relevant banking group may include-
 - (i) any relevant entity subject to the regulation or supervision of any other supervisor and which entity is subject to separate prudential requirements;
 - (ii) any relevant entity with assets in excess of one per cent of the consolidated assets of the relevant reporting bank or controlling company, which assets shall in all cases exclude any intragroup balances and which entity shall not be a dormant entity;
 - (iii) any relevant entity with net income after tax in excess of five per cent of the consolidated net income after tax amount of the relevant reporting bank or controlling company;
 - (iv) any relevant entity with intragroup exposure or other financial relationship with the relevant banking group in excess of two per cent of the consolidated amount of group exposure,

provided that in no case shall the aggregate amount of net income after tax or assets of all relevant entities deemed non significant respectively exceed twenty per cent of the said consolidated net income after tax or ten per cent of the said consolidated assets of the relevant reporting bank or controlling company;

- (i) a commercial entity includes any entity primarily involved in the production of goods or delivery or non-financial services.
- (7) Matters specifically related to the manner or technique of consolidation
- (a) Unless specifically otherwise provided in this regulation 36, or specified or approved in writing by the Registrar, a bank or controlling company-
 - (i) shall in the case of any majority owned or controlled bank, security firm or other financial subsidiary or entity, irrespective whether or not the said bank, security firm, subsidiary or entity is regulated, based on the relevant requirements specified in Financial Reporting Standards issued from time to time, fully consolidate the said bank, security firm, subsidiary or entity, as the case may be, provided that the Registrar may on prior written application and subject to such conditions as may be specified in writing by the Registrar, allow a bank or controlling company, instead of full consolidation, to apply-

- (A) the aggregation method specified in paragraph (d) below in respect of-
 - (i) any entity that conducts trading activities; or
 - (ii) any other entity specified in writing by the Registrar.
- (B) the deduction method specified in paragraph (e) below in respect of any financial entity-
 - (i) acquired through the realization of security held in respect of debt previously contracted, which financial entity is held by the said bank or controlling company on a temporary basis;
 - (ii) subject to rules and regulations materially different from these Regulations; or
 - (iii) in respect of which non-consolidation is required by law;

which financial entity shall neither conduct any trading activity nor the business of a bank, and shall be subject to the rules and regulations of another supervisory authority;
- (ii) shall in the case of any significant minority owned or controlled bank, security firm or other financial entity, that is, a financial entity in respect of which the said bank or controlling company does not exercise control, which financial entity-
 - (A) has a significant shareholder other than the relevant bank or controlling company, which other significant shareholder or parent institution legally or *de facto* has the means and will to provide support in addition to any support that may be provided by the said bank or controlling company, subject to such further conditions as may be specified in writing by the Registrar, pro-rata consolidate the relevant bank, security firm or other financial entity, that is, consolidate the relevant entity on a proportionate basis;
 - (B) is a financial entity other than a financial entity envisaged in item (A) above, apply the deduction method specified in paragraph (e) below;

- (iii) shall, subject to the relevant requirements that may be specified from time to time in regulation 38(5), in the case of an insurance subsidiary or insurer in respect of which the bank or controlling company holds a significant minority investment, apply the deduction method specified in paragraph (e) below, provided that, subject to the provisions of subregulation (10) below regarding the treatment of any surplus capital, the said bank or controlling company shall subsequently remove from its balance sheet any relevant assets, liabilities or third party investments relating to such insurance subsidiary or entity, that is, subject to the provisions of subregulation (10) below regarding the treatment of any surplus capital, no assets, liabilities or third party investments relating to an insurance subsidiary or insurer in respect of which the bank or controlling company holds a significant minority investment shall be included in the reporting bank or controlling company's consolidated amount of risk-weighted exposure or consolidated amount of qualifying capital and reserve funds;
- (iv) shall in the case of any investment in an entity other than-
 - (A) a majority owned or controlled entity specified in subparagraph (i) above; or
 - (B) a significant minority owned or controlled entity specified in subparagraph (ii) above;
 - (C) an insurer envisaged in subparagraph (iii) above,risk weight the relevant investment or exposure in accordance with the relevant requirements of the approach adopted by the relevant bank or controlling company for the measurement of its exposure to credit risk.
- (b) Full consolidation means-
 - (i) including in the consolidated returns of the relevant reporting bank or controlling company, for example, all the relevant assets and liabilities of the entity being consolidated;
 - (ii) that the relevant reporting bank or controlling company, for example, includes on a line-by-line basis-
 - (A) in the trading book of the said reporting bank or controlling company any assets and liabilities of an entity that conducts trading activities;
 - (B) in the banking book of the said reporting bank or controlling company any assets and liabilities of an entity that conducts business other than trading activities;

- (iii) that a consolidated group or sub-group of entities consisting of the relevant reporting bank or controlling company, as the case may be, and the relevant entity or entities being consolidated is created through consolidation as if the said consolidated group or sub-group of entities is a single entity;
- (c) Pro-rata consolidation-
 - (i) means including in the consolidated returns of the relevant bank or controlling company only the relevant share of the assets and liabilities of the entity in which the relevant bank or controlling company and any of its related persons have a participation;
 - (ii) aims to reflect the fact that the bank or controlling company has an interest in an entity in which a significant shareholder other than the relevant bank or controlling company-
 - (A) has the means and will to provide parental support;
 - (B) also has a participation.
- (d) Aggregation-
 - (i) includes full aggregation or pro-rata aggregation, that is, in the case of-
 - (A) a majority owned or controlled bank, security firm or other financial subsidiary, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, instead of full consolidation of the said subsidiary in order to determine the relevant required risk-weighted exposure amount on a fully consolidated basis, a bank, for example, may separately calculate the relevant required risk-weighted exposure amount of the said subsidiary and fully aggregate the separately calculated risk weighted exposure amount of the said majority owned or controlled subsidiary, even when the shareholding in that majority owned or controlled subsidiary is less than 100 per cent;
 - (B) a significant minority owned or controlled bank, security firm or other financial entity as envisaged in paragraph (a)(ii)(A) above, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, instead of pro-rata consolidation of the relevant entity in order to determine the relevant required risk-weighted exposure amount on a pro-rata consolidated basis, a bank, for example, may separately calculate the relevant required risk-weighted exposure amount of the said entity and on a pro-rata aggregated or proportional basis include the relevant risk weighted exposure amount of an entity such as a joint venture;

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- (ii) means that the relevant required risk-weighted exposure amount and required amount of capital and reserve funds relating to a particular entity or component of business relating to a particular entity that is not included in the required risk-weighted exposure amount and required amount of capital and reserve funds on a full or pro-rata consolidated basis is separately calculated and then added to the consolidated required amount of capital and reserve funds of the relevant reporting bank or controlling company, provided that-
- (A) subject to such conditions as may be specified in writing by the Registrar, any relevant deductions from capital and reserve funds prescribed by the relevant supervisory authority of the entity that is subject to the aggregation technique shall be deducted from the bank or controlling company's consolidated capital base;
- (B) subject to the relevant directives specified in subregulation (19) for the completion of columns 6 to 13 of items 22 to 34 of the form BA 600, in the case of a particular entity or component of the business of a particular entity that is subject to the aggregation method, the required risk-weighted exposure amount and required amount of capital and reserve funds in respect of the relevant entity or component of business shall in the case of-
- (i) a regulated entity be calculated in accordance with the rules and regulations of the relevant supervisory authority the rules and regulations of which are deemed by the Registrar to be equivalent to the provisions contained in the Act and in these Regulations, that is, when the rules and regulations of the relevant supervisory authority are deemed by the Registrar to be equivalent to the provisions contained in the Act and in these Regulations the same amount of required risk-weighted exposure and required capital and reserve funds in respect of the relevant entity shall apply in respect of the consolidation and solo supervision of the said entity;
- (ii) any credit risk exposure, market risk exposure, operational risk exposure or any other relevant exposure of an unregulated entity or activity be determined in accordance with the relevant requirements specified in these Regulations;

- (C) in order to calculate the relevant risk-weighted exposure amount of the relevant entity or component of the business the bank or controlling company shall multiply the relevant required amount of capital and reserve funds-
- (i) in the case of a regulated entity with the inverse of the relevant minimum capital adequacy ratio prescribed by the relevant supervisory authority, provided that the bank or controlling company shall in the calculation of the risk-weighted exposure of a subsidiary that obtained the approval of its supervisor to use its internal model to calculate a capital requirement in respect of its trading activities duly take into account any multiplication or plus factors specified by the relevant supervisor;
 - (ii) in the case of an unregulated entity with the inverse of the relevant minimum required capital adequacy ratio prescribed or specified in writing for the relevant bank or controlling company;
- (iii) relates to a technique to incorporate into the consolidated risk exposure or consolidated capital and reserve funds any relevant required amount of risk-weighted exposure or capital and reserve funds when full consolidation or pro-rata consolidation may not be appropriate in respect of a particular entity or part of an entity's business;
- (iv) shall be allowed by the Registrar only on prior written application and in exceptional cases when-
- (A) certain risks or components of an entity's business is managed on such a decentralized basis that full or pro-rata consolidation is likely to provide misleading results; or
 - (B) the advantages of the separate calculation and subsequent inclusion of the relevant required amounts of risk weighted exposure and capital and reserve funds of the relevant entity, calculated in accordance with the relevant requirements specified in these Regulations or rules and regulations of another supervisor, outweigh the cost relating to the full or pro-rata consolidation of the relevant entity or component of business in accordance with the relevant requirements specified in Financial Reporting Standards or these Regulations.

(e) Deduction means-

- (i) the assets of a particular entity are not fully or pro-rata consolidated with the risk-weighted exposure amount of a bank or controlling company in accordance with the relevant requirements specified in these Regulations, and instead-
- (ii) as a minimum, the amounts specified below are deducted from the capital and reserve funds of the relevant reporting bank or controlling company.

In the case of-

(A) a majority owned or controlled entity-

- (i) the investment by the bank or controlling company in the equity or other regulatory capital instruments of the relevant entity;
plus
- (ii) any shortfall in the capital requirement of the relevant entity, calculated in accordance with the rules and regulations of the relevant supervisor responsible for the supervision of the said entity,

(B) a significant minority owned or controlled bank, security firm or other financial entity, or other relevant entity, the investment by the bank or controlling company in the equity or other relevant capital instruments of the relevant entity.

(8) In addition to the form BA 600, a bank or controlling company-

(a) shall furnish the Registrar with-

- (i) copies of all correspondence between such a bank or controlling company and a foreign supervisory authority that relates to matters that may or are likely to have a material impact on the supervisory duties of the Registrar in terms of the provisions of the Act or these Regulations;
- (ii) copies of all correspondence between a subsidiary of such a bank or controlling company or between the representative office of such a bank and a foreign supervisory authority that relates to matters that may or are likely to have a material impact on the supervisory duties of the Registrar in terms of the provisions of the Act or these Regulations;
- (iii) any material information which may or is likely to negatively affect the suitability of a major shareholder; or

- (iv) copies of any other information or documentation at the disposal of such a bank, controlling company or subsidiary that relates to matters that may or are likely to have a material impact on the supervisory duties of the Registrar in terms of the provisions of the Act or these Regulations;
- (b) shall submit in writing to the Registrar qualitative information relating to-
 - (i) major shareholders of the relevant bank or controlling company;
 - (ii) the group structure based on-
 - (A) the business line structure; and
 - (B) the legal structure;
 - (iii) the respective main business activities conducted by the entities included in the consolidated return, including relevant matters relating to-
 - (A) services and products;
 - (B) markets;
 - (C) geographical regions;
 - (D) sectors;
 - (iv) the composition of the respective boards of directors of the respective significant entities included in the consolidated return and the respective roles and responsibilities of the respective boards of directors, including information relating to committees appointed by the board;
 - (v) the respective management structures of the respective significant entities included in the consolidated return, and the respective main responsibilities of such senior management;
 - (vi) the business model or strategy adopted by the relevant bank or controlling company and whether or not the financial activities conducted within the banking group-
 - (A) cut across legal entities; or
 - (B) are conducted autonomously within individual financial entities;

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- (vii) the control structure adopted by the relevant bank or controlling company, including matters relating to-
- (A) accounting policies;
 - (B) internal audit;
 - (C) the compliance function;
 - (D) outsourcing;
 - (E) external audit and the interaction between internal and external audit,
- and whether or not the respective adopted control functions are globally controlled or locally controlled within individual financial entities;
- (viii) the strategy adopted by the relevant bank or controlling company in respect of risk, including-
- (A) the group's appetite for risk;
 - (B) the principal risks the group is willing to incur;
 - (C) any specified or board approved limits relating to risk positions;
 - (D) the manner in which risks are monitored and controlled, that is, whether or not risk are monitored and controlled on-
 - (i) a global basis;
 - (ii) a business line basis;
 - (E) the frequency with which risk information has to be reported to the respective boards of directors and senior management of-
 - (i) the controlling company;
 - (ii) the relevant entities included in the reporting group of entities;

- (ix) the strategy adopted by the relevant bank or controlling company in respect of-
 - (A) the entity or entities within the banking group primarily responsible to manage or hold any excess capital and reserve funds in the group;
 - (B) the monitoring of capital in relation to the risks incurred by the various entities included in the reporting group;
 - (C) the allocation of capital amongst the various entities included within the reporting group,
- (x) the strategy adopted by the relevant bank or controlling company in respect of funding and liquidity management, including the extent to which liquidity management is centralised or managed on a business or legal entity basis;
- (xi) the strategy adopted by the relevant bank or controlling company in respect of contingency planning, including the extent to which contingency planning is centralised or managed on a business or legal entity basis;
- (xii) the strategy adopted by the relevant bank or controlling company in respect of intragroup transactions and transactions with related persons or entities, including whether or not-
 - (A) limits are imposed in respect of intragroup transactions and transactions with related persons or entities;
 - (B) intragroup transactions and transactions with related persons or entities are conducted on an arm's-length basis;
- (xiii) the strategy adopted by the relevant bank or controlling company in respect of concentration risk, including whether or not limits are imposed in respect of concentration risk,

which qualitative information shall be submitted in writing to the Registrar within 120 days of the financial year-end of the relevant bank or controlling company or whenever requested in writing by the Registrar.

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- (c) shall at the request of the Registrar submit in writing a detailed list or supporting return, which list or supporting return-
- (i) shall provide additional information to the Registrar in respect of matters related to the consolidated return or consolidated supervision;
 - (ii) shall separately reflect all investments or interests held by the bank or controlling company in-
 - (A) regulated subsidiaries;
 - (B) unregulated subsidiaries;
 - (C) regulated joint ventures;
 - (D) unregulated joint ventures;
 - (E) regulated associates;
 - (F) unregulated associates;
 - (G) specified special-purpose institutions included in the consolidated financial statements or consolidated return of the relevant bank or controlling company;
 - (H) companies bought-in during the period specified by the Registrar;
 - (I) any other entity specified in writing by the Registrar.
 - (iii) shall in respect of each relevant investment or interest specified in subparagraph (ii) above clearly indicate-
 - (A) the nature of business conducted by the relevant entity, that is, the main activity of business such as banking, securities trading, insurance, portfolio management, property holding or development, or other;
 - (B) the country in which the entity is incorporated;
 - (C) whether the entity conducts business as principal or agent, or both as principal and agent;

- (D) the relevant regulatory authority/supervisor the rules of which apply to the relevant entity, that is, the name of the authority or supervisor responsible for the supervision of the entity;
- (E) the latest date in respect of which audited financial statements are available;
- (F) in the case of a regulated entity-
 - (i) the minimum capital requirement/solvency amount determined in accordance with the rules or regulations of the relevant authority or supervisor responsible for the supervision of the relevant entity;
 - (ii) the amount of qualifying capital and reserve funds determined in accordance with the rules or regulations of the relevant authority or supervisor responsible for the supervision of the relevant entity;
 - (iii) any surplus or shortfall amount, that is, the difference between the entity's qualifying capital and reserve funds and the required amount of capital and reserve funds.
- (G) the aggregate amount of-
 - (i) any direct or indirect exposures granted by other group entities to the relevant entity;
 - (ii) any direct or indirect exposures granted by the relevant entity to other group entities,
- (iv) shall in respect of each relevant bank in the reporting group clearly indicate the relevant approaches or methods implemented by the said banks for the measurement of their exposures to credit risk, market risk and operational risk.

Provided that when the bank or controlling company is unable to obtain the information required in terms of the provisions of this paragraph (b), the bank or controlling company shall in writing report to the Registrar the reasons for being unable to obtain the required information and by which date the bank or controlling company expects to obtain the required information.

- (9) Matters specifically related to a bank or controlling company's consolidated exposure to market risk
- (a) Subject to the provisions of subregulations (3), (4) and (7), based on a bank or controlling company's consolidated exposure to market risk, the said bank or controlling company shall calculate and maintain the relevant minimum required consolidated amount of capital and reserve funds for market risk, provided that-
- (i) when the said bank or controlling company, as the case may be, and any relevant related or associated financial entity manage their exposure to and calculate their relevant required amount of capital and reserve funds in respect of market risk on a global consolidated basis, and the bank or controlling company complies with the relevant minimum requirements relating to offsetting of positions or exposures specified in regulation 28, the said bank or controlling company may report short positions and long positions in exactly the same instrument on a net basis and apply offsetting between relevant positions in accordance with the relevant requirements specified in regulation 28 no matter-
- (A) where the said positions are booked;
- (B) whether or not the relevant instruments relate to currency exposure, commodity exposure, equity exposure or an exposure relating to a debt instrument,

provided that notwithstanding anything to the contrary contained in the Act or these Regulations, including this subregulation (9), subject to such conditions as may be specified in writing by the Registrar, the Registrar may at any time direct the bank or controlling company no longer to apply netting or offsetting in respect of such globally held positions or exposures as may be specified in writing by the Registrar;

For example, when obstacles exist for the quick repatriation of profits from a foreign subsidiary or when legal or procedural difficulties arise relating to the timely management of risks on a global consolidated basis the Registrar may direct the bank or controlling company not to apply netting or offsetting in respect of globally held positions or exposures specified by the Registrar.

- (ii) when the relevant bank or controlling company assesses its exposure to foreign exchange risk on a global consolidated basis in terms of the shorthand method envisaged in regulation 28(7)(d)(iii) and finds it impractical to include in its consolidated exposure the actual currency positions of marginal operations, the said bank or controlling company may include as a proxy in its consolidated foreign-exchange exposure the approved internal limit in respect of each relevant currency for the said marginal operation, provided that the said bank or controlling company-
 - (A) shall have in place robust procedures to monitor actual positions against the said approved limits;
 - (B) shall add to its calculated net open position in each currency the said internal limit of the said marginal operation without any regard to sign.
 - (b) Notwithstanding the provision of this subregulation (9), in order to ensure that no relevant position or exposure escapes supervision or measurement, the Registrar shall at all times retain the right to obtain selected information relating to and/or to monitor the exposure to market risk of individual entities on a non-consolidated basis.
- (10) Matters specifically related to the calculation of the consolidated amount of qualifying capital and reserve funds

When a bank or controlling company calculates its consolidated amount of qualifying capital and reserve funds as envisaged in section 70A of the Act, the bank or controlling company-

- (a) shall include in its consolidated amount of qualifying capital and reserve funds any relevant amount related to a minority interest held in shares or other relevant qualifying instruments in accordance with the relevant requirements specified in regulation 38(16);
- (b) as a minimum, shall in the case of-
 - (i) any majority owned or controlled financial entity or activity; or
 - (ii) any significant minority owned or controlled financial entity or activity,

which financial entity or activity in the case of a majority owned or controlled financial entity is not fully consolidated, or in the case of a significant minority owned or controlled financial entity is not pro-rata consolidated-

- (A) deduct from its consolidated capital and reserve funds-
 - (i) any equity or other regulatory capital instrument invested in the said majority owned or controlled entity, or significant minority owned or controlled entity,
 - (ii) any relevant capital shortfall relating to the said majority owned or controlled financial entity,

provided that the relevant deduction against capital and reserve funds shall be made in accordance with the relevant requirements specified in regulation 38(5) of these Regulations or such requirements as may be directed in writing by the Registrar; and

- (B) remove from its balance sheet any relevant assets and liabilities or commitments, and any third-party investments in respect of the said majority owned or controlled entity, or significant minority owned or controlled entity.

(c) as a minimum, shall in the case of-

- (i) any reciprocal crossholding of capital held between the said bank or controlling company and any other relevant entity deduct from its consolidated amount of capital and reserve funds the relevant amount relating to such crossholding of capital in accordance with the relevant requirements specified in regulation 38(5) of these Regulations;
- (ii) any equity or other regulatory capital instruments held in any-
 - (A) subsidiary that conducts insurance business; or
 - (B) insurance entity in respect of which the said bank or controlling company holds a significant minority interest,

subject to the provisions of paragraph (d) below, deduct from its consolidated amount of capital and reserve funds the said amount relating to such investment in accordance with the relevant requirements specified in regulation 38(5) of these Regulations, and the said bank or controlling company shall subsequently remove from its balance sheet any relevant assets, liabilities or third party investments relating to such insurance subsidiary or entity;

(iii) any significant investment in-

(A) a majority owned or controlled commercial entity; or

(B) a commercial entity in respect of which the said bank or controlling company holds a significant minority interest,

which individual significant investment exceeds 15 per cent of the sum of the issued common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the reporting bank or controlling company, as reported in items 41, 65 and 78 of the form BA 700, and the aggregate amount of which investments exceeds 60 per cent of the sum of the issued common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the reporting bank or controlling company, as reported in items 41, 65 and 78 of the form BA 700, risk weight the relevant exposure amount above and below the specified threshold level in accordance with the relevant requirements specified in regulation 23(6)(j) or 31(6), as the case may be;

(d) may in the case of a majority owned or controlled insurance entity, subject to such conditions as may be specified in writing by the Registrar, include in its consolidated amount of qualifying capital and reserve funds any surplus capital held by the said majority owned or controlled insurance entity, that is, the amount by which the bank or controlling company's investment in the said majority owned or controlled insurance entity exceeds the insurance entity's required amount of capital and reserve funds, provided that-

(i) the Registrar-

(A) shall only in limited circumstances grant approval for a bank or controlling company to include in its consolidated amount of capital and reserve funds such surplus capital held in the said majority owned or controlled insurance entity;

(B) shall not grant approval for a bank or controlling company to include in its consolidated amount of capital and reserve funds such surplus capital held when matters relating to legal, regulatory, tax or external credit assessment are likely to restrict the ability of the relevant majority owned or controlled insurance entity to freely transfer amounts relating to such surplus capital;

- (ii) when the Registrar grants approval for a bank or controlling company to include in its consolidated amount of capital and reserve funds such surplus amount of capital and reserve funds, the bank or controlling company-
 - (A) shall deduct from its relevant consolidated amount of capital and reserve funds the lesser amount of its investment in or the relevant regulatory required amount of capital and reserve funds of the said insurance entity;
 - (B) shall risk weight the surplus amount as an equity investment;
 - (C) shall continuously monitor the transferability and any potential restrictions on the transferability of the said surplus amount;
 - (D) shall in the case when the interest of the bank or controlling company in the said majority owned or controlled insurance entity is less than 100 per cent include in its consolidated amount of capital and reserve funds only the bank or controlling company's proportionate share of the relevant surplus amount;
- (e) shall in no case include in its consolidated amount of capital and reserve funds any surplus capital held by an insurance entity in respect of which the said bank or controlling company holds a significant minority interest;
- (f) shall deduct from its consolidated amount of capital and reserve funds any capital shortfall relating to any majority owned or controlled insurance entity;
- (g) shall deduct from its consolidated primary capital and reserve funds any remaining goodwill relating to-
 - (i) any relevant entity subject to the deduction method or approach; or
 - (ii) any relevant majority owned or controlled entity;
- (h) shall in all cases apply and adhere to any relevant limit or ratio specified in regulation 38(9) in respect of capital and reserve funds, that is, any limit or ratio specified in regulation 38(9) shall *mutatis mutandis* apply to the consolidated amount of capital and reserve funds of a bank or controlling company.

(11) Matters specifically related to a bank or controlling company's required amount of capital and reserve funds

(a) As a minimum, a bank or controlling company's aggregate consolidated required amount of capital and reserve funds in terms of these Regulations shall be equal to the sum of amounts calculated in accordance with the relevant requirements specified in these Regulations, which amounts shall be based on the reporting bank or controlling company's consolidated exposure to-

- (i) credit risk;
- (ii) market risk;
- (iii) operational risk; and
- (iv) such other risk exposure as may be specified in these Regulations.

(b) Notwithstanding anything to the contrary contained in the Act or these Regulations, when a bank or controlling company calculates its consolidated required amount of capital and reserve funds-

(i) a bank or controlling company that adopted the standardised approach for the measurement of its exposure to credit risk as envisaged in regulation 38(2)(a)(i) read with the relevant provisions specified in regulations 23(8) and 23(9) shall risk weight any relevant investment in-

(A) a majority owned or controlled commercial entity; or

(B) a commercial entity in respect of which the bank or controlling company holds a significant minority interest,

which investment does not exceed 15 per cent of the consolidated amount of issued common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the reporting bank or controlling company, as reported in items 41, 65 and 78 of the form BA 700, at no less than 100 per cent;

(ii) a bank or controlling company that adopted the IRB approach for the measurement of its exposure to credit risk as envisaged in regulation 38(2)(a)(ii) read with the relevant provisions specified in regulations 23(10) to 23(14) shall risk weight any relevant investment in-

(A) a majority owned or controlled commercial entity; or

(B) a commercial entity in respect of which the bank or controlling company holds a significant minority interest,

which investment does not exceed 15 per cent of the consolidated amount of issued common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the reporting bank or controlling company, as reported in items 41, 65 and 78 of the form BA 700, in accordance with the relevant requirements relating to equity instruments specified in regulation 31, provided that the relevant risk weight relating to the said investment shall in no case be less than 100 per cent.

- (c) Unless specifically otherwise provided in these Regulations, whenever a bank or controlling company calculates its consolidated required amount of capital and reserve funds in accordance with the relevant requirements specified in these Regulations and subsequently wishes to determine the related consolidated amount of risk-weighted exposure, the bank or controlling company, as the case may be, shall, based on the formula specified below, convert the said consolidated required amount of capital and reserve funds to the relevant required amount of consolidated risk-weighted exposure.

$$RWE = K \times 12,5$$

where:

RWE is the required consolidated amount of risk-weighted exposure

K is the consolidated required amount of capital and reserve funds calculated in accordance with the relevant requirements specified in these Regulations

(12) *Foreign-owned banks*

Normally the parent institution or controlling company of an entity that conducts the business of a bank in the Republic, which parent institution or controlling company is incorporated in a country outside the Republic, shall be subject to the rules and regulations of the relevant consolidating supervisor of the relevant banking group, that is, normally the consolidation of entities within a banking group in respect of which the parent institution or controlling company is incorporated in a country outside the Republic shall be based on the rules and regulations of the relevant consolidating supervisor of the relevant banking group, provided that-

- (a) as a minimum, unless specifically otherwise provided in this regulation 36 or specified in writing by the Registrar, for the solo supervision of an entity that conducts the business of a bank in the Republic the said entity shall be subject to the relevant provisions contained in the Act and in these Regulations;
- (b) the Registrar may after consultation with a relevant consolidating supervisor specify in writing that sub-consolidation of specified entities from a specified entity in the relevant group, downwards, shall apply in accordance with the relevant requirements specified in these Regulations.

(13) *Exemption or exclusion from consolidation*

- (a) A bank or controlling company may in writing apply to the Registrar to exclude from consolidation in terms of the requirements specified in this regulation 36 certain financial entities or interests, financial activities or non-financial entities held within the relevant banking group, provided that the bank or controlling company, as the case may be, shall in its application to the Registrar provide detailed motivation to exclude from consolidation the said financial entity or interest, financial activity or non-financial entity, which motivation may include that-
- (i) the inclusion of the said financial entity or activity, or non-financial entity, is inappropriate or may be misleading;
 - (ii) the bank or controlling company's interest was acquired as a result of debt previously extended and the acquired interest is held on a temporary basis;
 - (iii) consolidation of the said entity or interest-
 - (A) is prohibited by law; or
 - (B) due to legal constraints, is restricted;
 - (iv) the aggregate amount of assets relating to such a financial entity, interest or activity, or non-financial entity, amounts to less than 1 per cent of the consolidated assets of the banking group that are subject to consolidated supervision and the risk profile of such a financial entity, interest or activity, or non-financial entity, as the case may be, does not materially affect the risk profile of the said banking group.
- (b) The Registrar may grant approval to exclude from consolidation for such time and subject to such conditions as may be specified in writing by the Registrar such financial entity, interest or activity, or non-financial entity as may be specified in writing by the Registrar, provided that-
- (i) in all cases the Registrar shall obtain from the relevant bank or controlling company, or a relevant supervisory authority, sufficiently detailed information in order for the Registrar-
 - (A) to assess the risks incurred by the relevant entity;
 - (B) to be satisfied that the relevant entity is sufficiently capitalized and does not constitute a material risk to the safety and soundness of the relevant bank or controlling company;

(ii) in the case of-

(A) any majority owned or controlled financial entity or activity; or

(B) any significant minority owned or controlled financial entity or activity,

the bank or controlling company shall in addition to the amounts specified in subregulation (10)(b) above deduct from its consolidated amount of capital and reserve funds such amounts as may be specified in writing by the Registrar.

(14) Credit concentration risk and related matters

(a) In accordance with the provisions of section 73 of the Act read with the relevant requirements specified in regulations 24(6) to 24(8), and 39(1) to 39(5), and notwithstanding anything to the contrary contained in these Regulations, for the calculation of the relevant reporting bank or controlling company's consolidated exposure to credit concentration risk, the said bank or controlling company, as the case may be, shall on a fully consolidated basis include in the calculation of its exposure to credit concentration risk any relevant exposure granted to or utilised by a counterparty of the relevant bank or controlling company and its relevant associates;

(b) As a minimum, a bank or controlling company shall have in place robust board approved policies, processes, procedures and systems-

(i) amongst other things, to comply with the relevant requirements specified in section 73 of the Act read with the relevant provisions specified in this regulation 36 and in regulations 24(6) to 24(8), and 39(1) to 39(5), including any relevant requirement relating to matters such as-

(A) concentration risk;

(B) effective risk management; and

(C) sound corporate governance.

(ii) that enable the senior management of the relevant bank or controlling company-

(A) to identify on a timely basis concentrations within the credit portfolio of the said bank or controlling company;

(B) to continuously monitor and manage the bank or controlling company's exposure to concentration risk;

- (C) to conduct appropriate stress testing or scenario analysis, including stress testing in respect of-
 - (i) adverse events such as a material decline in the creditworthiness of a counterparty or group of related persons;
 - (ii) potential loss arising from a series of material changes in key risk factors;
 - (iii) any relevant assumptions made in respect of diversification benefits or correlation;
- (iii) to continuously comply with any-
 - (A) prescribed reporting requirements relating to concentration risk; or
 - (B) prescribed or board-approved capital requirements or limits relating to concentration risk.
- (c) As a minimum, a bank or controlling company-
 - (i) shall continuously comply with the relevant requirements envisaged in paragraph (b) above, which requirements may relate to the bank or controlling company's exposure to-
 - (A) a single borrower;
 - (B) a group of related borrowers;
 - (C) any person that is related or connected to the relevant bank or controlling company;
 - (D) a specific geographical area;
 - (E) a particular industry sector;
 - (F) a specific service provider.
 - (ii) shall obtain the prior written approval of the Registrar in respect of any exposure to a person that in the opinion of the relevant bank or controlling company should be exempted from a specific requirement in respect of concentration risk contained in the Act or Regulations, provided that the relevant bank or controlling company-

- (A) shall in its application to the Registrar provide detailed reasons why the said exposure should be regarded as an exempt exposure, which reasons, for example, may include that the relevant person is subject to requirements specified in relation to consolidated supervision;
- (B) shall comply with such conditions as may be specified in writing by the Registrar in respect of any exempt exposure, which conditions may relate to matters such as-
 - (i) the risk weighting of the relevant exposure;
 - (ii) a minimum required amount of capital and reserve funds;
 - (iii) public disclosure.
- (d) Unless expressly otherwise provided in this regulation 36 or the form BA 600, a large exposure in respect of a particular person relates to the aggregate credit exposure of the relevant reporting bank or controlling company, and any related person, to the said person in respect of-
 - (i) all asset items or on-balance sheet exposure included in the form BA 100, including all loans and advances or investments;
 - (ii) the said person's liabilities in respect of any outstanding acknowledgements of debt;
 - (iii) all off-balance sheet items or contingent liabilities included in the form BA 110, including any committed undrawn facility;
 - (iv) any counterparty exposure arising from any derivative instrument or unsettled transaction such as a swap, option or futures contract;
 - (v) any relevant exposure arising from a repo-style transaction.

(15) Matters specifically related to connected lending or lending to a related person

- (a) In order to prevent any potential abuse arising from connected lending or lending to a related person, every bank and every controlling company shall have in place robust processes, procedures, systems and board-approved policies that, as a minimum, comply with the relevant requirements specified in regulation 24(9), and such further requirements as may be specified in writing by the Registrar.

(16) *Matters specifically related to intragroup transactions or exposure*

- (a) A bank or controlling company shall have in place robust board-approved policies and risk-management processes and procedures relating to intragroup transactions or exposure, which policies, processes and procedures-
- (i) shall duly address matters relating to-
 - (A) cross-shareholding;
 - (B) any trading activities in terms of which one entity within the banking group deals with or on behalf of another entity within the banking group;
 - (C) any central management function in respect of the liquidity structure or requirements within the relevant banking group;
 - (D) guarantees, loans or commitments provided to or received from any entity within the banking group;
 - (E) any management or other service arrangement, such as internal audit or back-office services, provided to or received from any entity within the banking group;
 - (F) any material exposure to a major shareholder of the bank or controlling company, including any guarantee, loan or commitment;
 - (G) any exposure arising from the placement of funds or assets of clients with any other entity within the banking group;
 - (H) any purchase or sale of assets between entities within the banking group;
 - (I) any transfer of risk between entities within the banking group, including any reinsurance;
 - (J) any relevant risk arising from double or multiple gearing of funds;
 - (ii) shall ensure that intragroup transactions or exposures are duly documented, reported and accounted for;
 - (iii) shall ensure that intragroup transactions or exposures are subject to appropriate oversight by the board of directors and senior management of the relevant bank or controlling company;

- (iv) shall ensure adequate control in respect of any transfer mechanism adopted within the relevant banking group, including any transfer mechanism relating to-
 - (A) capital;
 - (B) funding;
 - (C) risk; or
 - (D) income.
- (v) shall be sufficiently robust to ensure that-
 - (A) both sides of bilateral transactions can be analysed and that the relevant bank or controlling company identifies, monitors and controls the nature and extent of the intragroup transaction or exposure;
 - (B) the board of directors and senior management of the relevant bank or controlling company have an adequate understanding of the incurred risks and any subsequent changes in the said risk profile due to an intragroup transaction or exposure.
- (b) When the Registrar is of the opinion that the bank or controlling company's policies, processes, procedures and systems relating to intragroup transactions or exposures are inadequate, the Registrar may-
 - (i) require the bank or controlling company to deduct from its capital and reserve funds such amount relating to such transactions or exposure as may be specified in writing by the Registrar;
 - (ii) require the bank or controlling company to obtain adequate collateral in respect of the relevant exposure;
 - (iii) in addition to any limit specified in the Act specify limits in respect of intragroup transactions or exposures;
 - (iv) in writing specify such further conditions as the Registrar in the circumstances deems appropriate.

(17) *Matters related to corporate governance, risk management and internal controls*

Without derogating from the provisions contained in regulation 39 and in subregulations (3) to (16) above, in order to promote and maintain sound standards in respect of corporate governance, risk management and internal controls, every bank and every controlling company shall have in place board-approved policies and comprehensive risk-management processes and procedures, which policies, processes and procedures-

- (a) shall include comprehensive and robust know-your-customer standards that-
 - (i) include robust customer identification, verification and acceptance requirements throughout the banking group;
 - (ii) assist the bank or controlling company in its processes to prudently manage any related or interconnected risk exposure;
 - (iii) contribute to the safety and soundness of the reporting bank or controlling company;
 - (iv) prevent the bank or controlling company from being used for any money laundering or other unlawful activity;
- (b) shall be sufficiently robust to ensure that-
 - (i) the relevant bank or controlling company-
 - (A) continuously-
 - (i) achieves the objectives relating to sound corporate governance and effective risk management, and complies with the relevant minimum requirements specified in regulation 39;
 - (ii) monitors account activity for potential suspicious transactions;
 - (iii) shares all relevant information relating to risk exposure and customer identification with relevant entities within the banking group;
 - (iv) receives relevant information relating to risk exposure incurred by any foreign operation;
 - (v) assesses the bank or controlling company's aggregate exposure to risk, including any risk incurred as a result of the bank or controlling company's cross border electronic banking business;

- (vi) assesses the banking group's overall capital adequacy in relation to its risk profile;
 - (vii) maintains adequate levels of capital and reserve funds;
- (B) establishes-
- (i) an independent internal audit function;
 - (ii) an independent compliance function;
 - (iii) a centralised process in order to-
 - (aa) coordinate and issue appropriate risk and customer identification policies and procedures on a groupwide basis;
 - (bb) coordinate the sharing of all relevant information;
- (C) does not enter into or continue a correspondent banking relationship with a shell bank located in a foreign jurisdiction, that is, a bank-
- (i) with no physical presence in the country in which the bank is authorised to conduct banking business;
 - (ii) not subject to adequate solo or consolidated supervision;
- (D) duly documents and maintains all relevant information, including information relating to-
- (i) risks incurred by the entities included in the banking group;
 - (ii) the nature and extent of banking business and other financial services conducted within the banking group;
 - (iii) the ownership structure;
- (E) is able to provide such information or submit such returns as may be-
- (i) specified in writing by the Registrar; or
 - (ii) prescribed in these Regulations;

- (F) publishes timely, reliable and sufficiently detailed information in respect of-
 - (i) any concentration risk, including the bank or controlling company's approach to the management of concentration risk;
 - (ii) any intragroup transactions or exposure, including the bank or controlling company's approach to the management of intragroup transactions or exposure;
- (G) complies with any prescribed disclosure requirements.
- (ii) every relevant foreign branch, subsidiary or operation of the bank or controlling company implements and applies-
 - (A) Anti-Money Laundering and Combating Terrorist Financing (AML/CFT) measures consistent with the relevant Financial Action Task Force (FATF) Recommendations issued from time to time;
 - (B) the higher of AML/CFT standards issued in the Republic of South Africa or the relevant host country,

Provided that when the relevant foreign branch, subsidiary or operation is unable to implement and apply the aforesaid measures or standards, the relevant bank or controlling company shall in writing inform the Registrar accordingly;
- (iii) in relation to any cross-border correspondent banking or other similar relationship, the bank or controlling company-
 - (A) has in place robust due diligence procedures and measures;
 - (B) gathers sufficient information about a respondent institution, *inter alia*-
 - (i) to fully understand the nature of the respondent's business;
 - (ii) to determine the reputation of the relevant institution;
 - (iii) to determine the quality of supervision, including whether it has been subject to any money laundering or terrorist financing investigation or regulatory action;
 - (iv) to ensure that the respondent institution does not permit its accounts to be used by a shell bank;

- (C) assesses the respondent institution's anti-money laundering and terrorist financing controls;
 - (D) obtains the required approval from its senior management, before it establishes any new correspondent relationship;
 - (E) duly documents the respective responsibilities of each relevant institution;
 - (F) with respect to any "payable-through account", is satisfied that the respondent bank has duly verified the identity of and performed ongoing due diligence on any customer that has direct access to accounts of the correspondent, and that it is able to provide relevant customer identification data upon request to the correspondent bank;
- (iv) all relevant policies, processes and procedures are subject to regular and robust processes of independent review;
- (c) shall ensure an appropriate segregation of duties, that is, an entity or person responsible for the origination of a transaction or position, for example, shall not be responsible for the subsequent evaluation and performance measurement of the said transaction or position;
- (d) shall promote the principles of an integrated approach to risk management, that is, as a minimum, the said policies, processes and procedures-
- (i) shall create an awareness of and accountability for the risks incurred in the banking group to which the bank or controlling company belongs;
 - (ii) shall ensure appropriate oversight by the board of directors and senior management of the relevant bank or controlling company;
 - (iii) shall promote the development of-
 - (A) standardised definitions relating to material risk exposure;
 - (B) appropriate risk reports for use by the board of directors and senior management of the bank or controlling company;
 - (C) adequate integrated risk systems that promotes an appropriate balance between-
 - (i) any potential benefits derived from diversification; and
 - (ii) any correlation between risk factors;

- (iv) shall ensure that-
 - (A) an appropriate set of common risk factors is specified within the banking group;
 - (B) appropriate risk management committees or structures are established;
- (v) shall ensure the appropriate assessment of-
 - (A) any potential losses associated with the bank or controlling company's various risk exposures;
 - (B) any potential risk concentration,
- (vi) shall duly capture all relevant matters relating to the bank or controlling company's cross-border electronic business such as internet banking, including-
 - (A) requirements to conduct appropriate due diligence and risk assessments prior to the bank or controlling company engaging in cross-border electronic business;
 - (B) appropriate consultation and information sharing with all relevant regulatory and supervisory authorities;
 - (C) a requirement to obtain all relevant regulatory or supervisory approval;
 - (D) matters relating to legal requirements such as-
 - (i) legal jurisdiction;
 - (ii) choice of law;
 - (iii) consumer protection;
 - (iv) disclosure requirements;
 - (v) reporting requirements;
 - (E) matters relating to strategic risk, reputational risk or operational risk;

- (e) shall ensure-
 - (i) proper oversight by the management and board of directors of the relevant bank or controlling company of any foreign operation, including any foreign branch of a bank, joint venture or subsidiary;
 - (ii) that the senior management and board of directors of any foreign operation adhere to all relevant fit and proper standards issued from time to time.

(18) *Matters specifically related to solo consolidation*

Solo consolidation-

- (a) may be allowed by the Registrar only in exceptional cases;
- (b) is deemed to serve as a substitute for solo or unconsolidated reporting, and as such no bank shall apply solo consolidation in respect of any subsidiary unless specific approval was obtained from the Registrar to apply such solo consolidation;
- (c) aims to include in the required information only those subsidiaries-
 - (i) which are so closely related to the activities of the relevant reporting bank that the subsidiaries may in substance be deemed equivalent to operating divisions of the relevant bank;
 - (ii) in respect of which-
 - (A) the interest of the bank is no less than 75 per cent, that is, the bank has control over the relevant subsidiary and is in a position to pass a special resolution when necessary;
 - (B) the bank has the right to appoint or remove a majority of the members of the board of directors of the relevant subsidiary;
 - (C) the management of the subsidiary is subject to the effective direction of the bank;
 - (D) robust internal controls are in place in order to ensure that the subsidiary's business is conducted in a prudent manner;
 - (E) no legal or other restrictions exist that may prevent surplus capital from being paid to the parent bank;
 - (F) the incurred risks mainly relate to the parent bank;
 - (iii) that are mainly funded by the bank, that is, there are little or no competing claims from other creditors, or other liabilities can easily be repaid from the proceeds of assets held by the bank;

- (d) shall in the case of a bank that adopted-
- (i) the internal ratings-based approach for the measurement of the bank's exposure to credit risk;
 - (ii) the internal models approach for the measurement of the bank's exposure to market risk; or
 - (iii) the advanced measurement approach for the measurement of the bank's exposure to operational risk,

be applied only in respect of subsidiaries that are subject to and included in the results of the relevant approach or model adopted by the relevant reporting bank;

- (e) shall not be applied in respect of banks within a banking group, that is, in no case shall a bank be solo consolidated with any other bank.

(19) Instructions relating to the completion of the return are furnished with reference to certain item descriptions and line item numbers appearing on the form BA 600, as follows:

***Line item
number***

- 2 This item shall reflect the relevant amount of risk-weighted exposure relating to any surplus capital approved by the Registrar in respect of any insurance entity, that is, the relevant amount of risk weighted exposure relating to the difference between the amount invested in an insurance entity and the said insurance entity's required amount of capital and reserve funds, which surplus amount shall be risk weighted in accordance with the relevant requirements relating to equity investments.
- 8 This item shall reflect any additional required amount of capital and reserve funds specified by the Registrar in accordance with the relevant requirements specified in regulation 38(4), including any additional required amount of capital and reserve funds in respect of concentration risk.
- 11 This item shall reflect the relevant amount of surplus capital as envisaged in item 2 above, which amount has been approved by the Registrar in accordance with the relevant provisions specified in subregulation (10)(d) above.

- 12 This item shall reflect any approved adjustment made to the consolidated qualifying amount of capital and reserve funds of the relevant reporting bank or controlling company, provided that when requested by the Registrar the said bank or controlling company shall in writing submit to the Registrar an analysis of the said amount.
- 15 to 17 These items shall indicate whether or not the relevant reporting bank or controlling company complies with the relevant prescribed ratio, prudential requirement or reporting requirement specified in these Regulations.
- 22 to 32 These items shall reflect the relevant required information relating to any majority owned or controlled financial entity or financial entity in respect of which the reporting bank or controlling company holds a significant minority interest, which majority owned or controlled financial entity or financial entity in respect of which the reporting bank or controlling company holds a significant minority interest is either fully consolidated, consolidated on a pro-rata basis or otherwise aggregated in order to, amongst other things, determine the said reporting bank or controlling company's required amount of capital and reserve funds.
- 22 Irrespective of their significance, this item shall reflect the relevant required aggregate amounts relating to **all** relevant registered banks included in the relevant reporting group, the required details of which banks-
- (a) unless otherwise directed in writing by the Registrar or specified in this regulation 36 shall be based on the relevant required information submitted by the relevant bank to its relevant supervisor;
 - (b) shall separately be shown in the space provided below line item 22.
- 23 This item shall reflect the relevant required aggregate amounts relating to all eliminations made in respect of intra-group balances held between banks reported in item 22, that is, item 23 shall not include any intra-group balance other than an intra-group balance relating to a bank included in item 22, which intra-group eliminations-
- (a) shall include-
 - (i) any relevant amount added back in respect of an intra-group impairment;
 - (ii) any relevant amount relating to any issued instrument qualifying as capital and reserve funds of any other bank in the relevant reporting banking group;
 - (iii) any relevant amount relating to non-qualifying capital and reserve funds;
 - (iv) any relevant amount relating to a prescribed deduction against capital and reserve funds;

- (b) shall not include any amount relating to a minority interest approved by the Registrar to qualify as capital and reserve funds of the relevant consolidated group,

provided that the relevant reporting bank or controlling company shall include any intra-group balances relating to entities other than banks in item 31 below.

- 24 This item, amongst other things, shall reflect the net amount of qualifying capital and reserve funds relating to all registered banks within the relevant reporting banking group.

- 25 This item shall reflect the relevant required aggregate amounts relating to all registered bank controlling companies within the relevant reporting banking group, the relevant required details of which controlling companies shall separately be shown in the space provided below line item 25.

- 26 This item shall reflect the relevant required aggregate amounts relating to all significant financial entities within the relevant reporting banking group, other than any amount relating to a bank or controlling company, the relevant required details of which significant financial entities shall separately be shown in the space provided below line item 26, which significant financial entities-

- (a) shall include-

- (i) any relevant significant entity conducting securities trading activities;
- (ii) any relevant significant joint venture;

- (b) shall exclude any insurance entity the required details of which shall be reported in item 28,

provided that the relevant reporting bank or controlling company shall include the relevant required aggregate amounts relating to non-significant entities in item 30.

- 27 This item shall reflect the relevant required aggregate amounts relating to all significant commercial entities within the relevant reporting banking group, the required details of which commercial entities shall separately be shown in the space provided below line item 27.

- 28 In order to facilitate a reconciliation to the consolidated forms BA 100 and BA 120 of total assets, total net income after taxation and total shareholders funds, this item shall reflect the relevant required aggregate amounts relating to all significant insurance entities, the required details of which insurance entities shall separately be shown in the space provided below line item 28.

- 29 This item shall reflect the relevant required aggregate amounts relating to all special-purpose institutions involved in securitisation schemes, the relevant financial information of which special-purpose institutions, in terms of Financial Reporting Standards issued from time to time, is required to be consolidated into the financial information of the relevant reporting group, provided that the relevant

reporting bank or controlling company shall separately report the relevant required information relating to the said special-purpose institutions in the space provided below line item 29.

30 This item shall reflect the relevant required aggregate amounts relating to all non-significant entities included in the group financial statements of the relevant reporting bank or controlling company, as the case may be, that is, the aggregate amount relating to all entities included in the group financial statements of the relevant reporting bank or controlling company, other than amounts already included in items 22 to 29, shall be reported in this item 30, including any amount relating to any non-significant insurance or commercial entity.

31 This item shall reflect the relevant required aggregate amounts relating to all eliminations made in respect of intra-group balances, other than intra-group balances reported in item 23, including in the case of a non-bank any relevant amount relating to-

- (a) any qualifying capital and reserve funds;
- (b) prescribed deductions against capital and reserve funds; or
- (c) non-qualifying capital and reserve funds.

33 This item shall reflect-

- (a) in column 14 the relevant equivalent amount of risk weighted exposure relating to any additional required amount of capital and reserve funds in respect of a group large exposure reported in items 47 to 53;
- (b) in columns 19 to 23-
 - (i) any reduction in the consolidated qualifying amount of capital and reserve funds related to goodwill included in the consolidated accounts of the relevant reporting bank or controlling company; and
 - (ii) any differences between any relevant reporting requirements specified in these Regulations and in Financial Reporting Standards issued from time to time,

provided that at the written request of the Registrar the reporting bank or controlling company, as the case may be, shall submit in writing to the Registrar a detailed breakdown of the respective items and amounts included in this item 33.

Column number relating to items 22 to 34

1 Based on the relevant keys specified in footnotes 1 and 2 of the form BA 600, this column shall indicate-

- (a) whether the approach adopted by a relevant host supervisor or other supervisor for the calculation of the minimum required amount of capital and reserve funds, for example, is based on the relevant requirements specified in the 1988 Capital Accord or the Revised Framework for capital measurement and capital standards originally issued by the Basel Committee in July 1988 and June 2004, respectively, as amended from time to time;
 - (b) whether or not the rules and regulations of the relevant regulator or supervisor are deemed equivalent to the provisions of the Act and the Regulations.
- 2 This column shall reflect the actual or effective percentage held in the relevant entity by the relevant reporting bank or controlling company, and its associates.
- 3 This column shall reflect the current book value of the investment of the relevant bank or controlling company in the relevant entity.
- 4 This column shall reflect the current year-to-date amount of net income after tax for the relevant period relating to the current financial year, provided that item 32, column 4, shall be equal to item 87, column 8 or 9, as the case may be, of the form BA 120.
- 5 This column shall reflect the total assets of the relevant reporting entity, provided that item 32, column 5, shall be equal to item 54, column 6 or 7, as the case may be, of the form BA 100.
- 6 to 12 These columns shall reflect the relevant required amounts of risk weighted exposure of the relevant group or entity, calculated in accordance with the relevant requirements specified in these Regulations or, in the case of a regulated entity in respect of which the aggregation or deduction method is applied, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, the rules and regulations of the relevant host supervisor or other supervisor the rules and regulations of which are deemed by the Registrar to be equivalent to the provisions contained in the Act and in these Regulations.
- 13 In order to avoid any double counting of risk or required amount of capital and reserve funds this column shall reflect the aggregate amount of risk weighted exposure between or relating to intra-group entities ultimately required to be included in the consolidated required amount of capital and reserve funds of the relevant reporting bank or controlling company, as the case may be, that is-
 - (a) this column shall reflect the total amount of risk weighted exposure relating to credit risk, operational risk, equity risk or other risk, as envisaged in columns 6 to 12, in respect of any intra-group exposure between intra-group entities ultimately required to be included in the consolidated required amount of capital and reserve funds;
 - (b) no amount relating to risk weighted intra-group exposure in respect of an exposure or entity ultimately excluded from the consolidated required

amount of capital and reserve funds, such as an insurance entity, shall be included in this column 13.

- 14 This column shall reflect the relevant equivalent amount of risk weighted exposure relating to any additional required amount of capital and reserve funds specified by the Registrar or a relevant host supervisor, provided that in addition to the aforementioned required amount the reporting bank or controlling company, as the case may be, shall report in item 33 any further required amount of capital and reserve funds in respect of large exposures, calculated in items 52 and 53 of the form BA 600.
- 16 This column shall reflect the relevant aggregate amount of shareholders equity calculated and disclosed in accordance with the relevant requirements specified in Financial Reporting Standards issued from time to time, provided that item 32, column 16, shall be equal to item 87, column 6 or 7, as the case may be, of the form BA 100.
- 17 This column shall reflect the aggregate amount of issued qualifying and non-qualifying capital instruments or reserve funds not already included in column 16.
- 18 This column shall reflect the aggregate amount of items included in columns 16 and 17 not eligible as consolidated qualifying capital and reserve funds in terms of the relevant provisions contained in the Act or Regulations, or in relevant cases specified in writing by the Registrar, the rules and regulations of a relevant host supervisor, which disqualification from consolidated qualifying capital and reserve funds, for example, may relate to a prescribed prudential limit, provided that the reporting bank or controlling company, as the case may be, shall eliminate any relevant amount relating to intra-group capital instruments not qualifying as capital in item 23 and 31 respectively.
- 19 This column shall reflect the aggregate amount of items constituting deductions against capital and reserve funds in terms of the provisions of these Regulations or when relevant the rules and regulations of a relevant host supervisor or other supervisor, including any specified deduction arising from a shortfall when expected loss is compared to an allowance for credit impairment, provided that the reporting bank or controlling company, as the case may be-
- (a) shall as part of the eliminations respectively envisaged in items 23 and 31 appropriately adjust any relevant amount relating to a deduction that arises from an intra-group investment or exposure;
 - (b) shall deduct in item 33, column 19, any relevant goodwill arising from a consolidation of accounts.
- 20 This column shall reflect the relevant amount of qualifying capital and reserve funds of the reporting bank or controlling company.
- 24 In respect of every relevant entity this column shall reflect the relevant capital adequacy ratio of the said entity calculated in accordance with the relevant rules and regulations of the relevant supervisor.

- 25 In respect of every relevant entity this column shall reflect the relevant minimum required capital adequacy ratio prescribed by the relevant supervisor.

Column number relating to items 40 to 46

- 1 In respect of the relevant intra-group entity, this column shall reflect the aggregate amount or cost of the investment made by the relevant bank or controlling company and its related persons in the said intra-group entity.
- 2 In respect of the relevant intra-group entity, this column shall reflect the aggregate gross amount of all on-balance sheet exposures other than investments reported in column 1 of the relevant bank or controlling company and its related persons to the said intra-group entity.
- 4 In respect of the relevant intra-group entity, this column shall reflect the aggregate gross amount of all off-balance sheet exposures of the relevant bank or controlling company and its related persons, calculated in accordance with the relevant requirements specified in Financial Reporting Standards issued from time to time.
- 6 and 7 In order to facilitate an analysis of variances, based on the relevant requirements specified above for the completion of columns 1 to 5, these columns shall reflect the relevant aggregate gross amount of exposure reported by the relevant bank or controlling company in the form BA 600 for the preceding reporting period, that is, the relevant aggregate amount reported in column 6 for the current reporting period shall be equal to the relevant amount reported in column 3 of the preceding reporting period whilst the relevant aggregate amount reported in column 7 for the current reporting period shall be equal to the relevant amount reported in column 5 of the preceding reporting period.

10 to 12 In respect of the relevant intra-group entities, these columns shall indicate the response of the relevant reporting bank or controlling company to the respective questions listed in notes 2a to 2c at the bottom of the section relating to intra-group exposure, provided that-

- (a) in respect of the said questions the said reporting bank or controlling company, as the case may be, shall indicate a response of "yes" with a numeric 1 and a response of "no" with a numeric 2;
- (b) at the written request of the Registrar, the relevant reporting bank or controlling company shall in writing submit to the Registrar such additional information as may be specified in writing by the Registrar.

For example, when loans or advances are not extended to intra-group entities at arms length, the relevant reporting bank or controlling company shall in writing submit to the Registrar such additional information relating to such intra-group exposure as may be specified in writing by the Registrar.

***Line item
number***

47 to 49 Based on the relevant requirements specified in section 73 of the Act read with the relevant requirements specified in regulations 24(6) to 24(8), these items shall reflect any exposure to a person in excess of the percentage of the consolidated net amount of qualifying capital and reserve funds specified in the said regulations 24(6) to 24(8).

51 In order to prevent any double counting of a required amount of capital and reserve funds relating to large exposures, this item shall reflect the aggregate amount of additional capital and reserve funds already held by individual entities in the banking group relating to a person reported in items 47 to 49 in respect of which an additional required amount of capital and reserve funds is separately calculated in the said items 47 to 49.

52 This item shall reflect the aggregate additional required amount of capital and reserve funds to be held by the relevant consolidating bank or controlling company, due to a large exposure to a person reported in items 47 to 49.

53 This item shall reflect the relevant equivalent amount of risk weighted exposure relating to the additional required amount of capital and reserve funds for large exposures reported in item 52, which equivalent amount of risk weighted exposure shall be the same amount as the amount reported in item 33, column 14.

Column number relating to items 47 to 52

- 2 This column shall reflect the aggregate amount of the reporting bank or controlling company's on-balance sheet exposure to a person, other than any on-balance sheet exposure arising from a derivative instrument or repo-style transaction, which on-balance sheet exposure amount shall be gross of any valuation adjustment or credit impairment.
- 3 This column shall reflect the aggregate amount of the reporting bank or controlling company's off-balance sheet exposure to a person, other than any off-balance sheet exposure arising from a derivative instrument or repo-style transaction, which off-balance sheet exposure amount shall include any amount relating to an irrevocable commitment or committed undrawn facility, prior to the application of any specified credit conversion factor.
- 4 This column shall reflect the aggregate amount of the reporting bank or controlling company's exposure to a person arising from any relevant repurchase or resale transaction or agreement.
- 5 This column shall reflect the aggregate amount of the reporting bank or controlling company's exposure to a person arising from any transaction in a derivative instrument, calculated in accordance with the relevant requirements specified in regulations 23(15) to 23(19).
- 8 This column shall reflect the aggregate additional required amount of capital and reserve funds in respect of concentration risk arising from a large exposure to a private-sector non-bank person, calculated in accordance with the relevant requirements specified in regulations 24(6) to 24(8) read with the relevant requirements specified in subregulation (14) above, and such further requirements as may be specified in writing by the Registrar.

FOREIGN OPERATIONS OF SOUTH AFRICAN BANKS

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FOREIGN OPERATIONS OF SOUTH AFRICAN BANKS
(Confidential and not available for inspection by the public)

Name of entity.....
Quarter ended: (yyyy-mm-dd)

BA 610
Quarterly

Currency:.....
Country:.....
Host supervisor:.....
Rules applied¹:

A. BALANCE SHEET

(All amounts to be rounded off to the nearest '000)

Assets	Line no.	Banking	Trading	Total ²
		1	2	3
Cash and balances with central bank	1			
Short term negotiable securities (total of items 3 to 5)	2			
Negotiable certificates of deposit	3			
Treasury bills	4			
Other	5			
Loans and advances to customers (item 7 less item 19)	6			
Gross loans and advances (total of items 8 to 18)	7			
Home loans	8			
Commercial Mortgages	9			
Credit cards	10			
Lease and instalment debtors	11			
Overdrafts	12			
Redeemable preference shares and other equivalent instruments	13			
Trade other bills and bankers acceptances	14			
Term loans	15			
Loans granted/ deposits placed under resale agreements	16			
Foreign currency loans and advances to non-banks	17			
Other loans to customers and clients	18			
Less: credit impairments	19			
Investment and trading securities (total of items 21 to 25, less item 26)	20			
Equities - Listed	21			
Equities - Unlisted	22			
Commodities	23			
Government and government - guaranteed securities	24			
Other dated securities	25			
Less: credit impairments	26			
Derivative financial instruments	27			
Pledged assets	28			
Investment in subsidiary companies	29			
Investments in associates and joint ventures	30			
Non current assets held for sale	31			
Intangible assets	32			
Investment property	33			
Property and equipment	34			
Current income tax receivables	35			
Deferred income tax assets	36			
Post-employment assets	37			
Other assets	38			
TOTAL ASSETS (total of items 1, 2, 6, 20 and 27 to 38)	39			

1. Reserve Bank, or host supervisor when the rules of a foreign supervisor were applied.
2. Actual balance at month-end.

A. BALANCE SHEET

(All amounts to be rounded off to the nearest '000)

Liabilities	Line no.	Banking	Trading	Total ¹
		1	2	3
Deposits, current accounts and other creditors (total of items 41 to 49)	40			
Current accounts	41			
Savings and deposits	42			
Call deposits	43			
Fixed and notice deposits	44			
Negotiable certificates of deposits	45			
Other deposits and loan accounts	46			
Deposits received under repurchase agreements	47			
Interbank funding	48			
Foreign currency funding from non-banks	49			
Derivative financial instruments and other trading liabilities	50			
Term debt instruments (total of item 52 plus 53)	51			
Qualifying as capital	52			
Other	53			
Deferred revenue	54			
Current income tax liabilities	55			
Deferred income tax liabilities	56			
Non current liabilities held for sale	57			
Retirement benefit obligations	58			
Provisions	59			
Other liabilities	60			
TOTAL LIABILITIES (total of items 40, 50, 51 and 54 to 60)	61			
Equity	Line no.	Banking	Trading	Total¹
		1	2	3
Total equity attributable to equity holders (total of items 63 to 65)	62			
Share capital	63			
Retained earnings	64			
Other reserves	65			
Preference shareholders and minority shareholders equity (total of items 67 and 68)	66			
Minority interest	67			
Preference shareholders	68			
TOTAL EQUITY (total of items 62 and 66)	69			
TOTAL EQUITY AND LIABILITIES (total of items 61 and 69)	70			
Memorandum Items	Line no.	Banking	Trading	Total¹
		1	2	3
Analysis of counterparties (item 6 - Loans and advances to customers)	71			
Loans and advances to non-bank customers	72			
Loans and advances to banks	73			
<i>of which:</i>				
Intra group	74			
Interbank	75			
Analysis of counterparties (item 40 - Deposits, current accounts and other creditors)	76			
Sovereign, including central banks	77			
Public sector entities	78			
Local sector entities	79			
Banks (total of items 81 and 82)	80			
<i>of which:</i>				
Intra group	81			
Interbank	82			
Securities firms	83			
Corporate customers	84			
Retail customers	85			
Other	86			

1. Actual balance at month-end.

B. OFF BALANCE SHEET ACTIVITIES

(All amounts to be rounded off to the nearest '000)

Description of item	Line no.	Banking	Trading	Total ¹
		1	2	3
Guarantees	87			
Letters of credit	88			
Customers' indebtedness for acceptances	89			
Committed undrawn facilities (including unutilised draw-down facilities)	90			
Underwriting exposures (including revolving underwriting exposures)	91			
Credit-derivative instruments	92			
Committed capital expenditure	93			
Operating lease commitments	94			
Other contingent liabilities	95			
TOTAL (of items 87 to 95)	96			

1. Actual balance at month-end.

(All amounts to be rounded off to the nearest '000)

C. INCOME STATEMENT	Line no.	Current quarter			Current year to date		
		Banking 1	Trading 2	Total ¹ 3	Banking 4	Trading 5	Total ¹ 6
Description of item							
Interest and similar income (total of items 98, 99 and 110, less item 111)	97						
Short-term negotiable securities	98						
Loans and advances to customers (total of items 100 to 109)	99						
Home loans	100						
Commercial mortgages	101						
Credit cards	102						
Lease instalment debtors	103						
Overdrafts	104						
Redeemable preference shares and other equivalent instruments issued to provide credit	105						
Trade, other bills and bankers acceptances	106						
Term loans	107						
Factoring accounts	108						
Other	109						
Government and other dated securities	110						
Less: interest income on trading assets allocated to trading revenue	111						
Interest expense and similar charges (total of items 113, 121 and 122, less item 123)	112						
Deposits, current accounts and other (total of items 114 to 116 and 119 to 120)	113						
Current accounts	114						
Savings and deposits	115						
Term and other deposits (total of items 117 and 118)	116						
Fixed and notice deposits	117						
Other	118						
Negotiable certificates of deposits	119						
Other deposits and loans	120						
Other liabilities	121						
Term debt instruments	122						
Less: interest expense on trading liabilities allocated to trading revenue	123						
Net interest income (item 97 less item 112)	124						
1. Actual balance at month-end.							

C. INCOME STATEMENT	(All amounts to be rounded off to the nearest '000)						
	Line no.	Current quarter			Current year to date		
		Banking	Trading	Total ¹	Banking	Trading	Total ¹
Description of item	1	2	3	4	5	6	
Net fee and commission income							
Dividend income							
Net trading income / (loss) (total of items 128 to 133)							
Foreign exchange							
Debt securities							
Commodities							
Derivative instruments							
Equities							
Other							
Other gains less losses							
Other operating income / (loss)							
Non interest revenue (total of items 125 to 127, 134 and 135)							
Gross operating income / (loss) (total of items 124 and 136)							
Credit losses							
Operating expenses (including indirect taxation) (total of items 140 to 148)							
Staff							
Computer processing							
Communication and travel							
Occupation and accommodation							
Marketing							
Fees and insurances							
Office equipment and consumables							
Auditors remuneration							
Other							
Operating profit/ (loss) before non-trading and capital items (total of item 137 less items 138 and 139)							
Non-trading and capital items							
Share of profit / (loss) of associates and joint ventures							
Profit / (loss) before income tax (total of items 149 to 151)							
Direct taxation							
Profit / (loss) for the period/ year (item 152 less item 153)							
1. Actual balance at month-end.							

(All amounts to be rounded off to the nearest '000)

Line no.	Summary information in respect of capital adequacy	Risk exposure						
		Credit 1	Counterparty credit risk 2	Operational 3	Market 4	Equity 5	Other 6	Total 7
Required capital adequacy ratio								
155	Minimum prescribed capital adequacy ratio (percentage)							
156	Additional requirement specified by the Registrar (percentage)							
157	Minimum required capital adequacy ratio (total of items 155 and 156)							
Risk weighted exposure								
158	Risk weighted exposure equivalent amount prior to concentration risk							
159	Risk equivalent amount in respect of concentration risk							
160	Aggregate risk weighted exposure equivalent amounts (total of items 158 and 159)							
Minimum required capital and reserve funds								
161	Minimum required capital and reserve funds based on risk-weighted exposure (item 157 multiplied with item 160)							
162	Additional capital requirement specified by the Registrar ¹							
163	Subtotal (total of items 161 and 162)							
164	Minimum amount of required capital and reserve funds specified in relevant legislation							
165	Minimum required capital and reserve funds in respect of the reporting entity ²							
Qualifying capital and reserve funds								
166	Paid in capital and qualifying capital instruments							
167	Retained earnings							
168	Accumulated other comprehensive income ³							
169	Minority interests							
170	Regulatory adjustments							
	Aggregate amount of qualifying capital and reserve funds (total of items 166 to 169, less item 170)							
171	Excess / (shortfall) (item 171, column 4, less item 165 column 7)							
172								
		Common equity tier 1 capital and reserve funds	Additional tier 1 capital and reserve funds	Tier 2 capital and reserve funds	Total (of col 1 to 3)			
		1	2	3	4			

1. Including any relevant required amount relating to an imposed capital floor (not to duplicate any requirement reported in item 156).

2. Greater of item 163 or 164.

3. General allowance for credit impairments and excess amount of provisions over expected losses to be included in column 3.

Memorandum items	Line no.	Prescribed	Ratio of reporting
		limit or ratio 1	entity 2
Common Equity Tier 1 capital adequacy ratio	173		
Tier 1 capital adequacy ratio	174		
Total capital adequacy ratio	175		
Host capital ratio ¹	176		
Host minimum required ratio	177		

1. Actual ratio, based on the rules of the relevant foreign/host supervisor.

Reconciliation between qualifying capital and reserve funds and accounting equity and reserves	Line no.	Balance	Amounts
		sheet amount ¹	included for regulatory purposes
		1	2
Paid in capital and qualifying capital instruments	178		
Retained earnings	179		
Accumulated other comprehensive income	180		
Minority interests	181		
Regulatory adjustments	182		
Qualifying common equity tier 1 capital and reserve funds (total of items 178 to 181, less item 182)	183		
Additional Tier 1 capital and reserve funds after regulatory adjustments	184		
Qualifying tier 1 capital and reserve funds (total of items 183 and 184)	185		
Tier 2 capital and reserve funds after regulatory adjustments and general allowance for credit impairments	186		
Total qualifying capital and reserve funds (total of items 185 and 186)	187		

1. Determined in accordance with relevant Financial Reporting Standards and reported in the relevant audited financial statements.

E. 1 CREDIT RISK
 Standardised approach:
 (All amounts to be rounded off to the nearest '000)

Line no.	Credit risk exposure ¹							Credit impairment related information					Credit risk classification		
	On-balance sheet exposure	Off-balance sheet exposure	Repurchase and Resale agreements	Derivative instruments	Total credit exposure (total of col. 1 to 4)	Total credit exposure post CRM	Risk weighted exposure	Impaired advances	Specific credit impairment	Special mention	Sub-standard	Doubtful	Loss		
188															
189															
190															
191															
192															
193															
194															
195															
196															
197															
198															
199															
200															
201															
202															
203															

¹. Including all relevant amounts reported in item 237.

(All amounts to be rounded off to the nearest '000)

Standardised and/or IRB approach: Credit concentration risk: large exposure to a person ¹	Line no.	Asset class ²	Total credit ³ exposures: exceeding 10% of qualifying capital and reserve funds per person	Total credit ³ exposures: exceeding 25% of qualifying capital and reserve funds per person	Credit risk mitigation	Risk weighted value ⁴ of net exposure
Name of person	1		2	3	4	5
Private-sector non bank: total (Specify)	204					
	205					
	206					
	207					
Bank/regulated securities firm: total (Specify)	208					
	209					
	210					
	211					
	212					
Other: total (Specify)	213					
	214					
	215					
	216					
Total (of items 204, 208 and 212)	217					

1. Refer to section 73 of the Act and regulations 24(6) to 24(8).
 2. Based on the following specified keys: 1 = Corporate; 2 = SME corporate; 3 = Public sector entities; 4 = Local government and municipalities; 5 = Sovereign (including central governments and central bank); 6 = Banks; 7 = Securities firms; 8 = Retail; 9 = SME retail 10 = Securitisation or resecuritisation exposure
 3. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.
 4. After the application of a scaling factor of 1.06 in the case of the IRB approach.

(All amounts to be rounded off to the nearest '000)

IRB approach :	Line no.	Credit Risk Exposure ¹										Credit impairments		
		On-balance sheet exposure	Off-balance sheet exposure	Repurchase and resale agreements	Derivative instruments	Total credit extended ² (col. 1 to 4)	Total credit exposure (EAD)	of which: Defaulted EAD	Average PD %	Average LGD %	Risk weighted exposure ³	Expected loss	Impaired advances	Specific credit impairments
Summary of credit exposure and risk weighted exposure		1	2	3	4	5	6	7	8	9	10	11	12	13
Based on asset class														
Corporate exposure (total of items 219 to 222)	218													
Corporate	219													
Specialised lending	220													
SME corporate	221													
Purchased receivables - corporate	222													
Public sector entities	223													
Local governments and municipalities	224													
Sovereign (including central government and central bank)	225													
Banks	226													
Securities firms	227													
Retail exposure (total of items 229 to 233)	228													
Residential mortgages (including any home equity line of credit)	229													
Retail revolving credit	230													
Retail - other	231													
SME retail	232													
Purchased receivables - retail	233													
Other assets	234													
Securitisation and resecuritisation exposure	235													
Total (of items 218, 223 to 228, 234 and 235)	236													

1. Including all relevant amounts reported in item 237.

2. Not on a EAD basis.

3. After the application of a scaling factor of 1.06.

(All amounts to be rounded off to the nearest '000)

E.4 CREDIT RISK

Standardised / IRB approach:	Aggregate total across all relevant approaches										
	Adjusted exposure amount ¹		Risk weighted exposure								
	Line no.	OTC derivative instruments	SFT ²	Default risk ³		CVA ⁴ risk		Central counterparty trade exposure	Qualifying central counterparty default fund	Non-qualifying central counterparty default fund	Total
OTC derivative instruments				SFT ²	Standardised	Advanced	Standardised				
	1		2	3	4	5	6	7	8	9	10
Total											

1. Refer to regulations 23(15) to 23(19) for the relevant directives related to the measurement of a bank's exposure to counterparty credit risk.
2. Means Securities Financing Transactions. In accordance with the relevant requirements specified in regulation 23(15), a bank that did not obtain the approval of the Registrar to adopt the Internal Model Method, shall calculate its exposure to credit risk arising from securities financing transactions in accordance with the relevant requirements specified in regulations 23(8) and 23(9).
3. After the application of a scaling factor of 1.06 in the case of the IRB approach.
4. Means credit valuation adjustment.

(All amounts to be rounded off to the nearest '000)

F. LIQUIDITY RISK¹

Description of item	Line no.	Total	Next day	2 days to 1 month	More than 1 month to 2 months	More than 2 months to 3 months	More than 3 months	Non contractual
Contractual exposure:								
Contractual maturity of assets	238							
Contractual maturity of liabilities	239							
On-balance sheet contractual mismatch (item 238 less item 239)	240							
Cumulative on-balance sheet contractual mismatch	241							
Contractual off-balance-sheet exposure	242							
BaU exposure:								
BaU ¹ maturity of assets	243							
BaU ¹ maturity of liabilities	244							
On-balance sheet BaU mismatch (item 243 less item 244)	245							
Cumulative on-balance sheet BaU mismatch	246							
BaU off-balance-sheet exposure	247							
Stressed exposure:								
Stressed ¹ maturity of assets	248							
Stressed ¹ maturity of liabilities	249							
On-balance sheet stress mismatch (item 248 less item 249)	250							
Cumulative on-balance sheet stress mismatch	251							
Stressed outflows arising from off-balance-sheet exposure	252							
Total available stress funding	253							
Funding received from 10 largest depositors	254							

1. Refer to regulation 26 and the form BA300 for the relevant detailed directives.

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(All amounts to be rounded off to the nearest '000)

Description of item	Line no.	Standardised approach			Internal models approach ¹					Total (of col. 1 to 7)	
		General risk	Specific risk	Options	VaR	sVaR	Specific risk add-on	Incremental risk charge ¹			
		1	2	3	4	5	6	7			
Interest rate risk	255										
Equity position risk	256										
Foreign exchange risk	257										
Commodities risk	258										
Other	259										
Total (of items 255 to 259)	260										8
Risk-weighted exposure equivalent amount (item 260 multiplied by 12.5) ²	261										

1. Calculated in accordance with the relevant requirements specified in regulation 28(8) read with the relevant requirements specified in this regulation 37.

2. Based on the higher of the relevant home or host capital requirement.

(All amounts to be rounded off to the nearest '000)

Static repricing gap	Line no.	Internal models approach ¹										Total			
		Up to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 12 months	More than 12 months to 3 years	More than 3 years to 5 years	More than 5 years to 10 years	More than 10 years	Non-rate sensitive items					
		1	2	3	4	5	6	7	8	9					
Assets ¹	262														
Liabilities ¹ and capital and reserve funds	263														
Net static gap excluding derivative instruments (item 262 minus item 263)	264														
Net static gap, including derivative instruments	265														

1. Excluding derivative instruments.

I. EQUITY RISK IN THE BANKING BOOK

(All amounts to be rounded off to the nearest '000)

Standardised approach for credit risk ¹	Line no.	Exposure value	Risk weighting	Risk weighted exposure	Capital requirement
		1	2	3	4
Equities - listed and unlisted	266		100%		
Private equity and venture capital	267		150%		

1. Including the simplified standardised approach for credit risk.

(All amounts to be rounded off to the nearest '000)

IRB approach for credit risk Market based approach	Line no.	Exposure value	Risk weighting	Risk weighted exposure ¹	Capital requirement
		1	2	3	4
Simple risk weight method (total of items 269 and 270)	268				
Equities - listed	269		300%		
Equities - unlisted	270		400%		

IRB approach for credit risk Internal models approach	Line no.	Exposure value	Risk weighting floor	Risk weighted exposure ¹		Capital requirement
				Without limit ²	With limit ³	
		1	2	3	4	5
Internal models approach (total of items 272 and 273)	271					
Equities - listed	272		200%			
Equities - unlisted	273		300%			
Memorandum item: Diversified amount	274					

1. After the application of a scaling factor of 1.06.

2. Means the relevant risk weighted exposure amount prior to the application of the specified risk weighting floor, if relevant.

3. Means the relevant risk weighted exposure amount after the application of the specified risk weighting floor, when relevant.

(All amounts to be rounded off to the nearest '000)

IRB approach for credit risk PD/LGD approach	Line no.	Exposure value		Average risk weighted exposure ¹	Capital requirement
		Total	In respect of which the 1,5 scaling factor applies		
		1	2	3	4
Total (of items 276 and 277)	275				
Total of performing categories	276				
Total of default categories	277				

1. After the application of a scaling factor of 1.06.

(All amounts to be rounded off to the nearest '000)

Line no.	Gross income						Loans and advances ¹				Relevant risk exposure	Percentage requirement	Capital requirement
	Financial year -3		Financial year -2		Financial year -1		Year -3	Year -2	Year -1	Year -1			
	1	2	3	4	5	6							
278											7	8	9
279	Standardised approach ¹ : gross income derived from- (total of items 280 to 287)												
280	Corporate finance												
281	Trading and sales												
282	Retail brokerage												
283	Commercial banking												
284	Retail banking												
285	Payment and settlement												
286	Agency services												
287	Asset management												
288	Alternative standardised approach ¹ (total of items 289 to 292)												
289	Commercial banking ^{1,2}												
290	Retail banking ^{1,2}												
291	Commercial banking and retail banking ^{1,3}												
292	Business lines other than commercial banking and retail banking ^{1,4}												
293	Advanced measurement approach												
294	Capital requirement in respect of operational risk (total of items 278, 279, 288 and 293)												
295	Risk weighted exposure equivalent amount												

1. A bank that obtained the approval of the Registrar to apply the alternative standardised approach shall instead of items 280 to 287 complete the relevant items specified in items 288 to 292.

2. Refer to regulation 33(8)(c)(iii)(A).

3. Refer to regulation 33(8)(c)(iii)(B).

4. Refer to regulation 33(8)(c)(iii)(C).

(All amounts to be rounded off to the nearest '000)

J. 2 OPERATIONAL RISK		Line no.	Financial year -3	Financial year -2	Financial year -1
Reconciliation of gross income			1	2	3
Gross operating income (item 137)		296			
Adjustments ^{1,2} (total of items 298 to 304)		297			
Income derived from insurance		298			
Operating expenses, including fees paid by the reporting bank to service providers in respect of outsourcing		299			
Realised profits/losses on sale of securities held in the banking book		300			
Impairment		301			
Extraordinary or irregular items		302			
Adjusted prior period errors		303			
Other adjustments (please specify)		304			
Gross income (item 296 minus item 297)		305			
Hash total		306			

1. To the extent that these items are included in item 296 above.

2. Report any relevant expense or other amount to be deducted from gross operating income as a negative amount.

37. Foreign operations of South African banks - Matters relating to consolidated supervision including directives and interpretations for completion of quarterly return concerning foreign operations of South African banks (Form BA 610)

(1) The content of the relevant return is confidential and not available for inspection by the public.

(2) The purpose of the directives contained in this regulation 37 and in the form BA 610, amongst other things-

- (a) is to ensure that foreign operations of South African banks are prudently managed;
- (b) is to obtain selected information relating to the foreign operations of South African banks in order to evaluate the risks that such operations are exposed to, which risks may pose a threat to the safety and soundness of the banking group in respect of which the said operation is a member, including selected information in respect of each relevant foreign operation's-
 - (i) on-balance sheet assets and liabilities;
 - (ii) off-balance sheet items;
 - (iii) profit or loss situation;
 - (iv) capital adequacy;
 - (v) exposure to credit risk
 - (vi) exposure to market risk;
 - (vii) exposure to operational risk;
 - (viii) exposure to equity risk arising from positions held in its banking book;
- (c) is to evaluate the adequacy of risk management and internal controls of the said foreign operation;
- (d) is to obtain an understanding of the activities conducted by the said foreign operation;
- (e) is to ensure that the said foreign operation, based on its risk profile, is adequately capitalised.

(3) Unless specifically otherwise provided in this regulation 37 or specified in writing by the Registrar, all the relevant directives and interpretations-

- (a) relating to the completion on a solo basis of the respective risk-based returns by a bank in the Republic; or
- (b) for the calculation on a solo basis of the relevant minimum required amount of capital and reserve funds of a bank in the Republic,

shall *mutatis mutandis* apply to the return to be completed in respect of any foreign operation of the said bank in the Republic or for calculating the relevant minimum required amount of capital and reserve funds to be held by the said foreign operation, provided that-

- (i) based on the circumstances prevailing in each relevant country the said foreign operation shall apply and interpret any relevant definition contained in these Regulations, provided that in cases of uncertainty or when a conflict in interpretation may arise the said bank or foreign operation shall in writing refer the matter to the Registrar for a directive to be issued in terms of the provisions of section 6(6) of the Act;
- (ii) subject to the prior written approval of and such conditions as may be specified in writing by the Registrar a foreign operation of a bank in the Republic may complete the required information based on the rules and regulations of a relevant host supervisor when the said rules and regulations-
 - (A) are deemed by the Registrar to be equivalent in all material respects to the relevant requirements specified in these Regulations; or
 - (B) result in more complete or accurate information.

(4) Unless specifically otherwise provided in this regulation 37 or specified in writing by the Registrar, all the relevant provisions specified or envisaged in regulation 36(17) in respect of governance, risk management and internal controls shall *mutatis mutandis* apply to any foreign operation of the relevant bank.

CAPITAL ADEQUACY AND LEVERAGE

		<u>Page no.</u>
1.	Form BA 700 -	Capital adequacy and leverage809
2.	Regulation 38 -	Directives and interpretations for completion of monthly/ quarterly return concerning capital adequacy and leverage (Form BA 700).....821

CAPITAL ADEQUACY AND LEVERAGE

(Confidential and not available for inspection by the public)
 Name of bank/ controlling company
 Month*/ quarter* ended.....(yyyy-mm-dd)

BA700

Monthly* in the case of solo reporting
 Quarterly* in the case of consolidated reporting

(All amounts to be rounded off to the nearest R'000)

Line no.	Summary information in respect of capital adequacy	Risk exposure							Rand amounts (R'000)						
		Credit 1	Counterparty credit risk 2	Operational 3	Market 4	Equity 5	Other 6	Total 7	Common Equity Tier 1 1	Tier 1 2	Total 3	Common Equity Tier 1 4	Tier 1 5	Total 6	
1	Risk weighted exposure														
2	Risk weighted exposure equivalent amount prior to concentration risk														
3	Risk weighted exposure equivalent amount in respect of concentration risk														
4	Risk weighted exposure amount in respect of threshold items														
5	Aggregate risk weighted exposure equivalent amounts prior to specified add-ons or floors (total of item 1 to 3)														
6	Additional risk weighted exposure equivalent amounts specified by the Registrar ¹														
7	Aggregate risk weighted exposure equivalent amounts (total of items 4 and 5)														
8	Minimum required capital and reserve funds														
	Base minimum required capital and reserve funds per specified risk type, based on risk-weighted exposure (item 6 multiplied with item 9, column 3)														
	Minimum required capital and reserve funds per specified risk type, based on risk-weighted exposure (item 6 multiplied with item 16, column 3)														
9	Required capital adequacy ratios and amounts														
10	Base minimum ²														
11	Add-on: systemically important bank/ controlling company ³ (SIB)														
12	Minimum required ratio, including SIB add-on (item 9 plus item 10)														
13	Add-on: idiosyncratic requirement specified by the Registrar ⁴														
14	Minimum required ratio, prior to buffers (item 11 plus item 12)														
15	Add-on: countercyclical buffer ⁵														
16	Add-on: conservation buffer ⁶														
17	Total minimum required ratio (total of items 13 to 15)														
	Capital adequacy ratio of the reporting bank/ controlling company														

1. Relates to items such as capital floors, add-ons to risk-weighted exposure, etc.
 2. Refer to regulations 38(8)(e)(i), 38(8)(e)(ii) and 38(8).
 3. Refer to regulation 38(8)(e)(vi).
 4. Refer to regulation 38(8)(e)(iii).
 5. Refer to regulations 38(8)(e)(v) and 38(8)(g).
 6. Refer to regulations 38(8)(e)(iv) and 38(8)(f).

(All amounts to be rounded off to the nearest R'000)

Summary information in respect of capital adequacy	Line no.	Common Equity Tier 1 1	Tier 1 2	Total 3
Minimum required capital and reserve funds				
Minimum required capital and reserve funds prior to specified floors or add-ons (item 16)	18			
Additional capital requirement specified by the Registrar ¹	19			
Minimum required capital and reserve funds including specified floors or add-ons ¹ (total of items 18 and 19)	20			
Minimum required amount of capital and reserve funds in accordance with section 70 of the Act	21			
Aggregate amount of qualifying capital and reserve funds	22			
Excess/ (shortfall) capital and reserve funds prior to the buffer requirements and other specified minima (item 22 less item 13)	23			
Excess/ (shortfall) capital and reserve funds (item 22 less the higher of item 20 or 21)	24			

1. Relates to items such as capital floors, add-ons to risk-weighted exposure, etc.

Summary information in respect of leverage	Line no.	Current reporting month 1	Current quarter ¹ 2
Leverage ratio (item 77, column 1, divided by item 260, column 1)	25		
Specified minimum leverage ratio²	26		4%

1. The average of the relevant month-end leverage ratios for the reporting month and the two months preceding the reporting month.
2. Refer to regulation 38(17).

(All amounts to be rounded off to the nearest R'000)

Common Equity Tier 1 capital and reserve funds	Line no.	Balance at the end of the reporting period 1	Balance at the end of the previous reporting period 2	Movement during the reporting period (col 1 minus col 2) 3
Common Equity Tier 1 capital and reserve funds attributable to common shareholders (total of items 28 to 31)	27			
Paid in capital¹	28			
Retained earnings	29			
Less: unappropriated profits ²	30			
Accumulated other comprehensive income/reserves³	31			
<i>of which:</i>				
Unrealised gains and losses on available for sale items	32			
Gains and losses on derivatives held as cash flow hedges	33			
Gains and losses resulting from converting foreign currency subsidiaries to the parent currency	34			
Actuarial reserve	35			
Unrealised gains and losses from a foreign currency hedge of a net investment in a foreign operation	36			
Property revaluation reserve	37			
Share-based payment reserve	38			
Other reserves (please specify)	39			
Minority interest recognised in common equity tier 1 capital and reserve funds⁴	40			
Total common equity tier 1 capital and unimpaired reserve funds prior to regulatory adjustments (item 27 plus item 40)	41			

1. Refer to regulation 38(13).
2. Refer to regulation 38(10).
3. The full amount prior to the application of any relevant filter or deduction.
4. Sum of relevant amounts reflected on the form BA 600 related to subsidiaries that issued capital held by third parties.

(All amounts to be rounded off to the nearest R'000)

Common Equity Tier 1 capital and reserve funds	Line no.	Balance at the end of the reporting period	Balance at the end of the previous reporting period	Movement during the reporting period (col 1 minus col 2)
		1	2	3
Total of specified adjustments to and deductions from common equity tier 1 capital and reserve funds² (total of items 43 to 53)	42			
Goodwill, net of related deferred tax liability	43			
Intangible assets, other than goodwill, net of related deferred tax liability	44			
Deferred tax assets, excluding temporary differences, net of related deferred tax liabilities	45			
Investments in own shares, excluding amounts already derecognised in terms of Financial Reporting Standards	46			
Reciprocal cross holdings in common equity	47			
Shortfall of eligible provisions compared to expected loss ¹	48			
Cash flow hedge reserve	49			
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	50			
Defined benefit pension fund assets	51			
Securitisation gain on sale (expected future margin income)	52			
Other regulatory adjustments (please specify)	53			
Common equity tier 1 capital and reserve funds after specified adjustments and deductions (item 41 less item 42)	54			
Investments in the capital of financial entities where the bank does not own more than 10% of the issued common share capital (amount above the 10% threshold)	55			
Common equity tier 1 capital and reserve funds after specified adjustments and deductions (item 54 less item 55)	56			
Investments in the common stock of financial entities (amount above 10% threshold)	57			
Mortgage servicing rights (amount above 10% threshold)	58			
Deferred tax assets arising from temporary differences (amount above 10% threshold)	59			
Common equity tier 1 capital and reserve funds after specified adjustments and deductions (item 56 less items 57 to 59)	60			
Regulatory adjustments to be applied to common equity tier 1 capital and reserve funds due to insufficient additional Tier 1 capital and reserve funds to cover specified deductions	61			
Common equity tier 1 capital and reserve funds after specified adjustments and deductions (item 60 less item 61)	62			
Amount exceeding the 15% threshold ³	63			
Qualifying common equity tier 1 capital and reserve funds (item 62 less item 63)	64			

1. Relates to a bank that adopted the IRB approach for the measurement of the bank's exposure to credit risk.
2. Refer to regulation 38(5)(a)(i).
3. Refer to regulation 38(5)(b).

(All amounts to be rounded off to the nearest R'000)

Additional Tier 1 capital and reserve funds and Total Tier 1 capital and reserve funds	Line no.	Balance at the end of the reporting period	Balance at the end of the previous reporting period	Movement during the reporting period (col 1 minus col 2)
		1	2	3
Additional Tier 1 capital and unimpaired reserve funds prior to adjustments and deductions (total of items 66, 70 and 72)	65			
Additional Tier 1 capital instruments issued ¹	66			
of which:				
classified as equity in terms of Financial Reporting Standards	67			
classified as liabilities in terms of Financial Reporting Standards	68			
directly issued capital instruments subject to phase out from additional Tier 1 capital	69			
Instruments recognized as additional Tier 1 capital issued by subsidiaries to third parties ²	70			
of which:				
instruments issued by subsidiaries subject to phase out	71			
Additional tier 1 unimpaired reserve funds	72			
Total of specified adjustments to and deductions from additional tier 1 capital and reserve funds	73			
of which:				
specified adjustments to and deductions from additional tier 1 capital and reserve funds ³	74			
specified adjustments to and deductions from tier 2 capital and reserve funds that are deducted from additional Tier 1 capital and reserve funds due to insufficient tier 2 capital and reserve funds to allow the relevant adjustment or deduction	75			
Qualifying additional tier 1 capital and reserve funds (item 65 less item 73)	76			
Total qualifying tier 1 capital and reserve funds (item 64 plus item 76)	77			

1. Refer to regulation 38(13)(b).

2. Sum of amounts reflected on the form BA 600 related to subsidiaries that issued relevant instruments to third parties.

3. Refer to regulation 38(5)(a)(ii).

(All amounts to be rounded off to the nearest R'000)

Tier 2 capital and reserve funds and Total capital and reserve funds	Line no.	Balance at the end of the reporting period	Balance at the end of the previous reporting period	Movement during the reporting period (col 1 minus col 2)
		1	2	3
Tier 2 capital and unimpaired reserve funds prior to adjustments and deductions (total of items 79, 81 and 83)	78			
Tier 2 capital instruments issued¹	79			
of which:				
directly issued instruments subject to phase out from Tier 2 capital	80			
Instruments recognised as Tier 2 capital issued by subsidiaries to third parties ²	81			
of which:				
instruments issued by subsidiaries subject to phase out	82			
Tier 2 unimpaired reserve funds	83			
of which:				
general allowance for credit impairment: standardised approach ³	84			
excess amount in respect of eligible provisions: IRB approach ⁴	85			
Total of specified adjustments to and deductions from tier 2 capital and reserve funds⁵	86			
Qualifying tier 2 capital and reserve funds (item 78 less item 86)	87			
Total qualifying capital and reserve funds (item 77 plus item 87)	88			
of which:				
allocated to support market risk	89			

1. Refer to regulation 38(14).
2. Sum of amounts reflected on the form BA 600 related to subsidiaries that issued relevant instruments to third parties.
3. The portion of general allowance for credit impairment which relates to exposures subject to the standardised approach for credit risk may be included in tier 2 unimpaired reserve funds up to a maximum amount of 1,25 per cent of item 47, column 12, of the form BA 200. Refer to regulation 23(22)(c).
4. The surplus amount of eligible provisions calculated in accordance with the provisions of regulation 23(22)(d) in respect of exposures subject to the IRB approach may be included in tier 2 unimpaired reserve funds up to a maximum amount of 0,6 per cent of item 156, column 10, of the form BA 200.
5. Refer to regulation 38(5)(a)(iii).

(All amounts to be rounded off to the nearest R'000)

Memorandum items: Reconciliation in respect of unappropriated profits	Line no.	Current reporting period	Previous reporting period
		1	2
Balance in respect of unappropriated profits	90		
Movements during the period in respect of:			
Current profits/ (loss) after tax	91		
Payment of dividends	92		
Transfers from appropriated profits	93		
Transfers to appropriated profits	94		
Transfers (to) / from reserves not qualifying as common equity tier 1 capital	95		
Balance in respect of unappropriated profits (total of items 90, 91 and 93, less item 92, plus 95 when credit/ minus 95 when debit)	96		

Memorandum item: Capital adequacy adjusted for unappropriated profits	Line no.	Capital adequacy ratio: percentages		
		Common Equity Tier 1	Tier 1	Total
		1	2	3
Capital adequacy ratio, including unappropriated profits	97			

(All amounts to be rounded off to the nearest R'000)

Reconciliation between qualifying capital and reserve funds and accounting equity and reserves	Line no.	Balance sheet amount ¹	Amounts included under regulatory scope of consolidation	Amounts included for regulatory purposes
		1	2	3
Share capital and premium	98			
Retained earnings	99			
Other reserve funds (total of items 101 to 107)	100			
unrealised gains and losses on available for sale items	101			
gains and losses on derivatives held as cash flow hedges	102			
gains and losses resulting from converting foreign currency subsidiaries to the parent currency	103			
actuarial reserve	104			
unrealised gains and losses from a foreign currency hedge of a net investment in a foreign operation	105			
property revaluation reserve	106			
other reserves	107			
Minority interests	108			
Regulatory adjustments: (total of items 110 to 122)	109			
Goodwill	110			
Intangible assets other than goodwill	111			
Mortgage servicing rights	112			
Deferred tax assets	113			
Investments in own shares, excluding amounts already derecognised in terms of Financial Reporting Standards)	114			
Reciprocal cross holdings in common equity	115			
Shortfall of provisions to expected losses	116			
Cash flow hedge reserve	117			
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	118			
Defined benefit pension fund assets	119			
Securitisation gain on sale (expected future margin income)	120			
Investments in financial entities	121			
Other	122			
Qualifying common equity tier 1 capital and reserve funds	123			
Additional Tier 1 instruments	124			
Minority interests	125			
Regulatory adjustments	126			
Qualifying tier 1 capital and reserve funds	127			
Tier 2 instruments	128			
Minority interests	129			
General allowance for credit impairments	130			
Regulatory adjustments	131			
Total	132			

1. Determined in accordance with relevant Financial Reporting Standards and reported in the bank or controlling company's audited financial statements.

(All amounts to be rounded off to the nearest R'000)

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period
		1
Goodwill:		
Total gross value of goodwill	133	
Associated deferred tax liability which would be extinguished if the goodwill becomes impaired or derecognised in terms of relevant Financial Reporting Standards	134	
Goodwill net of related tax liability (amount to be deducted from common equity tier 1 capital and reserve funds) (item 133 less item 134)	135	
Intangible assets other than goodwill and mortgage servicing rights:		
Total gross value of all relevant intangible assets	136	
Associated deferred tax liability which would be extinguished if the relevant intangible assets becomes impaired or derecognised in terms of relevant Financial Reporting Standards	137	
Relevant intangible assets net of related tax liability (amount to be deducted from common equity tier 1 capital and reserve funds) (item 136 less item 137)	138	
Deferred tax assets which do not rely on the future profitability of the bank to be realised		
Total gross amount	139	
Total net amount	140	
Deferred tax assets which do rely on the future profitability of the bank to be realised		
Total gross amount	141	
Total net amount	142	
of which:		
amounts arising from carry forwards of unused tax losses, unused tax credits and all other relevant amounts, net of the pro rata share of any deferred tax liabilities	143	
amounts arising from temporary differences, net of the pro rata share of any deferred tax liabilities	144	
Deferred tax asset amount to be deducted in full from common equity tier 1 capital and reserve funds	145	
Deferred tax asset amount subject to the threshold deduction treatment	146	
Investments in own shares and instruments qualifying as capital		
Total amount to be deducted from common equity tier 1 capital and reserve funds (total of items 148 to 150)	147	
Direct investments in own shares, net of any relevant short positions that involve no counterparty risk	148	
Indirect investments in own shares, such as holding of relevant index securities, net of any relevant short positions	149	
Total potential purchase cost of own shares which the group could be contractually obliged to purchase	150	
Total amount to be deducted from Additional Tier 1 capital and reserve funds (total of items 152 to 154)	151	
Direct investments in own Additional Tier 1 capital instruments, net of any relevant short positions that involve no counterparty risk	152	
Indirect investments in own Additional Tier 1 capital instruments, such as holding of relevant index securities, net of any relevant short positions	153	
Total potential purchase cost of own Additional Tier 1 capital which the group could be contractually obliged to purchase	154	
Total amount to be deducted from Tier 2 capital and reserve funds (total of items 156 to 158)	155	
Direct investments in own Tier 2 capital instruments, net of any relevant short positions that involve no counterparty risk	156	
Indirect investments in own Tier 2 capital instruments, such as holding of relevant index securities, net of any relevant short positions	157	
Total potential purchase cost of own Tier 2 capital which the group could be contractually obliged to purchase	158	

(All amounts to be rounded off to the nearest R'000)

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period
		1
Reciprocal cross holdings in respect of:		
Common equity tier 1 capital instruments, that is, amount to be deducted from Common equity tier 1 capital	159	
Additional Tier 1 capital instruments, that is, amount to be deducted from Additional Tier 1 capital	160	
Tier 2 capital instruments, that is, amount to be deducted from Tier 2 capital	161	
Provisions and expected loss		
IRB approach		
Gross amount of eligible provisions	162	
Total eligible expected loss	163	
Shortfall of eligible provisions to expected losses to be deducted from common equity tier 1 capital and reserve funds (item 163 less item 162)	164	
Cash flow hedge reserve		
Total positive or negative value of the cash flow hedge reserve as stated on the balance sheet of which:	165	
positive or negative amount that relates to the hedging of projected cash flows that are not recognised on the balance sheet (if gain report as positive; if loss report as negative)	166	
positive or negative amount that relates to the hedging of projected cash flows on assets that are recognised on the balance sheet but are not fair valued on the balance sheet, such as loans and receivable (if gain report as positive; if loss report as negative)	167	
positive or negative amount that relates to the hedging of projected cash flows on liabilities that are recognised on the balance sheet but are not fair valued on the balance sheet (if gain report as positive; if loss report as negative)	168	
other items, including those related to projected cash flows on assets and liabilities which are recognised on the balance sheet and are fair valued (if gain report as positive; if loss report as negative)	169	
Amount to be deducted from (or added to if negative) common equity tier 1 capital and reserve funds (total of items 166 to 168)	170	
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities		
Total cumulative net gains and (losses) in equity due to changes in the fair value of liabilities that are due to a change in the bank's own credit risk. Amount to be deducted from (or added to if negative) common equity tier 1 capital and reserve funds (if gain report as positive; if loss report as negative)	171	
of which:		
total cumulative net gains and (losses) in equity due to changes in the fair value of derivatives that are due to a change in the bank's own credit risk. Amount to be deducted from (or added to if negative) common equity tier 1 capital and reserve funds (if gain report as positive; if loss report as negative)	172	
Total derivative debit valuation adjustments	173	
Defined benefit pension fund assets		
For every separate defined benefit pension scheme which gives rise to a net asset on the balance sheet, the total of such net assets less any associated deferred tax liability that would be extinguished if the asset should be impaired	174	
Amount by which the above deduction from capital and reserve funds can be reduced by demonstrating unrestricted and unfettered access to assets in the relevant funds	175	
Amount to be included in risk-weighted assets in respect of the amounts used above to offset the deduction of pension fund assets	176	
Total amount to be deducted from common equity tier 1 capital and reserve funds	177	

(All amounts to be rounded off to the nearest R'000)

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period
		1
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital		
Gross holdings of common stock	178	
Permitted offsetting short positions in relation to the specific gross holdings included above	179	
Holdings of common stock net of short positions	180	
Gross holdings of Additional Tier 1 capital	181	
Permitted offsetting short positions in relation to the specific gross holdings included above	182	
Holdings of Additional Tier 1 capital net of short positions	183	
Gross holdings of Tier 2 capital	184	
Permitted offsetting short positions in relation to the specific gross holdings included above	185	
Holdings of Tier 2 capital net of short positions	186	
Sum of all net holdings where the bank does not own more than 10% of the issued share capital (total of items 180, 183 and 186)	187	
Common Equity Tier 1 capital after all regulatory adjustments that do not depend on a threshold	188	
Amount by which the sum of all holdings exceeds 10% of the common equity tier 1 capital and reserve funds, after all deductions that do not depend on a threshold, that is, the amount to be deducted from capital and reserve funds	189	
Allocation of the deduction to-		
common equity tier 1 capital and reserve funds	190	
tier 1 capital and reserve funds	191	
total capital and reserve funds	192	
Amounts not deducted but subject to relevant risk weighting (amounts below allocated on a pro rata basis)		
Holdings of-		
common stock net of short positions (item 180 less item 190)	193	
additional Tier 1 capital net of short positions (item 183 less item 191)	194	
Tier 2 capital net of short positions (item 186 less item 192)	195	
Total risk weighted assets of amounts not deducted set out in items 193 to 195)		
of which: amounts that relate to holdings of-		
common stock net of short positions, that is, risk weighted assets of exposures in line item 193)	196	
additional Tier 1 capital net of short positions, that is, risk weighted assets of exposures in line item 194)	197	
Tier 2 capital net of short positions, that is, risk weighted assets of exposures in line item 195)	198	
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank owns more than 10% of the issued common share capital or where the entity is an affiliate		
Gross holdings of common stock	199	
Permitted offsetting short positions in relation to the specific gross holdings included above	200	
Holdings of common stock net of short positions	201	
Gross holdings of Additional Tier 1 capital	202	
Permitted offsetting short positions in relation to the specific gross holdings included above	203	
Holdings of Additional Tier 1 capital net of short positions	204	
Gross holdings of Tier 2 capital	205	
Permitted offsetting short positions in relation to the specific gross holdings included above	206	
Holdings of Tier 2 capital net of short positions	207	
Common equity tier 1 after all regulatory adjustments except significant investments in financials, mortgage servicing rights and deferred tax asset temporary difference	208	
Amount to be deducted from common equity tier 1 capital and reserve funds as a result of application of 10% cap	209	
Amount to be deducted from Tier 1 capital and reserve funds	210	
Amount to be deducted from Tier 2 capital and reserve funds	211	

(All amounts to be rounded off to the nearest R'000)

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period
		1
Mortgage servicing rights	212	
Total amount of mortgage servicing rights classified as intangible assets		
Associated deferred tax liability which would be extinguished if the intangible asset becomes impaired or derecognised in terms of relevant Financial Reporting Standards	213	
Mortgage servicing rights net of related tax liability (item 212 less item 213)	214	
Common Equity Tier 1 capital and reserve funds after all regulatory adjustments except significant investments in financials, mortgage servicing rights and deferred tax asset temporary difference	215	
Amount to be deducted from Common Equity Tier 1 capital and reserve funds as a result of application of 10% cap	216	
Deferred tax assets due to temporary differences		
Net amount of deferred tax assets due to temporary differences	217	
Common Equity Tier 1 capital and reserve funds after all regulatory adjustments except significant investments in financials and deferred tax asset temporary differences	218	
Amount to be deducted from Common Equity Tier 1 capital and reserve funds as a result of application of 10% cap	219	
Aggregate amount of items subject to the 15% limit in respect of significant investments in financial institutions, mortgage servicing rights and deferred tax assets that arise from temporary differences		
Significant investments in the common equity of financial entities not deducted as part of the 10% cap	220	
Mortgage servicing rights not deducted as part of the 10% cap	221	
Deferred tax assets due to temporary differences not deducted as part of the 10% cap	222	
Sum of significant investments in financials, mortgage servicing rights and deferred tax asset temporary differences not deducted as a result of the 10% cap	223	
Deduction from Common Equity Tier 1 capital and reserve funds in respect of amounts above the 15% cap	224	
Amounts not deducted but risk weighted at 250%		
Significant investments in the common equity of financial entities	225	
Mortgage servicing rights	226	
Deferred tax assets due to temporary differences	227	
Total (of items 225 to 227)	228	
Items subject to risk weight of 1250%		
Significant investments in commercial entities	229	

(All amounts to be rounded off to the nearest R'000)

Information related to specified regulatory adjustments and deductions	Line no.	Common Equity Tier 1	Additional Tier 1	Tier 2
		1	2	3
Other deductions				
Capital requirement in respect of foreign branches	230			
Accumulated losses	231			
Instruments in respect of which no value was received	232			
Financial assistance provided to persons acquiring qualifying instruments	233			
Qualifying instruments held in banks or other regulated institutions ¹	234			
Acknowledgement of debt issued to fund qualifying instruments	235			
Other regulatory adjustments ² (please specify)	236			
Total (of items 230 to 236)	237			

1. Operation in the Republic, unconsolidated submission only.
2. To the extent not already deducted elsewhere.

(All amounts to be rounded off to the nearest R'000)

Information related to phase out of capital instruments	Line no.	Additional Tier 1 instruments issued by parent	Tier 2 instruments issued by the parent	Additional Tier 1 instruments issued by subsidiaries	Tier 2 instruments issued by subsidiaries
		1	2	3	4
Instruments subjected to phase out	238				
Base amount of instruments, after applying the specified limit that is in place during the current year	239				
Value of instruments included in qualifying capital, in the current period	240				

(All amounts to be rounded off to the nearest R'000)

Information related to capital distribution and income for the rolling six-month period ending at the reporting date	Line no.	For the six months ending at the current reporting date
		1
Income		
Profit after tax	241	
Profit after tax prior to the relevant distributions specified below	242	
Distributions for the rolling six-month period ending at the reporting date (total of items 244 to 249)	243	
Common share dividends	244	
Other coupon/dividend payments on Tier 1 instruments	245	
Common stock share buybacks	246	
Other Tier 1 buyback or repayment (gross)	247	
Discretionary staff compensation/bonuses	248	
Other (please specify)	249	
Specified distributions as percentage of income before distributions	250	

(All amounts to be rounded off to the nearest R'000)

Capital conservation ¹	Line no.	Common equity Tier 1	Tier 1	Total capital
		1	2	3
Minimum required capital adequacy ratio (before the conservation buffer requirement and the countercyclical buffer requirement)	251			
1 st Quartile (100% conservation)	252			
2 nd Quartile (80% conservation)	253			
3 rd Quartile (60% conservation)	254			
4 th Quartile (40% conservation)	255			
Actual capital adequacy ratio	256			
Percentage capital conservation to be applied in terms of the relevant requirements specified in regulations 38(8)(f) and (g)	257			
				Total
				1
Maximum percentage distribution ²	258			
Adherence to capital conservation requirement ³	259			

1. Refer to regulation 38(8)(f).

2. Based on the inverse of the maximum percentage reported in item 257, columns 1 to 3.

3. Report "y" if item 258 exceeds item 250, or "n" if item 258 does not exceed item 250.

(All amounts to be rounded off to the nearest R'000)

Leverage	Line no.	Current reporting period
		1
Total exposure for the calculation of the leverage ratio (total of items 261 to 263)	260	
Total exposures (total of items 264 to 266 and 267 to 269)	261	
Regulatory adjustments	262	
Total additional assets to be included ¹	263	
On-balance sheet items ²		
Other assets ³	264	
Securities financing transactions ⁴	265	
Derivatives ⁴	266	
Derivatives and off-balance sheet items		
Derivatives ⁵	267	
Off-balance sheet items with a > 10% CCF in the Republic ⁶	268	
Off-balance sheet items with a 10% CCF in the Republic ⁶	269	
Hash total	270	

1. Refer to regulation 38(17)(b)(iii)(B).

2. Amounts should be net of specific provisions and valuations adjustments.

3. Based on gross value (assume no netting or CRM).

4. Based on the relevant value determined in terms of the requirements specified in these Regulations, including any relevant requirement related to netting.

5. Based on the potential future exposure calculated in terms of the current exposure method specified in these Regulations, including any relevant requirement related to netting.

6. Based on the relevant notional amount.

38. Capital adequacy and leverage - Directives and interpretations for completion of monthly return concerning capital adequacy and leverage (Form BA 700)

(1) The content of the relevant return is confidential and not available for inspection by the public.

(2) For the measurement of a bank's aggregate risk-weighted exposure as contemplated in section 70(2), 70(2A) or 70(2B) of the Act, the bank-

- (a) shall at the discretion of the bank, use one of the alternative methodologies specified below to determine the bank's exposure to credit risk:
 - (i) The standardised approach, using one of the alternative frameworks prescribed in regulation 23(5) read with the relevant provisions of regulations 23(6) to 23(9);
 - (ii) Subject to the prior written approval of the Registrar and such conditions as may be specified in writing by the Registrar, the IRB approach, using one of the alternative frameworks prescribed in regulation 23(10) read with the relevant provisions of regulations 23(11) to 23(14);
 - (iii) Subject to the prior written approval of the Registrar and such conditions as may be specified in writing by the Registrar, a combination of the approaches envisaged in subparagraphs (i) and (ii) above.
- (b) shall at the discretion of the bank, use one of the alternative methodologies specified below to determine the bank's exposure to counterparty credit risk:
 - (i) the current exposure method specified in regulation 23(17);
 - (ii) the standardised method specified in regulation 23(18);
 - (iii) subject to the prior written approval of and such further conditions as may be specified in writing by the Registrar the internal model method specified in regulation 23(19);
 - (iv) subject to the relevant requirements specified in regulation 23(15) and the prior written approval of and such conditions as may be specified in writing by the Registrar, a combination of the approaches envisaged in subparagraphs (i) to (iii) above;

- (c) shall at the discretion of the bank, use one of the alternative methodologies specified below to determine the bank's exposure to market risk:
- (i) The standardised approach prescribed in regulation 28(7);
 - (ii) Subject to the fulfilment of certain quantitative and qualitative requirements, the prior written approval of the Registrar and such further conditions as may be specified in writing by the Registrar, the internal model approach prescribed in regulation 28(8); or
 - (iii) Subject to the prior written approval of the Registrar and such further conditions as may be specified in writing by the Registrar, a combination of the approaches envisaged in subparagraphs (i) and (ii) above.
- (d) shall at the discretion of the bank, use one of the alternative methodologies specified below to determine the bank's exposure to operational risk:
- (i) The basic indicator approach prescribed in regulation 33(7);
 - (ii) Subject to the prior written approval of the Registrar and such conditions as may be determined by the Registrar, the standardised or alternative standardised approach prescribed in regulation 33(8);
 - (iii) Subject to the prior written approval of the Registrar and such conditions as may be determined by the Registrar, the advanced measurement approach prescribed in regulation 33(9);
 - (iv) Subject to the prior written approval of the Registrar and such further conditions as may be specified in writing by the Registrar, a combination of the approaches envisaged in subparagraphs (i) to (iii) above.
- (e) shall, based on-
- (i) the approach adopted by the bank for the measurement of the bank's exposure to credit risk, as envisaged in paragraph (a) above;
 - (ii) such conditions as may be specified in writing by the Registrar,
- use one of the alternative approaches specified below to determine the bank's exposure in respect of securitisation schemes:
- (A) the standardised approach prescribed in regulation 23(5) read with the relevant provisions of regulations 23(6)(h) and 23(8)(h) respectively;
 - (B) the IRB approach prescribed in regulation 23(10) read with the relevant provisions of regulations 23(11) and 23(13) respectively.

- (3) For purposes of calculating-
- (a) the minimum aggregate amount of qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds, relating to risks other than market risk, and that a bank is required to maintain, based on such conditions as may be specified in writing by the Registrar from time to time, the bank-
 - (i) shall in accordance with the relevant requirements specified in regulation 23(3) read with the relevant requirements specified in regulations 23(6) to 23(14), risk weight such average daily balance or month-end balance of assets as may be specified in the respective returns or in writing by the Registrar;
 - (ii) shall in accordance with the relevant requirements specified in regulation 23(3) read with the relevant requirements specified in regulations 23(6) to 23(14), risk weight such average daily balance or month-end balance of off-balance sheet items as may be specified in the respective returns or in writing by the Registrar;
 - (iii) shall in accordance with the relevant requirements specified in regulation 23(3) read with the relevant requirements specified in regulations 23(6) to 23(19), risk weight such average amount or month-end balance of the bank's exposure in respect of unsettled transactions held in the bank's banking book as may be specified in the respective returns or in writing by the Registrar;
 - (iv) shall in accordance with the relevant requirements specified in regulation 23(3) read with the relevant requirements specified in regulations 23(6) to 23(14) and regulations 24(6) to 24(8), risk weight such average amount or month-end balance of the bank's large exposures or concentration risk as may be specified in the respective returns or in writing by the Registrar;
 - (b) the minimum aggregate amount of qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds, relating to market risk, that a bank is required to maintain, the bank shall in accordance with the relevant requirements specified in regulation 28 risk weight all relevant daily positions held in the bank's trading book and all relevant positions held in the bank's banking book.

- (4) When the Registrar is of the opinion that a bank's-
- (a) calculated aggregate risk exposure does not sufficiently reflect-
 - (i) the bank's actual risk profile;
 - (ii) the factors external to the bank, such as the effect of business cycles;
 - (iii) the risk relating to a particular type of exposure such as credit risk, market risk or operational risk;
 - (iv) the risk relating to a group of exposures such as corporate exposure or retail exposure,
 - (b) qualifying capital and reserve funds are likely to be overstated due to, for example, reserves that are subject to material volatility as a result of short-term fair value gains or adjustment;
 - (c) policies, processes and procedures relating to its risk assessment are inadequate;
 - (d) policies, processes and procedures relating to compensation or remuneration are inadequate;

For example, when the bank's compensation or remuneration policies, processes and procedures, particularly in respect of bonus or other discretionary payments, do not duly incorporate all relevant material types of risk, or when bonus or other discretionary payments are finalised over short periods without adequate regard for related material risk exposure carried by the bank over a longer period.

- (e) internal control systems are inadequate;

the Registrar, among other things, may require the said bank-

- (i) to maintain additional capital, calculated in such a manner and subject to such conditions as may be specified in writing by the Registrar;
- (ii) to deduct from its qualifying capital and reserve funds such amount calculated in such a manner and subject to such conditions as may be specified in writing by the Registrar;
- (iii) to strengthen the bank's risk management policies, processes or procedures;
- (iv) to duly align the bank's compensation or remuneration policies, processes or procedures with the bank's relevant exposure to risk;

(v) to strengthen the bank's internal control systems.

(5) *Matters related to adjustments to or deductions from capital and reserve funds*

(a) Subject to the provisions of paragraph (b), based on the relevant requirements specified in sections 70 and 70A of the Act, a bank or controlling company shall deduct-

(i) from its common equity tier 1 capital and reserve funds-

(A) the relevant amount, net of any associated deferred tax liability which would be extinguished if the relevant intangible asset becomes impaired or is derecognised in terms of the relevant requirements specified in Financial Reporting Standards issued from time to time, related to goodwill, including any goodwill included in the valuation of significant investments in the capital of banks, financial entities or insurance entities that fall outside the scope of consolidation in terms of the provisions of these Regulations;

(B) the relevant amount related to intangible assets other than goodwill, excluding any relevant amount related to mortgage servicing rights, net of any associated deferred tax liability which would be extinguished if the relevant intangible asset becomes impaired or is derecognised in terms of the relevant requirements specified in Financial Reporting Standards issued from time to time;

(C) the relevant amount related to deferred tax assets that rely on future profitability of the bank to be realised, provided that-

(i) the bank shall distinguish between the component of deferred tax assets that relates to temporary differences, such as an allowance for credit losses, and other deferred tax assets;

(ii) deferred tax assets that relate to temporary differences shall be treated in accordance with the relevant requirements specified in paragraph (b) below;

(iii) a deferred tax asset may be netted against an associated deferred tax liability only if the said asset and liability relate to taxes levied by the same taxation authority and offsetting is explicitly permitted by that relevant taxation authority, provided that the said deferred tax liabilities that may be netted against the relevant amount of deferred tax assets shall exclude any amount that has been netted against the deduction of goodwill, intangible assets other than goodwill and defined benefit pension assets;

- (iv) the bank shall, on a pro-rata basis, allocate deferred tax liabilities between deferred tax assets subject to the threshold deduction treatment specified in paragraph (b) below, and deferred tax assets to be deducted in full from capital and reserve funds;
 - (v) any relevant amount related to current year tax losses that gives rise to a claim or receivable amount from the government or local tax authority, typically classified as a current tax assets, shall be assigned the relevant sovereign risk weight;
- (D) any relevant positive amount related to a cash flow hedge reserve that relates to the hedging of items that are not fair valued on the balance sheet, including any relevant amount related to projected cash flows, provided that any relevant negative amount related to a cash flow hedge reserve shall also be derecognised, that is, added back to common equity tier 1 capital;
- (E) the gross amount by which the aggregate amount of expected loss of a bank that adopted the IRB approach for the measurement of the bank's exposure to credit risk, calculated in accordance with the relevant requirements specified in regulation 23(21) of these Regulations, exceeds the bank's eligible provisions, which gross amount shall not be reduced by any tax effects that may occur if provisions were to rise to the level of expected losses;
- (F) any relevant increase in equity capital or common equity tier 1 capital resulting from a securitisation or resecuritisation transaction, such as an increase associated with expected future margin income resulting in a gain-on-sale;
- (G) any unrealised gain resulting from changes in the fair value of liabilities due to changes in the bank or controlling company's own credit risk, provided that-
- (i) the bank or controlling company shall also derecognise from its common equity tier 1 capital and reserve funds any relevant amount related to any unrealised loss due to changes in the bank or controlling company's own credit risk;
 - (ii) with regard to any relevant derivative liability, the bank or controlling company shall derecognise all relevant accounting valuation adjustments arising from the bank or controlling company's own credit risk;

- (iii) the bank or controlling company shall in no case apply any netting or offsetting between valuation adjustments arising from the bank or controlling company's own credit risk and those arising from its counterparties' credit risk;
- (H) any relevant amount related to a defined benefit pension fund constituting an asset on the balance sheet, net of any associated deferred tax liability which would be extinguished if the asset should become impaired or derecognised in terms of the relevant requirements specified in Financial Reporting Standards, provided that-
 - (i) subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, assets in the said fund to which the bank has unrestricted and unfettered access may offset the relevant deduction;
 - (ii) offsetting assets as envisaged in sub-item (i) above shall be assigned the risk weight that would have applied were the assets owned directly by the bank; and
 - (iii) any amount related to a defined benefit pension fund liability, as included on the balance sheet, shall be fully recognised in the calculation of the bank's net asset value, including in particular in the calculation of the bank's common equity tier 1 capital, that is, common equity tier 1 capital shall not be increased through the derecognition of any defined benefit pension fund liability;
- (I) the relevant amount related to any direct or indirect investment in or direct or indirect funding provided for direct or indirect investment in the bank or controlling company's own shares or instruments qualifying as common equity tier 1 capital, provided that-
 - (i) any relevant gross long position may be deducted net of any relevant short position in the same underlying exposure only if the relevant short position involves no counterparty risk;
 - (ii) the bank shall look through holdings of index securities to deduct any relevant exposure to own shares or instruments qualifying as common equity tier 1 capital, provided that any gross long position in own shares resulting from holdings of index securities may be netted against short positions in own shares resulting from short positions in the same underlying index, even when the short positions may involve counterparty risk, which counterparty risk shall be subject to the relevant requirement for counterparty credit risk;

- (J) the relevant amount related to any investment in, or reciprocal cross holding of, instruments or shares qualifying as capital of any other bank, controlling company, other financial entity or insurance entity, provided that the reporting bank or controlling company shall apply a corresponding deduction approach, that is, deductions shall be applied to the same component of capital for which the capital would qualify if it was issued by the bank itself;
- (K) the higher amount of any capital requirement imposed by either the home country or host country supervisor in respect of any foreign branch of the bank, provided that-
 - (i) this deduction shall not apply when the assets and liabilities of a foreign branch of a bank are combined with the assets and liabilities of the locally incorporated parent bank in order to calculate a consolidated required amount of capital and reserve funds in respect of the said consolidated bank and branch of a bank;
 - (ii) when the host supervisor imposes a minimum capital requirement in respect of the said foreign branch notwithstanding the consolidation of the assets and liabilities of the said branch with the assets and liabilities of the said parent bank, the amount to be deducted shall be equal to any shortfall in the amount of capital held by the said branch in respect of the said host capital requirement;
- (L) the relevant net positive amount, that is, the gross long position net of any relevant short position in the same underlying instrument where the maturity of the short position either matches the maturity of the long position or has a residual maturity of at least one year, determined in terms of the provisions of this item (L), related to any direct or indirect investment, including any relevant synthetic investment, in instruments qualifying as capital of any bank, financial or insurance entity that falls outside the scope of consolidation in terms of the provisions of these Regulations, and where the reporting bank or controlling company does not own more than 10 per cent of the issued common share capital of that entity, irrespective whether the relevant investment is held in the banking book or trading book, provided that-

- (i) in order to determine the appropriate amount to be deducted a bank or controlling company shall look through holdings of index securities to determine the actual underlying holdings of capital in the relevant entity, provided that when a bank or controlling company finds it operationally burdensome to look through and monitor their exact exposure to the capital of other financial institutions as a result of their holdings of index securities, the bank or controlling company may obtain the prior written approval of the Registrar to use a conservative estimate, which estimate shall be well founded and duly motivated by the relevant applicant;
- (ii) subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, a bank or controlling company may exclude from this deduction investments made to resolve or provide financial assistance to reorganise a distressed institution;
- (iii) for purposes of determining the relevant deduction in terms of the provisions of this item (L), any investment in a qualifying capital instrument that does not meet the criteria for or is not equivalent to common equity tier 1 capital or additional tier 1 capital or tier 2 capital shall be deemed to constitute common equity or common equity tier 1 capital;
- (iv) when the aggregate amount of investments envisaged in this item (L) exceeds 10 per cent of the bank or controlling company's common equity tier 1 capital after applying all other relevant regulatory adjustments or deductions prior to this deduction, the amount in excess of 10 per cent shall be the amount to be deducted, applying a corresponding deduction approach, that is, the deduction shall be made against the same component of capital for which the capital would qualify if it was issued by the bank itself.

Accordingly, the amount to be deducted from common equity tier 1 capital shall be the total of all holdings which in aggregate exceed 10 per cent of the relevant bank or controlling company's common equity tier 1 capital multiplied by the common equity holdings or common equity tier 1 capital as a percentage of the total capital holdings, that is, the relevant portion of total capital holdings held in common equity or common equity tier 1 capital.

- (v) when a bank or controlling company is required to make a deduction from a particular category of capital under the corresponding deduction approach and it does not have sufficient capital in that category to allow that deduction, the shortfall shall be deducted from the next higher category of capital, that is, when a bank, for example, does not have sufficient additional tier 1 capital to allow the relevant deduction, the shortfall shall be deducted from its common equity tier 1 capital;
 - (vi) any relevant amount below the relevant specified threshold, which is not required to be deducted, shall be appropriately risk weighted, that is, instruments held in the trading book shall be treated in accordance with the relevant requirements specified in these Regulations for market risk, and instruments held in the banking book shall be treated in accordance with the relevant requirements specified in these Regulations for the internal ratings-based or standardised approach, provided that for the application of risk weights, the amount of the relevant holdings shall be allocated on a pro-rata basis between those below and those above the relevant specified threshold;
- (M) the relevant net positive amount, that is, the gross long position net of any relevant short position in the same underlying instrument where the maturity of the short position either matches the maturity of the long position or has a residual maturity of at least one year, determined in terms of the provisions of this item (M), related to any direct or indirect investment, including any relevant synthetic investment, in instruments qualifying as capital of a bank, financial or insurance entity that falls outside the scope of consolidation in terms of the provisions of these Regulations where the bank or controlling company owns more than 10 per cent of the issued common share capital of the issuing entity or where the entity is an affiliate or associate of the bank or controlling company, irrespective whether the relevant investment is held in the banking book or trading book, provided that-
- (i) in order to determine the appropriate amount to be deducted a bank or controlling company shall look through holdings of index securities to determine the actual underlying holdings of capital in the relevant entity, provided that when a bank or controlling company finds it operationally burdensome to look through and monitor their exact exposure to the capital of other financial institutions as a result of their holdings of index securities, the bank or controlling company may obtain the prior written approval of the Registrar to use a conservative estimate, which estimate shall be well founded and duly motivated by the relevant applicant;
 - (ii) subject to the prior written approval of and such conditions as

- may be specified in writing by the Registrar a bank or controlling company may exclude from this deduction investments made to resolve or provide financial assistance to reorganise a distressed institution;
- (iii) for purposes of determining the relevant deduction in terms of the provisions of this item (M), any investment in a qualifying capital instrument that does not meet the criteria for or is not equivalent to common equity tier 1 capital or additional tier 1 capital or tier 2 capital shall be deemed to constitute common equity or common equity tier 1 capital;
 - (iv) the relevant deduction shall be the aggregate amount of all relevant investments in instruments other than common shares or instruments qualifying as common equity tier 1 capital, following a corresponding deduction approach, that is, the deduction shall be made against the same category of capital for which the capital would qualify if it was issued by the bank itself, provided that, instead of a full deduction, specified investments in common shares or instruments qualifying as common equity tier 1 capital shall be treated in accordance with the relevant requirements specified in paragraph (b) below;
 - (v) when a bank or controlling company is required to make a deduction from a particular category of capital under the corresponding deduction approach and it does not have sufficient capital in that category to allow that deduction, the shortfall shall be deducted from the next higher category of capital, that is, when a bank, for example, does not have sufficient additional tier 1 capital to allow the relevant deduction, the shortfall shall be deducted from common equity tier 1 capital;
- (N) 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, provided that, subject to such conditions and treatment as may be specified in writing by the Registrar, the Registrar may determine cases in which the value of assets lodged or pledged to secure liabilities of the bank do not constitute a deduction against the common equity tier 1 capital and reserve funds of the said bank;

- (O) the net present value of acknowledgements of debt outstanding issued to directly or indirectly fund instruments that rank as qualifying common equity tier 1 capital, which net present value shall be deducted from the issuer's common equity tier 1 capital, unless such acknowledgements of debt are subordinated in a manner similar to the instruments that rank as qualifying common equity tier 1 capital;
 - (P) any instrument or share that qualifies as common equity tier 1 capital of the reporting bank and for which the reporting bank has received no value;
 - (Q) accumulated losses;
- (ii) from its additional tier 1 capital and reserve funds-
- (A) the relevant amount related to any direct or indirect investment in or direct or indirect funding provided for direct or indirect investment in the bank or controlling company's own shares or instruments qualifying as additional tier 1 capital, provided that-
 - (i) any gross long position may be deducted net of any relevant short positions in the same underlying exposure only if the relevant short positions involve no counterparty risk;
 - (ii) the bank shall look through holdings of index securities to deduct any relevant exposure to own shares or instruments qualifying as additional tier 1 capital, provided that any gross long position in own shares resulting from holdings of index securities may be netted against short position in own shares resulting from short positions in the same underlying index, even when the short positions may involve counterparty risk, which shall be subject to the relevant requirement for counterparty credit risk;
 - (B) the relevant amount related to any investment in or reciprocal cross holding of instruments or shares qualifying as capital of any other bank, controlling company, other financial entity or insurance entity, provided that the reporting bank or controlling company shall apply a corresponding deduction approach, that is, deductions shall be applied to the same component of capital for which the capital would qualify if it was issued by the bank itself;

- (C) the relevant amount, based on the requirements specified in paragraph (a)(i)(L) above, that is, the provisions of paragraph (a)(i)(L) above, insofar as they relate to the relevant portion of additional tier 1 capital, shall *mutatis mutandis* apply to the deduction to be made against additional tier 1 capital, provided that the amount to be deducted from additional tier 1 capital shall be calculated as the total of all holdings which in aggregate exceed 10 per cent of the relevant bank or controlling company's common equity or common equity tier 1 capital multiplied by the additional tier 1 capital holdings as a percentage of the total capital holdings;
 - (D) the relevant amount, based on the requirements specified in paragraph (a)(i)(M) above, that is, the provisions of paragraph (a)(i)(M) above, insofar as they relate to the relevant portion of additional tier 1 capital, shall *mutatis mutandis* apply to the deduction to be made against additional tier 1 capital;
 - (E) any instrument or share that qualifies as additional tier 1 capital of the reporting bank and for which the reporting bank has received no value;
- (iii) from its tier 2 capital and reserve funds-
- (A) the relevant amount related to any direct or indirect investment in or direct or indirect funding provided for direct or indirect investment in the bank or controlling company's own shares or instruments qualifying as tier 2 capital, provided that-
 - (i) any gross long position may be deducted net of any relevant short positions in the same underlying exposure only if the relevant short positions involve no counterparty risk;
 - (ii) the bank shall look through holdings of index securities to deduct any relevant exposure to own shares or instruments qualifying as tier 2 capital, provided that any gross long position in own shares or instruments resulting from holdings of index securities may be netted against short position in own shares or instruments resulting from short positions in the same underlying index, even when the short positions may involve counterparty risk, which shall be subject to the relevant requirement for counterparty credit risk;
 - (B) the relevant amount related to any investment in or reciprocal cross holding of instruments or shares qualifying as capital of any other bank, controlling company, other financial entity or insurance entity, provided that the reporting bank or controlling company shall apply a corresponding deduction approach, that is, deductions shall be applied to the same component of capital for which the capital would qualify if it was issued by the bank itself;

- (C) the relevant amount, based on the requirements specified in paragraph (a)(i)(L) above, that is, the provisions of paragraph (a)(i)(L) above, insofar as they relate to the relevant portion of tier 2 capital, shall *mutatis mutandis* apply to the deduction to be made against tier 2 capital, provided that the amount to be deducted from tier 2 capital shall be calculated as the total of all holdings which in aggregate exceed 10 per cent of the relevant bank or controlling company's common equity or common equity tier 1 capital multiplied by the tier 2 capital holdings as a percentage of the total capital holdings;
 - (D) the relevant amount, based on the requirements specified in paragraph (a)(i)(M) above, that is, the provisions of paragraph (a)(i)(M) above, insofar as they relate to the relevant portion of tier 2 capital, shall *mutatis mutandis* apply to the deduction to be made against tier 2 capital.
 - (E) any instrument or share that qualifies as tier 2 capital of the reporting bank and for which the reporting bank has received no value, excluding instruments or shares issued in pursuance of the capitalisation of reserves resulting from a revaluation of assets, as may be prescribed in these Regulations;
- (b) Subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, instead of a full deduction as envisaged in paragraph (a) above, the items specified below shall each receive limited recognition when a bank or controlling company calculates its common equity tier 1 capital and reserve funds, with recognition being capped at 10 per cent of the bank or controlling company's common equity or common equity tier 1 capital and reserve funds after the application of all specified adjustments and/ or deductions set out in paragraph (a) above:
- (i) Significant investments in the common shares or common equity tier 1 capital of unconsolidated financial institutions such as banks, insurance and other financial entities envisaged in paragraph (a)(i)(M) above.
 - (ii) Any relevant amount related to mortgage servicing rights (MSRs).
 - (iii) Any relevant amount related to deferred tax assets that arise from temporary differences.

Provided that-

- (A) as from 1 January 2013, a bank shall deduct from its common equity tier 1 capital the amount by which the aggregate amount of the three items specified above exceeds 15 per cent of its common equity tier 1 capital, calculated prior to the deduction of the specified items but after the application of all other relevant adjustments and/ or deductions applied in the calculation of common equity tier 1 capital in terms of these Regulations;
- (B) the respective items included in the 15 per cent aggregate limit shall be fully disclosed in all relevant disclosures to the public made in terms of the provisions of these Regulations;
- (C) as from 1 January 2018, the relevant amount related to the three specified items that is still recognised after the application of all regulatory adjustments shall not exceed 15 per cent of the common equity tier 1 capital of the relevant bank or controlling company.

For example, a bank has common equity tier 1 capital of R850 million net of all relevant deductions, including any relevant deduction related to the specified three items.

The maximum amount related to the specified items that may be recognised by the bank in its calculation of common equity tier 1 capital is R850 million x 17.65 per cent (that is, 15/85) = R150 million. Any excess amount above R150 million shall be deducted from the bank's common equity tier 1 capital.

If the bank has specified items, excluding amounts deducted after applying the individual 10 per cent limits, that in aggregate is equal to the 15 per cent limit, common equity tier 1 capital after inclusion of the specified items shall amount to R850 million + R150 million = R1 billion, that is, the aggregate amount of items specified hereinbefore, expressed as a percentage of the total amount of common equity tier 1 capital, is equal to 15 per cent.

- (D) any amount related to the three items specified hereinbefore that is not deducted in the calculation of common equity tier 1 capital shall be risk weighted at 250 per cent.
- (c) Assets or amounts representing deductions against the reporting bank or controlling company's capital and reserve funds, which assets or amounts, in terms of the provisions of section 70 of the Act shall be deducted from the respective categories of capital and unimpaired reserve funds, shall be recorded against the appropriate line items specified in the form BA 700.

(6) *Conditions relating to external credit assessment in respect of a securitisation scheme or resecuritisation exposure*

Irrespective whether a bank adopted the standardised approach or IRB approach for the measurement of the bank's exposure relating to credit risk and securitisation schemes or resecuritisation exposure, when the bank calculates its minimum required amount of capital and reserve funds, the bank shall not recognise any credit assessment issued in respect of any securitisation or resecuritisation exposure unless the said external credit assessment complies with the requirements specified below:

- (a) The external credit assessment-
 - (i) shall be issued by an eligible external credit assessment institution-
 - (A) which credit assessment shall be publicly available, that is, the credit assessment shall be published by the relevant external credit assessment institution in an accessible form and shall be included in the external credit assessment institution's transition matrix, instead of being made available only to the parties involved in the securitisation scheme or resecuritisation exposure;
 - (B) which credit assessment institution shall have demonstrated its expertise relating to the assessment of securitisation or resecuritisation exposures, which expertise is likely to be evidenced by strong market acceptance;
 - (ii) shall be based on the total amount of credit exposure arising from all relevant payments due, that is, for example, when the outstanding amount relates to both principal and interest amounts, the credit assessment shall be based on the timely repayment of both the relevant principal amount and the relevant interest amount;
- (b) Notwithstanding any provision to the contrary specified in these Regulations or any other law, in addition to the aforesaid external credit assessment that shall be publicly available-
 - (i) the eligible external credit assessment institution's relevant procedures, methodologies, assumptions, and the key elements underlying the aforesaid assessment shall be publicly available, on a non-selective basis, and free of charge;
 - (ii) the relevant loss and cash-flow analysis and sensitivity of ratings to changes in the underlying rating assumptions shall be publicly available.

Provided that, when an eligible credit assessment is not provided free of charge, the relevant eligible external credit assessment institution shall, within its own publicly available Code of Conduct, in accordance with the 'comply or explain' provisions of the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies duly explain its non-compliance with the provisions of this paragraph (b);

(c) A bank shall apply credit assessments issued by an eligible external credit assessment institution consistently across a given type of securitisation or resecuritisation exposure, provided that-

(i) the bank shall not apply credit assessments issued by one eligible credit assessment institution in respect of one or more tranches relating to a particular securitisation scheme or resecuritisation exposure, and credit assessments issued by another eligible credit assessment institution in respect of other positions relating to the same securitisation structure or resecuritisation exposure;

(ii) a bank shall in no case apply an external credit assessment for the calculation of the bank's minimum required amount of capital and reserve funds when the said assessment is in any manner influenced by or based on any form of unfunded support provided by that bank, irrespective whether the position is held in the bank's banking book or trading book.

For example, when a bank buys asset-backed commercial paper from or related to a scheme or structure in respect of which the bank also provided unfunded securitisation exposure extended by the bank to that ABCP programme, scheme or structure, such as a liquidity facility or credit enhancement, and the latter exposure plays a role in determining the credit assessment on the said ABCP programme, scheme or structure, the bank shall regard the first-said acquired ABCP position as unrated, and continue to maintain capital against the said securitisation exposures provided by the bank, that is, the aforesaid liquidity facility and/or credit enhancement.

(iii) a bank's capital requirement related to an acquired ABCP position envisaged in subparagraph (ii) above, which position is held in the bank's trading book, shall in no case be less than the required amount of capital and reserve funds related to a similar position held in the bank's banking book;

(iv) a bank shall recognise any overlap in exposure in accordance with the relevant requirements specified in regulation 23(6)(h)(ix).

For example, a bank that provides a liquidity facility that fully supports the asset-backed commercial paper issued in terms of an ABCP programme, and subsequently purchases twenty per cent of the outstanding ABCP of that programme, may recognise an overlap of twenty per cent.

If the bank provided a liquidity facility that covers ninety per cent of the outstanding ABCP and purchased twenty per cent of the ABCP, the overlap shall be ten per cent.

If the bank provided a liquidity facility that covers fifty per cent of the outstanding ABCP and subsequently purchases twenty per cent of the ABCP, the two exposures shall be risk weighted without recognizing any overlap

- (v) when-
- (A) two or more eligible external credit assessment institutions assess the credit risk associated with a particular securitisation exposure differently, the bank shall risk weight the said exposure in accordance with the relevant requirements specified in regulation 23(5)(b)(i);
 - (B) an external credit assessment assigned to a particular securitisation exposure is based on protection provided directly to the special purpose institution by an eligible protection provider, the bank-
 - (i) shall apply the risk weight associated with the said external credit assessment to the relevant exposure;
 - (ii) shall, in order to avoid any double counting of the protection obtained by the special-purpose institution, disregard the said credit protection;
 - (C) protection is obtained by a special-purpose institution from a protection provider other than an eligible protection provider, the bank shall treat the relevant securitisation exposures as unrated;
 - (D) credit protection is obtained by the bank in respect of a particular securitisation exposure within a particular securitisation structure, the bank shall treat the relevant exposure as an unrated protected exposure in accordance with the relevant requirements specified in regulations 23(7), 23(9), 23(12) or 23(14).

(7) *Conditions relating to the calculation of minimum required capital and reserve funds in respect of a securitisation scheme or resecuritisation exposure, and related matters*

(a) General conditions

A bank-

- (i) acting in a primary role and subsequently investing in commercial paper issued by a special-purpose institution shall have in place adequate risk-management systems and controls to ensure that the bank does not accumulate disproportionate levels of aggregate exposure to commercial paper issued by the special-purpose institution;
- (ii) that acted in a primary role and subsequently invests in a disproportionate level of commercial paper issued by a special-purpose institution is likely to contravene, amongst other things, the conditions relating to an effective and verifiable transfer of risk and sufficient market discipline as envisaged in the exemption notice relating to securitisation schemes.

(b) Specific conditions

- (i) Subject to the provisions of subregulation (2)(e) and based on-
 - (A) the approach adopted by a bank for the measurement of the bank's exposure to credit risk, as envisaged in subregulation (2)(a) above,
 - (B) the economic substance and not the legal form of a position obtained or exposure incurred by the bank in respect of a traditional or synthetic securitisation scheme,
 - (C) such conditions as may be specified in writing by the Registrar,

a bank shall in accordance with the relevant requirements specified in regulations 23(6), 23(8), 23(11) or 23(13) maintain capital against any risk exposure assumed or retained by the bank as a result of a securitisation or resecuritisation transaction, including any relevant exposure that arises from-

- (i) the extension by the reporting bank of any credit enhancement facility to a special-purpose institution;
- (ii) the provision of any credit protection;
- (iii) an investment by the bank in commercial paper issued by a special-purpose institution;

- (iv) the retention of any subordinated exposure;
- (v) the extension of any liquidity facility to a special-purpose institution,

provided that the bank shall for purposes of these Regulations treat the repurchase of any securitisation or resecuritisation exposures as a retained securitisation or resecuritisation exposure.

- (ii) Irrespective whether a bank adopted the standardised approach or IRB approach for the measurement of the bank's exposure in respect of credit risk and securitisation schemes or resecuritisation exposure, the bank-
 - (A) shall not exclude from the calculation of its required amount of capital and reserve funds any assets transferred to a special-purpose institution unless the said transfer of assets, amongst other things, complies with the relevant conditions specified in paragraph 4(2) of the exemption notice relating to securitisation schemes, provided that the bank shall comply with the relevant capital requirements specified in these Regulations in respect of any relevant risk exposure retained by the bank;
 - (B) shall not, when the bank calculates its required amount of capital and reserve funds, recognise any risk mitigation in respect of a synthetic securitisation scheme unless the said risk mitigation, amongst other things, complies with the relevant conditions specified in paragraph 5(2) of the exemption notice relating to securitisation schemes.
- (iii) Irrespective whether a bank adopted the standardised approach or IRB approach for the measurement of the bank's exposure relating to credit risk and securitisation schemes or resecuritisation exposure, and irrespective whether the relevant position or instrument is held in a bank's banking book or trading book, the bank shall on a continuous basis-
 - (A) have a comprehensive understanding of the risk characteristics of its individual securitisation and resecuritisation exposure, and the risk characteristics of the pools underlying its securitisation or resecuritisation exposure, irrespective whether the relevant position or instrument constitutes and on-balance-sheet or off-balance-sheet position;

- (B) be able to access performance information on the underlying pools, including relevant information related to-
- (i) the exposure type;
 - (ii) the percentage of loans or exposure 30 days, 60 days and 90 days past due;
 - (iii) default rates;
 - (iv) prepayment rates;
 - (v) loans or exposure in foreclosure;
 - (vi) property type;
 - (vii) occupancy;
 - (viii) average credit score or other measures of creditworthiness;
 - (ix) average loan-to-value ratio;
 - (x) industry and geographic diversification;
- (C) have a thorough understanding of all structural features of the relevant securitisation or resecuritisation transaction that may materially impact the performance of the bank's exposure to the transaction, such as-
- (i) the contractual waterfall and waterfall related triggers;
 - (ii) credit enhancements;
 - (iii) liquidity enhancements;
 - (iv) market value triggers; and
 - (v) deal-specific definitions of default.

Provided that when a bank is unable to comply with the requirements specified in this subparagraph (iii), the bank shall deduct from its common equity tier 1 capital and reserve funds the relevant total exposure amount related to the said securitisation or resecuritisation transaction or exposure.

(c) *Granularity*

When the Registrar is of the opinion that the credit risk inherent in a traditional or synthetic securitisation scheme is higher than the credit risk inherent in a well diversified portfolio of similar rated corporate exposure, owing to higher default correlations in the portfolio of assets or risk that was securitised or resecured, the Registrar may specify higher risk weights in respect of the commercial paper issued by the special-purpose institution in respect of the relevant securitisation scheme or resecured exposure than the risk weights specified in these Regulations.

(8) *Minimum required capital and reserve funds*

- (a) For the purposes of determining in form BA 700 the minimum amount of-
- (i) allocated qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds required to support risks other than market risk and required to be maintained by a bank in terms of section 70 of the Act, a bank shall calculate the said minimum amount, amongst others, in accordance with the relevant provisions specified in subregulation (3)(a) read with the provisions of subregulations (2)(a), (2)(b), (2)(d) and (2)(e) above;
 - (ii) allocated qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds required to support market risk and required to be maintained by a bank in terms of section 70 of the Act, a bank shall calculate the said minimum amount, amongst others, in accordance with the relevant provisions specified in subregulation (3)(b) read with subregulation (2)(c) above.
- (b) The percentage, contemplated in section 70 of the Act, of the amount of a bank's assets and other risk exposures, as adjusted through the application of the relevant specified risk weights, proxies or factors, and which is to be used, as contemplated in the said section of the Act, to calculate the minimum amount of allocated qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds that the bank is required to maintain in terms of that section shall be a minimum of 8 per cent, or such a higher percentage as may be determined in accordance with the relevant requirements specified in this subregulation (8) read with the relevant requirements specified in subregulation (9) below, and determined in relevant cases by the Registrar in consultation with the Governor of the Reserve Bank, which percentage or any relevant component thereof, amongst others, shall be inserted in the relevant items specified in the form BA 700.

(c) The Registrar may with the consent of the Governor of the Reserve Bank determine or amend risk-weight percentages or risk components in respect of assets and other risk exposures, including assets and other risk exposures identified to exist in a country other than the Republic, which assets or risk exposures may or may not specifically be specified or referred to in these Regulations.

(d) A bank shall maintain the minimum aggregate amount of-

(i) allocated qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds, relating to risks other than market risk; and

(ii) allocated qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds, relating to market risk,

during the period from the twentieth business day of the month following the month or calendar quarter to which a particular return relates up to and including the nineteenth business day of the month following the month or calendar quarter in respect of which the next monthly or quarterly return, as the case may be, is to be furnished by the reporting bank.

(e) Notwithstanding and without derogating from the provisions of paragraphs (a) to (d) of this subregulation (8), in accordance with, *inter alia*, the relevant requirements specified in the form BA700, regulations 39(1) to 39(6), and regulation 39(16) of these Regulations, a bank shall have in place robust policies, processes and procedures to ensure that the bank continuously maintains-

(i) the relevant minimum required specified percentage of eight per cent of qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds to risk weighted exposure, provided that-

(A) qualifying common equity tier 1 capital and reserve funds to risk weighted exposure shall at no time be no less than 4,5 per cent;

(B) qualifying tier 1 capital and reserve funds, that is, the sum of common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds, to risk weighted exposure shall at no time be no less than 6 per cent;

and

- (ii) the relevant additional minimum required percentage specified from time to time for systemic risk of qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds and tier 2 capital and reserve funds, to risk weighted exposure;

and
- (iii) the relevant additional bank specific minimum required percentage specified from time to time for idiosyncratic risk of qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds and tier 2 capital and reserve funds to risk weighted exposure;

and
- (iv) a capital conservation buffer, which capital conservation buffer-
 - (A) shall be phased in between 1 January 2016 and 1 January 2019 in accordance with the relevant requirements specified in paragraph (f) below;
 - (B) shall be fully met with qualifying common equity tier 1 capital and reserve funds, that is, the relevant required capital conservation buffer specified in this subregulation (8)(e) shall be in addition to any relevant required common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and total capital adequacy ratio specified from time to time;
 - (C) shall range between zero and 2,5 per cent of a bank's relevant amount of risk-weighted exposure;
 - (D) is intended to ensure that banks build up capital buffers outside periods of stress identified in writing by the Registrar, which capital buffers may be drawn down as losses are incurred during the subsequent periods of stress, that is, a bank that writes off losses against its capital conservation buffer during a period of stress will be able to continue to conduct business with constraints being imposed in respect of specified potential distributions of available capital and reserve funds;
 - (E) shall in all relevant cases be applied at a solo and consolidated level;
 - (F) shall comply with the requirements specified in paragraph (f) below;and

- (v) a countercyclical capital buffer, which countercyclical buffer-
 - (A) aims to ensure that the specified minimum capital requirement for banks take into account the macro-financial environment in which the banks operate;
 - (B) shall be an extension of the conservation buffer when implemented, that is-
 - (i) when implemented, the countercyclical buffer shall be phased in between 1 January 2016 and 1 January 2019 in a manner similar to the conservation buffer specified in paragraph (f) below, provided that in the case of excessive credit growth during the specified transition period, the Governor and the Registrar may decide to accelerate the build up of the capital conservation buffer and the countercyclical buffer or implement a larger countercyclical buffer requirement;
 - (ii) a bank shall, for example, be subject to restrictions on distributions when the bank does not meet the relevant specified aggregate capital requirement;
 - (C) when implemented, shall be fully met with qualifying common equity tier 1 capital and reserve funds;
 - (D) shall in all relevant cases be applied at a solo and consolidated level;
 - (E) shall comply with the requirements specified in paragraph (g) below;
- and
- (vi) the relevant additional minimum required percentage specified in writing by the Registrar from time to time for systemically important banks and/or controlling companies identified and specified in writing by the Registrar of qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds to risk weighted exposure,
 - (A) which systemically important banks and/or controlling companies, and the related additional minimum required percentage, as a minimum, shall be based on factors such as;
 - (i) size, which shall be based on the aggregate amount of exposures specified in regulation 23 read with the relevant requirements specified in subregulation (17);
 - (ii) interconnectedness;

- (iii) substitutability and financial institution infrastructure; and
- (iv) complexity,

which factors may be assigned equal weights;

- (B) which additional loss-absorbency requirements-

- (i) shall be phased-in in parallel with the aforesaid capital conservation buffer and countercyclical buffer, that is, between 1 January 2016 and 31 December 2018;
- (ii) and any subsequent amendments thereto shall become a minimum standard with effect from 1 January 2019;

and

- (vii) based on, among other things, the bank's -

- (A) board-approved risk appetite or tolerance for risk;
- (B) board-approved business strategy;
- (C) risk profile and control environment;
- (D) future capital needs;
- (E) desired level of capital;
- (F) stress-testing results,

such additional buffer of qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds to risk weighted exposure as the board of directors and the senior management of that bank may determine.

Provided that, in addition to any other provision contained in the Act or these Regulations, when the bank's additional buffer of qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds and tier 2 capital and reserve funds to risk weighted exposure is significantly reduced or depleted, for example, as a result of unexpected severe financial distress or economic downturn, the Registrar may, after consultation with the relevant bank, in writing impose constraints on the bank, such as capital distribution constraints, until the bank's additional buffer of qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds and tier 2 capital and reserve funds to risk weighted exposure is restored.

(f) Matters related to the capital conservation buffer

Outside periods of stress identified by the Registrar in writing, a bank shall hold a conservation buffer of capital above the other relevant minimum required ratios that may be specified from time to time, provided that-

- (i) when a bank's capital conservation buffer has been reduced or drawn down, the bank shall rebuild the buffer, for example, by way of-
 - (A) a reduction in the bank's discretionary distributions of earnings, such as a reduction in dividend payments, share buy-backs or bonus payments; or
 - (B) the issuance of further capital to shareholders as an alternative to conserving internally generated capital,

the choice between or balance of which options shall be duly explained to and discussed with the Registrar as part of the bank's ICAAP and capital planning process as envisaged in regulation 39(16);

- (ii) in the absence of raising capital in order to rebuild its capital buffer, the bank shall increase the share of earnings retained the closer the bank's respective levels of qualifying capital and reserve funds move toward the minimum capital requirement specified from time to time, that is, a bank that is in the process of reducing or depleting its capital buffer-
 - (A) shall not rely on future predictions of recovery or growth in earnings, for example, to maintain substantial distributions of earnings to shareholders, other capital providers or employees;
 - (B) shall not distribute available capital to signal financial strength;
- (iii) from 1 January 2016, when a bank's specified capital adequacy ratios are reduced due to write-offs against the capital conservation buffer, the Registrar shall impose capital constraints on the bank that shall include capital distribution constraints, in accordance with the provisions of table 1 below, until the bank's conservation buffer is restored:

Table 1

Common equity tier 1 capital and reserve funds ratio	Minimum required capital conservation ratios expressed as a percentage of earnings
6.5% to 7.125%	100%
>7.125% to 7.75%	80%
>7.75% to 8.375%	60%
>8.375% to 9.0%	40%
> 9.0%	0%

For example, a bank with a common equity tier 1 capital and reserve fund ratio of-

- (A) more than 7.125 per cent but less than or equal to 7.75 per cent shall conserve 80 per cent of its earnings in the subsequent financial year, that is, the bank's discretionary distribution of earnings in the form of dividends, share buybacks and/ or discretionary bonus payments shall not exceed 20 per cent of earnings.

If the bank wants to make discretionary payments in excess of the specified constraint, the bank has the option of raising capital equal to the amount above the specified constraint that the bank wishes to distribute.

- (B) 10 per cent, with no additional tier 1 capital and reserve funds and no tier 2 capital and reserve funds would have a zero conservation buffer and therefore be subject to the 100 per cent constraint on capital distributions.

(iv) for purposes of the calculation of the conservation buffer-

- (A) items subject to the restriction on distributions shall include share buybacks, dividends or any other discretionary payment on instruments qualifying as common equity tier 1 capital or additional tier 1 capital, and discretionary bonus payments to directors, executive officers and other members of staff, provided that payments that do not result in a reduction of common equity tier 1 capital and reserve funds, such as scrip dividends as may be specified in writing by the Registrar, shall not be considered distributions as envisaged in this subregulation (8);

- (B) earnings include distributable profits or income calculated prior to the deduction of items subject to the restriction on distributions, which earnings shall be calculated after any relevant amount of tax, that is, any tax impact of making a relevant distribution shall be appropriately reversed, provided that, a bank with no positive earnings and a common equity tier 1 capital and reserve fund ratio of less than 9 per cent shall be restricted from making any positive net distribution;

(v) the bank shall manage its business in such a manner that its capital conservation buffer for the period-

- (A) 1 January 2016 to 31 December 2016 shall be no less than 0,625 per cent;

- (B) 1 January 2017 to 31 December 2017 shall be no less than 1,25 per cent;
- (C) 1 January 2018 to 31 December 2018 shall be no less than 1,875 per cent;
- (D) 1 January 2019 and thereafter shall be equal to 2,50 per cent.

(g) *Matters related to the countercyclical buffer*

As a minimum, the countercyclical capital buffer envisaged in paragraph (e)-

- (i) shall be based on aggregate credit growth and other relevant indicators that indicate excessive credit growth and a build up of system-wide risk;
- (ii) when implemented, shall be imposed on all banks when, based on the discretion of the Governor and the Registrar, excess aggregate credit growth is associated with a build-up of system-wide risk, provided that-
 - (A) in order to give banks time to adjust to a buffer level, the Registrar shall pre-announce the relevant decision to implement or raise the level of the countercyclical buffer by up to 12 months before its effective date;
 - (B) banks outside the Republic with credit exposures to counterparties in the Republic shall also be subject to the increased buffer level after the pre-announcement period in respect of the said exposures, provided that to facilitate the successful implementation of this requirement, the Registrar shall timeously engage with all relevant consolidating supervisors and host supervisors;
 - (C) based on factors such as the composition of a bank's portfolio of credit exposure, the buffer that applies to a specific bank may differ from the buffer applied to other banks;
- (iii) shall be released when, based on the discretion of the Governor and the Registrar, the build-up of system-wide risk has dissipated, provided that a decision to release or decrease the level of the countercyclical buffer shall be effective from the date immediately following the date of the announcement;
- (iv) may, based on the discretion of the Governor and the Registrar, be used in conjunction with other available macro-prudential tools to appropriately respond to the macro-financial environment prevailing at the time;

- (v) shall be a weighted average of the relevant buffers specified from time to time across all relevant jurisdictions to which the bank has credit exposures, provided that-
- (A) for purposes of this calculation, credit exposure shall include all relevant private sector credit exposure that attract a credit risk capital requirement or the risk weighted equivalent trading book capital requirement for specific risk, incremental risk, securitisation and resecuritisation exposure;
 - (B) the weighting applied to the buffer in place in each relevant jurisdiction shall be the bank's total credit risk requirement that relates to private sector credit exposures in that jurisdiction, divided by the bank's total credit risk requirement that relates to private sector credit exposures across all relevant jurisdictions;
 - (C) when considering the jurisdiction to which a private sector credit exposure relates, the bank shall as far as possible apply an ultimate risk exposure basis, that is, the bank shall, for example, use the country where the guarantor of an exposure resides, and not merely the jurisdiction where the exposure has been booked;
 - (D) in the case of the bank's value-at-risk (VaR) requirement for specific risk, the incremental risk requirement and the comprehensive risk measurement requirement, the bank shall in writing submit to the Registrar for approval a proposed approach to translate the aforesaid requirements into appropriate risk weights to be allocated to the relevant geographic location of the specific counterparties to which the relevant capital requirements relate, which weights may, for example, be based on the proportion of the relevant portfolio's total exposure at default (EAD) that is due to the EAD resulting from counterparties in each relevant geographic region;
- (vi) shall, based on the judgement of the Governor and the Registrar of the extent of the build-up of system-wide risk, range between zero and 2,5 per cent of a bank's relevant amount of risk weighted exposure.

For example-

- (A) when the countercyclical capital buffer is zero in all the relevant regions in which the bank has private sector credit exposures, the required capital levels and restrictions shall be the same as specified in table 1 in paragraph (f) above;

- (B) when the countercyclical capital buffer is 2.5 per cent, table 2 below sets out the conservation ratios that shall apply at various levels of common equity tier 1 capital and reserve funds:

Table 2

Common equity tier 1 capital and reserve funds ratio	Minimum required capital conservation ratios expressed as a percentage of earnings
6.5% to 7.75%	100%
>7.75% to 9.0%	80%
>9.0% to 10.25%	60%
>10.25% to 11.5%	40%
> 11.5%	0%

(9) *Qualifying capital and reserve funds and related matters*

Based on, among other things, the relevant requirements specified in section 70 of the Act read with the relevant requirements specified in subregulations (8)(a) to (8)(g) above, a bank shall in the calculation of-

- (a) the aggregate amount of common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds and tier 2 capital and reserve funds that the bank is required to maintain, manage its business in such a manner that-
- (i) its common equity tier 1 capital adequacy ratio, that is, the ratio of qualifying common equity tier 1 capital and reserve funds to risk-weighted exposure, is at no time during the period-
- (A) 1 January 2013 to 31 December 2013, less than 4,5 per cent;
- (B) 1 January 2014 to 31 December 2014, less than 5,5 per cent;
- (C) 1 January 2015 and thereafter, less than 6,5 per cent or such other percentage as may be directed in writing by the Registrar;
- (ii) its tier 1 capital adequacy ratio, that is, the ratio of qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds to risk-weighted exposure, is at no time during the period-
- (A) 1 January 2013 to 31 December 2013, less than 6 per cent;
- (B) 1 January 2014 to 31 December 2014, less than 7 per cent;
- (C) 1 January 2015 and thereafter, less than 8 per cent;

- (iii) its total capital adequacy ratio, that is, the ratio of qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds and tier 2 capital and reserve funds to risk-weighted exposure, is at no time during the period-
 - (A) 1 January 2013 to 31 December 2013, less than 9,5 per cent;
 - (B) 1 January 2014 and thereafter, less than 10 per cent;
- (iv) the ratio of hybrid-debt instruments issued prior to 12 September 2010, forming part of the total amount of common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds of the bank, at no time-
 - (A) during the period 1 January 2012 to 31 December 2012 exceeds 15 per cent of the total amount of common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds of the bank;
 - (B) during the period 1 January 2013 to 31 December 2013 exceeds 10 per cent of the total amount of common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds of the bank;
 - (C) during the period 1 January 2014 to 31 December 2014 exceeds 5 per cent of the total amount of common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds of the bank,

Provided that-

- (i) when a hybrid-debt instrument issued prior to 12 September 2010 contains a call or step-up or another incentive to be redeemed between 12 September 2010 and 31 December 2012, and the instrument is not so called and redeemed during that period, and from 1 January 2013 the instrument does not comply with the criteria for inclusion in additional tier 1 capital specified in subregulation (13), the proceeds from that instrument shall be fully disqualified for inclusion in the total amount of common equity tier 1 capital and additional tier 1 capital from 1 January 2013;

- (ii) when a hybrid-debt instrument issued prior to 12 September 2010 contains a call or step-up or another incentive to be redeemed on or after 1 January 2013, and the instrument is not so called and redeemed on that date, and following that date the instrument does not comply with the criteria for inclusion in additional tier 1 capital specified in subregulation (13), the proceeds from that instrument shall be fully disqualified for inclusion in the total amount of common equity tier 1 capital and additional tier 1 capital from the date that the incentive to redeem was not exercised;
 - (iii) after 1 January 2015 no amount obtained from the issue of any hybrid-debt instrument shall form part of the total amount of qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds of the bank.
- (b) the aggregate amount of allocated qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds, required to support risks other than market risk, including any relevant required amount of capital and reserve funds in respect of credit risk and operational risk, ensure that-
 - (i) the ratio of hybrid-debt instruments issued prior to 12 September 2010, forming part of the total amount of common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds, at no time-
 - (A) during the period 1 January 2012 to 31 December 2012 exceeds 15 per cent of the total amount of common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds;
 - (B) during the period 1 January 2013 to 31 December 2013 exceeds 10 per cent of the total amount of common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds of the bank;
 - (C) during the period 1 January 2014 to 31 December 2014 exceeds 5 per cent of the total amount of common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds of the bank,

Provided that-

- (i) when a hybrid-debt instrument issued prior to 12 September 2010 contains a call or step-up or another incentive to be redeemed between 12 September 2010 and 31 December 2012, and the instrument is not called and redeemed during that period, and on or after 1 January 2013 the instrument does not comply with the criteria for inclusion in additional tier 1 capital specified in subregulation (13), the proceeds from that instrument shall be fully disqualified for inclusion in the total amount of common equity tier 1 capital and additional tier 1 capital from 1 January 2013;
- (ii) when a hybrid-debt instrument issued prior to 12 September 2010 contains a call or step-up or another incentive to be redeemed on or after 1 January 2013, and the instrument is not so called and redeemed on that date, and following that date the instrument does not comply with the criteria for inclusion in additional tier 1 capital specified in subregulation (13), the proceeds from that instrument shall be fully disqualified for inclusion in the total amount of common equity tier 1 capital and additional tier 1 capital from the date that the incentive to redeem was not exercised;
- (iii) after 1 January 2015 no amount obtained from the issue of any hybrid-debt instrument shall form part of the total amount of qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds of the bank.

(10) *Conditions relating to reserve funds and retained earnings*

No amount relating to any profit or earnings of a bank or controlling company shall constitute qualifying common equity tier 1 reserve funds or additional tier 1 reserve funds of the said reporting bank or controlling company unless the board of directors of the relevant bank or controlling company formally appropriated the said amount by way of a board resolution to constitute retained earnings of the relevant bank or controlling company, that is, the board of directors of the relevant bank or controlling company shall formally consider the said amount and shall resolve that such profit or earnings constitutes retained earnings to be included in the capital base of the relevant bank or controlling company, which profit or earnings is subsequently available to absorb losses on a going concern basis that may arise from risks pertaining to the particular nature of such bank's or controlling company's business, and the said profit or earnings is disclosed as such in the published financial statements of the relevant bank or controlling company.

(11) *Conditions relating to instruments not qualifying as common equity tier 1 capital and/or additional tier 1 capital due to a prescribed limit or ratio*

Any capital obtained through the issue of shares or instruments that would otherwise rank as-

- (a) common equity tier 1 capital of the reporting bank but is subsequently disqualified to rank as common equity tier 1 capital of the reporting bank as a result of a limit or ratio imposed in respect of qualifying amounts in terms of the provisions of subregulation (9) of these Regulations, shall qualify as additional tier 1 capital of the reporting bank;
- (b) additional tier 1 capital of the reporting bank but is subsequently disqualified to rank as additional tier 1 capital of the reporting bank as a result of a limit or ratio imposed in respect of qualifying amounts in terms of the provisions of subregulation (9) of these Regulations, shall qualify as tier 2 capital of the reporting bank in accordance with the relevant requirements specified in subregulation (14) below.

(12) *Percentage of capital obtained through the issue of certain shares and debt instruments that may qualify as tier 2 capital*

Capital obtained through the issue, as contemplated in the definition of tier 2 capital in section 1(1) of the Act, of-

- (a) cumulative preference shares may subject to paragraph (b) below rank as tier 2 capital to the extent of 100 per cent thereof;
- (b) cumulative preference shares issued in pursuance of the capitalisation of reserves resulting from a revaluation of specified assets may, subject to any relevant condition or requirement specified in this regulation 38, rank as tier 2 capital to the extent of 100 per cent thereof;
- (c) preference shares other than cumulative preference shares issued in pursuance of the capitalisation of reserves resulting from a revaluation of specified assets may, subject to any relevant condition or requirement specified in this regulation 38, rank as tier 2 capital to the extent of 100 per cent thereof; and
- (d) debt instruments such as debentures, hybrid-debt instruments or any interest-bearing written acknowledgement of debt, issued in accordance with the conditions set forth in subregulation (14) below, may rank as tier 2 capital to the extent of 100 per cent thereof.

(13) *Conditions for issue of instruments or shares of which the proceeds rank as common equity tier 1 capital and/or additional tier 1 capital*

- (a) The proceeds of any instrument or share that as a minimum meets or complies with all the conditions specified below, may rank as common equity tier 1 capital:
- (i) The instrument or share-
 - (A) shall be issued directly by the relevant bank or controlling company and paid in full by the relevant investor, and the bank or controlling company shall not directly or indirectly fund the purchase of the instrument;
 - (B) shall entitle the holder to a claim on the residual assets of the relevant bank or controlling company that is proportionate to the holder's share of issued capital, after all senior claims have been repaid in liquidation, that is, the holder of the share shall have an unlimited and variable claim, not a fixed or capped claim;
 - (C) shall be issued only with the approval of the relevant owners of the issuing bank or controlling company, either given directly by the owners or the Board of Directors or other person(s) duly authorised thereto;
 - (D) shall be clearly and separately disclosed in the balance sheet of the relevant bank or controlling company.
 - (ii) The principal amount shall be perpetual and never repaid or repayable outside of liquidation.
 - (iii) Neither the bank nor the statutory or contractual terms of the instrument or share shall create an expectation at issuance that the instrument may be bought back, redeemed or cancelled.
 - (iv) Any distribution in respect of the instrument or share shall be paid out of distributable reserves, such as retained earnings, provided that the level of distribution shall not be tied or linked to the amount paid at issuance and shall not be subject to a contractual cap except to the extent that a bank or controlling company may be unable to pay distributions that exceed the level of distributable items.
 - (v) Distribution in respect of the instrument or share shall not be obligatory, that is, non payment of a distribution shall not constitute an event of default.

- (vi) Any distribution in respect of the instrument or share shall be paid only after all legal and contractual obligations have been met and all relevant payments on more senior capital instruments have been made, that is, there shall be no preferential distribution, including in respect of other instruments or elements that may be classified as the highest quality issued capital.
- (vii) The paid amount-
 - (A) shall be recognised and disclosed as equity capital and not as a liability when determining the relevant bank or controlling company's balance sheet solvency or insolvency;
 - (B) shall be classified as equity in terms of the relevant Financial Reporting Standards issued from time to time;
 - (C) shall be neither secured nor covered by any guarantee of the issuer or related or associated entity or subject to any other arrangement that legally or economically enhances the seniority of the claim;
- (b) Subject to the provisions of paragraphs (c) and (d) below, the relevant proceeds of any instrument or share that as a minimum meets or complies with all the conditions specified below may rank as additional tier 1 capital:
 - (i) The terms and conditions of the instrument shall contain a provision that requires such instrument, at the option of the Registrar, to either be written off or converted into the most subordinated form of equity upon the occurrence of the trigger event specified in writing by the Registrar, unless duly enforceable legislation is in place-
 - (A) that requires the instrument to be written off upon the occurrence of the aforesaid event; or
 - (B) that otherwise requires the instrument to fully absorb loss before tax payers or ordinary depositors are exposed to loss,and the bank or controlling company complies with such further requirements as may be directed by the Registrar in writing.

Provided that-

- (i) any compensation paid to the instrument holders as a result of the aforesaid write-off shall be paid immediately and in the form of the most subordinated form of equity of the relevant bank or its controlling company, and the bank or controlling company, as the case may be, shall at all times maintain all prior authorisation necessary to immediately issue the relevant number of shares specified in the instrument's terms and conditions should the trigger event occur;
- (ii) the issuance of any new shares as a result of the trigger event shall occur prior to any public sector injection of capital so that the capital provided by the public sector shall not be diluted;
- (iii) as a minimum, the aforesaid trigger event shall be the earlier of-
 - (aa) a decision that a write-off, without which the bank or controlling company would become non-viable, is necessary, as determined by the Registrar; or
 - (bb) the decision to make a public sector injection of capital, or equivalent support, without which the bank or controlling company would have become non-viable, as determined by the Registrar.
- (ii) The bank or controlling company, as the case may be, shall obtain the prior written approval of the Registrar before the instrument or share is issued;
- (iii) The key features of the relevant instruments or shares shall be duly disclosed in the annual financial statements and other relevant disclosures to the general public;
- (iv) The instrument or share-
 - (A) shall be issued by the relevant bank or controlling company and shall be paid in full by the relevant investor;
 - (B) shall be neither secured nor covered by a guarantee of the issuer or any related entity, or another arrangement that legally or economically enhances the seniority of the claim;
 - (C) shall be perpetual, that is, the instrument or share shall have no maturity date, and there shall be no provision for step-up or other incentive to redeem the instrument or share;

- (D) may be callable at the sole initiative of the issuer only after a minimum period of five years, provided that-
 - (i) the relevant bank or controlling company, as the case may be, shall obtain the prior written approval of the Registrar before exercising the said call;
 - (ii) neither the bank nor the controlling company shall create any expectation that such call will be exercised;
 - (iii) the bank or controlling company shall not exercise the call unless the bank or controlling company-
 - (aa) concurrently replaces the called instrument with capital of similar or better quality and the replacement of capital is done at conditions that are sustainable for the income capacity of that bank or controlling company; or
 - (bb) demonstrates to the satisfaction of the Registrar that its capital position shall be well above the relevant specified minimum capital requirements after the call option is exercised;
- (E) shall not be held or acquired by the bank or any person related to or associated with the bank, or over which the bank exercises or may exercise control or significant influence;
- (F) shall not be funded directly or indirectly by the relevant bank or controlling company;
- (G) shall not contain any feature that may hinder any potential future recapitalisation, such as, for example, a provision that requires the issuer to compensate investors if a new instrument is issued at a lower price during a specified time frame;
- (H) shall under no circumstances constitute a liability of the bank or controlling company in terms of, for example, any insolvency law or insolvency proceedings, provided that any instrument classified as a liability in terms of a Financial Reporting Standard shall have principal loss absorption through either-
 - (i) conversion to common or ordinary shares at an objective pre-specified trigger point; or

- (ii) a write-down mechanism that allocates losses to the instrument at a pre-specified trigger point, which write-down mechanism, as a minimum-
 - (aa) shall reduce the claim of the instrument in liquidation;
 - (bb) shall reduce the amount re-paid when a relevant related call is exercised; and
 - (cc) shall partially or fully reduce any relevant coupon or dividend payments on the instrument.
- (v) The relevant bank or controlling company shall obtain the prior written approval of the Registrar before any repayment of principal is considered by way of, for example, repurchase or redemption, provided that the bank or controlling company shall not assume or create market expectation that the Registrar will grant approval.
- (vi) The relevant bank or controlling company shall at all times have full discretion regarding any relevant distribution or payment of dividend, provided that-
 - (A) a cancellation of a discretionary payment shall not constitute an event of default;
 - (B) the relevant bank or controlling company shall have full access to cancelled payments to meet any relevant obligation as it falls due;
 - (C) any cancellation of a distribution or payment of dividend shall not impose any restriction on the bank or controlling company, except in relation to a distribution to holders of more deeply subordinated shares or instruments;
 - (D) any dividend or coupon payment shall be paid out of distributable reserves, such as retained earnings;
 - (E) the relevant underlying instrument shall not have any credit sensitive dividend feature, that is, a dividend or coupon that is periodically reset based in whole or in part on the bank or controlling company's credit standing or rating;

- (vii) When the instrument or share is issued by a special purpose vehicle or institution, instead of by an operating entity, that is, an entity established to conduct business with clients with the intention of earning a profit in its own right, or the relevant controlling company in the consolidated group, the proceeds shall be immediately available without limitation to an operating entity or the controlling company in a form that meets or exceeds all the relevant criteria for inclusion in additional tier 1 capital specified above.
- (c) Without derogating from the provisions of subregulation (9) above relating to the phasing-out of specified hybrid-debt instruments qualifying as tier 1 capital, when an instrument or a share-
- (i) was issued prior to 12 September 2010 and that instrument or share does not comply with the relevant criteria and conditions specified in paragraphs (b)(ii) to (b)(vii) above, which criteria and conditions shall for purposes of these Regulations be referred to as the entry criteria and conditions, the proceeds obtained through the issue of that instrument or share shall be phased out from 1 January 2013 in accordance with the relevant requirements specified in paragraph (d) below;
 - (ii) was issued on or after 12 September 2010 but before 1 January 2013, and that instrument or share does not comply with the relevant criteria and conditions specified in paragraph (b)(i) above, but the instrument or share meets or complies with all the relevant entry criteria and conditions specified in paragraphs (b)(ii) to (b)(vii), the proceeds obtained through the issue of that instrument or share shall be phased out from 1 January 2013 in accordance with the relevant requirements specified in paragraph (d) below;
 - (iii) is issued on or after 1 January 2013, that instrument or share shall comply with all the relevant conditions specified in paragraph (b) above in order for the proceeds obtained through the issue of that instrument or share to qualify as additional tier 1 capital;
- (d) Based on the relevant requirements specified in paragraph (c) above, a bank or controlling company-
- (i) shall on 1 January 2013 determine the base amount in respect of all relevant instruments that do not meet or comply with the relevant specified criteria or requirements in paragraph (b), the proceeds of which shall be phased out in accordance with the relevant requirements specified in subparagraph (ii) below;
 - (ii) shall manage its business in such a manner that during the periods specified in table 3 below, the relevant aggregate amount of the said instruments included in the bank or controlling company's relevant amount of qualifying additional tier 1 capital shall not exceed the percentage of the base amount specified in table 3 below:

Table 3

Specified period	Specified percentage of the relevant base amount
1 January 2013 to 31 December 2013	90
1 January 2014 to 31 December 2014	80
1 January 2015 to 31 December 2015	70
1 January 2016 to 31 December 2016	60
1 January 2017 to 31 December 2017	50
1 January 2018 to 31 December 2018	40
1 January 2019 to 31 December 2019	30
1 January 2020 to 31 December 2020	20
1 January 2021 to 31 December 2021	10

Provided that from 1 January 2022 only instruments that fully comply with all the criteria and requirements specified in paragraph (b) shall be included in the bank or controlling company's relevant amount of qualifying additional tier 1 capital.

(14) *Conditions for the issue of instruments or shares of which the proceeds rank as tier 2 capital*

The proceeds of issued instruments or shares contemplated in section 1(1) of the Act that comply with all the conditions specified below shall rank as tier 2 capital:

- (a) Subject to the provisions of paragraphs (b) and (c) below, in the case of any instrument or share that is subordinated to depositors and general creditors-
- (i) the terms and conditions of the instrument shall contain a provision that requires such instrument, at the option of the Registrar, to either be written off or converted into the most subordinated form of equity upon the occurrence of the trigger event specified in writing by the Registrar, unless duly enforceable legislation is in place that-
- (A) requires the instrument to be written off upon the occurrence of the aforesaid event; or
- (B) otherwise requires the instrument to fully absorb loss before tax payers or ordinary depositors are exposed to loss,

and the bank or controlling company complies with such further requirements as may be directed by the Registrar in writing.

Provided that-

- (i) any compensation paid to the instrument holders as a result of the aforesaid write-off shall be paid immediately and in the form of the most subordinated form of equity of the relevant bank or its controlling company, and the bank or controlling company, as the case may be, shall at all times maintain all prior authorisation necessary to immediately issue the relevant number of shares specified in the instrument's terms and conditions should the trigger event occur;
- (ii) the issuance of any new shares as a result of the trigger event shall occur prior to any public sector injection of capital so that the capital provided by the public sector shall not be diluted;
- (iii) as a minimum, the aforesaid trigger event shall be the earlier of-
 - (aa) a decision that a write-off, without which the bank or controlling company would become non-viable, is necessary, as determined by the Registrar; or
 - (bb) the decision to make a public sector injection of capital, or equivalent support, without which the bank or controlling company would have become non-viable, as determined by the Registrar.
- (ii) the bank or controlling company, as the case may be, shall obtain the prior written approval of the Registrar before the instrument or share is issued;
- (iii) the key features of the relevant instruments or shares shall be duly disclosed in the annual financial statements or other relevant disclosures to the general public;
- (iv) the instrument or share-
 - (A) shall be issued and fully paid;
 - (B) shall be neither secured nor covered by any guarantee of the issuer or related or associated entity, or be subject to any other arrangement that legally or economically enhances the seniority of the claim;
 - (C) shall have a minimum original maturity of more than five years, provided that during the fifth year preceding the maturity of the relevant instrument the amount qualifying as tier 2 capital shall be reduced by an amount equal to 20 per cent of the amount so obtained and, annually thereafter, by an amount that in each successive year is increased by 20 per cent of the amount so obtained;

- (D) shall not contain any provision for step-up or other incentive to redeem;
- (E) shall not have any credit sensitive dividend feature, that is, a dividend or coupon that is periodically reset based in whole or in part on the bank's credit standing or rating;
- (F) shall not be held or acquired by the bank or any person related to or associated with the bank or over which the bank exercises or may exercise control or significant influence;
- (G) shall not be funded directly or indirectly by the relevant bank or controlling company;
- (H) may be callable at the sole initiative of the issuer only after a minimum period of five years, provided that-
 - (i) the bank shall obtain the prior written approval of the Registrar before exercising the said call;
 - (ii) the bank shall not create any expectation that such call will be exercised;
 - (iii) the bank shall not exercise the call unless the bank-
 - (aa) concurrently replaces the called instrument with capital of similar or better quality and the replacement of capital is done at conditions that are sustainable for/with the income capacity of the bank; or
 - (bb) demonstrates to the satisfaction of the Registrar that its capital position shall be well above the relevant specified minimum capital requirements after the call option is exercised;
- (v) the investor shall not have any right to accelerate the repayment of future scheduled payments, such as coupon or principal, except in the case of bankruptcy and/or liquidation;
- (vi) when the instrument or share is issued by a special purpose vehicle or institution, instead of by an operating entity, that is, an entity established to conduct business with clients with the intention of earning a profit in its own right, or the relevant controlling company in the consolidated group, the proceeds shall be immediately available without limitation to an operating entity or the controlling company in a form that meets or exceeds all the relevant criteria for inclusion in tier 2 capital specified above;

- (b) When-
- (i) an instrument or share was issued prior to 12 September 2010 and that instrument or share does not comply with the relevant criteria and conditions specified in paragraphs (a)(ii) to (a)(vi) above, which criteria and conditions shall for purposes of these Regulations be referred to as the entry criteria and conditions, the proceeds obtained through the issue of that instrument or share shall be phased out from 1 January 2013 in accordance with the relevant requirements specified in paragraph (c) below;
 - (ii) an instrument or share was issued on or after 12 September 2010 but before 1 January 2013, and that instrument or share does not comply with the relevant criteria and conditions specified in paragraph (a)(i) above, but the instrument or share meets or complies with all the relevant entry criteria and conditions specified in paragraphs (a)(ii) to (a)(vi), the proceeds obtained through the issue of that instrument or share shall be phased out from 1 January 2013 in accordance with the relevant requirements specified in paragraph (c) below;
 - (iii) a hybrid-debt instrument issued prior to 12 September 2010 contains a call or step-up or any other incentive to be redeemed-
 - (A) between 12 September 2010 and 31 December 2012, and the instrument is not called and redeemed during that period, and on or after 1 January 2013 the instrument does not comply with the criteria for inclusion in tier 2 capital specified in this subregulation (14), the proceeds from that instrument shall be fully disqualified for inclusion in the total amount of tier 2 capital from 1 January 2013;
 - (B) on or after 1 January 2013, and the instrument is not so called and redeemed on that date, and following that date the instrument does not comply with the criteria for inclusion in tier 2 capital specified in this subregulation (14), the proceeds from that instrument shall be fully disqualified for inclusion in the total amount of tier 2 capital from the date that the incentive to redeem was not exercised;
 - (iv) an instrument or share is issued on or after 1 January 2013, that instrument or share shall comply with all the relevant conditions specified in paragraph (a) above in order for the proceeds obtained through the issue of that instrument or share to qualify as tier 2 capital.

- (c) Based on the relevant requirements specified in paragraph (b) above, a bank or controlling company-
- (i) shall on 1 January 2013 determine the base amount in respect of all relevant instruments that do not meet or comply with the relevant specified criteria or requirements in paragraph (a), the proceeds of which shall be phased out in accordance with the relevant requirements specified in subparagraph (ii) below;
 - (ii) shall manage its business in such a manner that during the periods specified in table 4 below, the relevant aggregate amount of the said instruments included in the bank or controlling company's relevant amount of qualifying tier 2 capital shall not exceed the percentage of the base amount specified in table 4 below:

Table 4

Specified period	Specified percentage of the relevant base amount
1 January 2013 to 31 December 2013	90
1 January 2014 to 31 December 2014	80
1 January 2015 to 31 December 2015	70
1 January 2016 to 31 December 2016	60
1 January 2017 to 31 December 2017	50
1 January 2018 to 31 December 2018	40
1 January 2019 to 31 December 2019	30
1 January 2020 to 31 December 2020	20
1 January 2021 to 31 December 2021	10

Provided that from 1 January 2022 only instruments that fully comply with all the criteria and requirements specified in paragraph (a) shall be included in the bank or controlling company's relevant amount of qualifying tier 2 capital.

(15) *Tier 2 unimpaired reserve funds*

- (a) Any share premium that is not eligible for inclusion in common equity tier 1 unimpaired reserve funds or additional tier 1 unimpaired reserve funds shall be permitted to be included in tier 2 unimpaired reserve funds only if the shares or instruments giving rise to the surplus are permitted to be included in tier 2 capital.

(16) *Matters related to specified minority interests, that is, non-controlling interests, in shares and/ or instruments qualifying as capital*

In the case of-

- (a) any minority interest arising from the issue of shares or instruments by a fully consolidated subsidiary of the reporting bank or controlling company, the relevant proceeds may be included in the bank or controlling company's common equity tier 1 capital only when-
 - (i) the share or instrument giving rise to the minority interest would, if issued by the relevant bank or controlling company, comply with all the relevant criteria and requirements specified in subregulation (13)(a); and
 - (ii) the subsidiary that issued the share or instrument is itself a bank or, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, a non-bank institution that is subject to the same minimum prudential standards and level of supervision as a bank, that is, when capital has been issued to third parties out of a special-purpose vehicle or entity, none of that capital shall be included in the bank or controlling company's common equity tier 1 capital,

Provided that the amount of minority interest that complies with the specified criteria or requirements and that may be included in the relevant consolidated amount of common equity tier 1 capital shall be calculated as total minority interest meeting the specified criteria minus the amount of the surplus common equity tier 1 capital of the subsidiary attributable to the minority shareholders, provided that-

- (A) the surplus amount of common equity tier 1 capital of the subsidiary shall be calculated as the common equity tier 1 capital of the subsidiary minus the lower of-
 - (i) the relevant minimum requirement of common equity tier 1 capital of the subsidiary plus the relevant specified required capital conservation buffer, that is, for example, 7 per cent of risk weighted exposure; and
 - (ii) the portion of the consolidated minimum common equity tier 1 capital requirement plus the relevant specified capital conservation buffer, that is, for example, 7 per cent of the consolidated risk weighted exposure, that relates to the subsidiary;

- (B) the surplus amount of common equity tier 1 capital attributable to the minority shareholders shall be calculated by multiplying the surplus common equity tier 1 capital with the relevant percentage of common equity tier 1 capital that is held by minority shareholders.
- (b) shares or instruments issued by a fully consolidated subsidiary of the reporting bank or controlling company to third party investors, including any relevant amount envisaged in paragraph (a) above, the relevant proceeds may be included in the total amount of tier 1 capital only when the relevant instruments would, if issued by the bank or controlling company, comply with all the relevant criteria or requirements specified in subregulation (13)(a) or (13)(b), provided that the amount of capital that may be included in tier 1 capital shall be the total amount of tier 1 capital of the subsidiary issued to third parties minus the surplus amount of tier 1 capital of the subsidiary attributable to the third party investors, provided that-
 - (i) the surplus amount of tier 1 capital of the subsidiary shall be calculated as the tier 1 capital amount of the subsidiary minus the lower of:
 - (A) the minimum tier 1 capital requirement of the relevant subsidiary plus the relevant capital conservation buffer, that is, for example, 8,5 per cent of risk weighted exposure; and
 - (B) the portion of the minimum consolidated requirement of tier 1 capital plus the relevant capital conservation buffer, that is, for example, 8,5 per cent of the consolidated amount of risk weighted exposure that relates to the subsidiary;
 - (ii) the surplus amount of tier 1 capital attributable to the third party investors shall be calculated by multiplying the surplus amount of tier 1 capital with the relevant percentage of tier 1 capital held by the relevant third party investors;
 - (iii) the amount that may be recognised as additional tier 1 capital shall be the total amount calculated in terms of the provisions of this paragraph (b) minus the relevant amount calculated and recognised in terms of the provisions of paragraph (a) above;
 - (iv) when the capital has been issued to third parties out of a special-purpose vehicle or entity, such capital may be included in consolidated additional tier 1 capital, and treated as if the bank or controlling company itself had issued the capital directly to the third parties, only if it meets all the relevant specified entry criteria or requirements and the only asset of the special-purpose vehicle or entity is its investment in the capital of the relevant bank or controlling company in a form that as a minimum complies with all the relevant entry criteria specified in subregulations (13)(b)(ii) to (13)(b)(vii), provided that when the capital has been issued to third parties through a special-purpose vehicle or entity via a fully consolidated subsidiary of the bank or controlling company, such capital may, subject to the relevant requirements specified above, and such further conditions or requirements

as may be specified in writing by the Registrar, be treated as if the subsidiary itself had issued it directly to the third parties, and may be included in the relevant consolidated amount of additional tier 1 capital in accordance with the relevant requirements specified in this subregulation (16);

- (c) shares or instruments issued by a fully consolidated subsidiary of the reporting bank or controlling company to third party investors, including any relevant amount envisaged in paragraph (a) or (b) above, the relevant proceeds may be included in the total amount of qualifying tier 1 and tier 2 capital and reserve funds only when the relevant shares or instruments would, when issued by the relevant bank or controlling company, comply with all of the relevant criteria or requirements specified in these Regulations for common equity tier 1 capital, additional tier 1 capital or tier 2 capital, provided that the amount that may be included in the total consolidated amount of capital and reserve funds shall be the relevant total amount of capital of the relevant subsidiary issued to third parties minus the surplus amount of total capital of the subsidiary attributable to the third party investors, provided that-
- (i) the surplus amount of total capital of the subsidiary shall be calculated as the total capital of the subsidiary minus the lower of:
 - (A) the relevant minimum total capital requirement of the subsidiary plus the relevant capital conservation buffer, that is, for example, 10,5 per cent of risk weighted exposure; and
 - (B) the portion of the consolidated minimum total capital requirement plus the capital conservation buffer, that is, for example, 10,5 per cent of consolidated risk weighted exposure that relates to the subsidiary;
 - (ii) the surplus amount of total capital attributable to the third party investors shall be calculated by multiplying the surplus total capital with the relevant percentage of total capital held by third party investors;
 - (iii) the relevant amount that may be included in tier 2 capital shall be the total amount calculated in terms of the provisions of this paragraph (c) minus the relevant amounts calculated and recognised in terms of the provisions of paragraphs (a) and (b) above;
 - (iv) when the capital has been issued to third parties out of a special-purpose vehicle or entity, such capital may be included in consolidated additional tier 1 capital or tier 2 capital, and treated as if the bank or controlling company itself had issued the capital directly to the third parties, only if it meets all the relevant specified entry criteria or requirements and the only asset of the special purpose vehicle or entity is its investment in the capital of the relevant bank or controlling company in a form that as a minimum complies with all the relevant entry criteria specified in subregulation (13) or (14), provided that when the capital has been issued to third parties through a special-purpose vehicle or entity via a fully consolidated subsidiary of the bank or controlling company, such capital may, subject to

the relevant requirements specified above, and such further conditions or requirements as may be specified in writing by the Registrar, be treated as if the subsidiary itself had issued it directly to the third parties, and may be included in the relevant consolidated amount of additional tier 1 capital or tier 2 capital in accordance with the relevant requirements specified in this subregulation (16).

(17) *Matters related to leverage*

(a) In order to-

- (i) prevent the build-up of excessive on-balance-sheet and off-balance-sheet leverage in banks and banking groups; and
- (ii) mitigate the risks associated with deleveraging that may occur during a period of market uncertainty, such as the amplification of downward pressure on asset prices, material declines in bank capital and contraction in credit availability that may damage the broader financial system and the economy,

every bank and every controlling company shall calculate a non risk-based leverage ratio in accordance with the relevant requirements specified in this subregulation (17), to supplement the bank or controlling company's risk-based capital requirements.

(b) For purposes of this subregulation (17) and the calculation of a bank or controlling company's relevant leverage ratio-

- (i) qualifying capital and reserve funds means the sum of common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds as reported in item 77, column 1, of the form BA 700;
- (ii) non-risk-sensitive exposure-
 - (A) shall in the case of on-balance-sheet exposures include all relevant-
 - (i) on-balance-sheet non-derivative exposures included in the form BA 100, net of specific provision and/ or other credit valuation adjustment;

- (ii) gross exposure amounts, that is, unless expressly otherwise provided in this subregulation (17), no netting of loans and deposits shall be allowed for purposes of calculating the bank's relevant leverage ratio;
 - (iii) securities financing transactions (SFT), that is, transactions such as repurchase agreements, reverse repurchase or resale agreements, security lending and borrowing, and margin lending transactions-
 - (aa) which transactions are often subject to margin agreements;
 - (bb) the value of which transactions-
 - (i) essentially depends on market valuations;
 - (ii) shall be determined in accordance with the relevant Financial Reporting Standards issued from time to time read with the relevant directives for netting, other than cross-product netting, specified in these Regulations;
 - (iv) derivative instruments, including relevant transactions in terms of which the bank sold protection using a credit derivative instrument, the value of which instruments shall be determined in accordance with the relevant Financial Reporting Standards issued from time to time plus an add-on for potential future exposure calculated in accordance with the relevant requirements for the Current Exposure Method specified in regulation 23(17) of these Regulations, read with the relevant directives for netting, other than cross-product netting, specified in these Regulations;
- (B) shall in the case of all relevant on-balance-sheet exposures exclude any physical or financial collateral, guarantees or other credit risk mitigation instruments, that is, the respective on-balance-sheet exposure amounts shall not be reduced by any amount related to a risk mitigation instrument;
- (C) shall in the case of off-balance-sheet exposures include all relevant amounts related to-
- (i) commitments, including all relevant liquidity facilities;
 - (ii) revocable undrawn commitments;

- (iii) direct credit substitutes;
- (iv) acceptances;
- (v) standby letters of credit;
- (vi) trade letters of credit;
- (vii) failed transactions;
- (viii) unsettled securities;
- (ix) repurchase agreements, securities financing transactions and derivative instruments in accordance with the applicable requirements specified in item (A) above,

in respect of which off-balance-sheet exposures the bank shall in all relevant cases apply a uniform 100 per cent credit conversion factor, provided that in the case of revocable undrawn commitments the bank may apply a credit conversion factor of 10 per cent.

- (iii) a bank or controlling company shall calculate its leverage ratio in accordance with the formula specified below:

$$\text{Leverage} = \frac{\text{Qualifying capital and reserve funds}}{\text{Non risk-sensitive exposure}} \times 100$$

Provided that-

- (A) since items that are deducted in full from capital do not contribute to leverage, a bank or controlling company shall also appropriately deduct the said items from its relevant amount of non risk-sensitive exposure;
- (B) in order to ensure that qualifying capital and reserve funds, and non risk-sensitive exposure, are measured consistently for purposes of calculating the bank or controlling company's leverage ratio, a bank shall exclude from its relevant amount of exposure the amount of assets related to institutions of which the investment in capital is excluded from regulatory consolidation, in accordance with the relevant requirements specified in subregulation (5), that is, assets and/ or exposure of relevant entities shall be excluded in proportion to the capital that is excluded in terms of the provisions of subregulation (5);

- (C) between 1 January 2013 and 31 December 2017 banks, controlling companies and the Registrar shall apply the relevant requirements specified in this subregulation (17) to monitor the readiness of relevant institutions to implement and fully comply with the said requirements and any subsequent amendments thereto as a minimum standard from 1 January 2018;
 - (iv) during the aforesaid monitoring period of 1 January 2013 to 31 December 2017, a bank or controlling company, as the case may be, shall manage its business in such a manner that its leverage ratio is at no time less than 4 per cent, that is, the bank's leverage multiple, which is the inverse of the bank's leverage ratio, shall at no time exceed 25, or such leverage ratio and multiple as may be determined by the Registrar in consultation with the Governor of the Reserve Bank, which leverage ratio shall in no case be less than 3 per cent.
- (18) *Repayment of capital*
- (a) A bank shall not without the prior written approval of the Registrar or otherwise than in accordance with conditions approved by the Registrar in writing repay any of its common equity tier 1 capital or additional tier 1 capital or, before the maturity thereof, redeem any of the instruments issued that qualify as tier 2 capital.
 - (b) A written application by a bank under paragraph (a) for the permission of the Registrar-
 - (i) to repay any of its common equity tier 1 capital or additional tier 1 capital shall contain written confirmation by the board of directors of the bank that-
 - (A) the relevant capital adequacy ratios of the bank concerned shall be at least one percentage point higher than the relevant percentages determined in terms of subregulations (8) and (9), after the repayment of the said common equity tier 1 capital or additional tier 1 capital, without relying on any new capital issues;
 - (B) the remaining common equity tier 1 capital and additional tier 1 capital shall be sufficient to ensure continued compliance by the relevant bank with the relevant requirements specified in subregulation (9), including, among others, that the bank's common equity tier 1 capital adequacy ratio shall exceed the relevant specified percentage;

- (C) the repayment of tier 1 capital is consistent with the bank's strategic and operating plans;
 - (D) the repayment of tier 1 capital takes into account any possible acquisitions, increased capital requirements of subsidiary companies or branches of the said bank and the possibility of exceptional losses;
 - (E) the repayment of tier 1 capital is included in the bank's ALCO process regarding the management of liquidity risk;
 - (F) all shares acquired back by the bank from the repayment of capital shall immediately be cancelled;
- (ii) to repay any of its tier 2 capital before the maturity thereof shall contain written confirmation by the board of directors of the bank that-
- (A) the bank shall simultaneously with the redemption of instruments issue further tier 2 capital that shall be of a quantity and quality similar to or higher than the instruments to be redeemed when the period that lapsed since the issue date of the instruments to be redeemed is or will be less than or equal to five years;
 - (B) the capital adequacy ratio of the bank concerned shall be at least one percentage point higher than the relevant percentage determined in terms of subregulations (8) and (9), after the repayment of the said tier 2 capital, without relying on any new capital issues;
 - (C) the repayment of tier 2 capital is included in the bank's ALCO process regarding the management of liquidity risk;
- (c) The provisions of this subregulation (18), to the extent that they are relevant, shall *mutatis mutandis* apply to a controlling company.
- (19) Instructions relating to the completion of the form BA 700 are furnished with reference to the headings and item descriptions of certain columns and line item numbers appearing on the form BA 700, as follows:

Line items relating to the summary information of capital adequacy

Line item number	Description
2	<p>Risk equivalent amount in respect of concentration risk</p> <p>Based on the relevant requirements specified in section 73 of the Act and such further requirements as may be specified in writing by the Registrar, this item shall reflect the relevant risk equivalent amount related to any capital requirement in respect of concentration risk.</p>
3	<p>Risk weighted exposure in respect of threshold items and other specified items</p> <p>When reporting on a solo basis, based on, among other things, the relevant requirements specified in subregulation (5)(b), this line item shall reflect the relevant amount reported in item 228 of the form BA 700, after applying the relevant risk weight of 250%, plus the relevant amount reported in item 229 of the form BA 700, after applying the relevant risk weight of 1250%.</p>
5	<p>Risk weighted exposure equivalent amounts specified by the Registrar, such as capital floors or add-ons</p> <p>This item shall reflect the relevant risk exposure equivalent amount related to any additional requirement specified in writing by the Registrar that relates to items such as capital floors or other specified add-ons.</p>

Columns relating to the summary information of capital adequacy, items 1 to 8

Column number	Description
1 of item 1	<p>This item shall reflect the relevant required aggregate amount of risk weighted credit exposure respectively reported in the specified items of the forms specified below:</p> <p>Item 34, column 16, of the form BA 200; plus Item 156, column 10, of the form BA 200; plus Item 1, column 1, of the form BA 500; less Item 33, column 16, of the form BA 200; less Item 155, column 10, of the form BA 200 less Item 80 column 28, of the form BA 200 less Item 280, column 28, of the form BA 200</p>
2 of item 1	<p>This item shall reflect the relevant required aggregate amount of risk weighted counterparty credit exposure reported in the items of the form BA 200 specified below:</p> <p>Item 80 column 28, of the form BA 200 plus Item 280, column 28, of the form BA 200</p>

Columns relating to the summary information of capital adequacy, items 1 to 8

Column number	Description
3 of item 1	This item shall reflect the relevant required risk weighted exposure equivalent amount related to operational risk reported in item 28, column 9, of the form BA 400.
4 of item 1	<p>This item shall reflect the relevant required risk weighted exposure amount related to market risk calculated in the manner specified below.</p> <p>Item 32, column 3, of the form BA 320, multiplied by 12,5 or such imputed variable as may be applicable from time to time.</p>
5 of item 1	<p>This item shall reflect the relevant required aggregate amount of risk weighted credit exposure related to equity instruments held in the bank's banking book, as reported in the relevant items of the form BA 340 specified below:</p> <p>Item 1, column 3, of the form BA 340; plus Item 2, column 3, of the form BA 340; plus Item 3, column 3, of the form BA 340; plus Item 6, column 4, of the form BA 340; plus Item 36, column 6, of the form BA 340.</p>
6 of item 1	<p>This item shall reflect the relevant required risk weighted exposure equivalent amount in respect of assets or risks other than credit risk, counterparty credit risk, operational risk, market risk, risk related to equity instruments held in the bank's banking book, or the relevant risk weighted exposure amount related to threshold items including any relevant amount of risk weighted exposure related to items reported in-</p> <p>Item 79, column 3, of the form BA 200; Item 176, column 3, of the form BA 200; and</p> <p>any other relevant amount of risk weighted exposure related to an asset or exposure specified in writing by the Registrar.</p>

Line items relating to required capital adequacy ratios and amounts

Line item number	Description
12	<p>Additional idiosyncratic capital requirement specified by the Registrar</p> <p>This item shall reflect any relevant additional capital requirement in respect of idiosyncratic risk specified in writing by the Registrar as envisaged in subregulation (8)(e)(iii), which capital add-on shall be allocated to the respective specified categories of required capital in accordance with such requirements as may be specified in writing by the Registrar from time to time.</p>
19	<p>Specified floors or add-ons</p> <p>This item shall reflect any additional capital requirement specified in writing by the Registrar related to items such as capital floors or other specified add-ons to risk-weighted exposure.</p>

Line items relating to Common Equity Tier 1 capital and reserve funds

Line item number	Description
28	<p>Paid in capital</p> <p>This item shall reflect the relevant aggregate amount of any issued common stock, including any related premium, and other instruments that comply with the relevant criteria specified in these Regulations, net of any shares or instruments derecognised in terms of relevant Financial Reporting Standards issued from time to time, but shall exclude any relevant amount related to minority interests.</p>
29	<p>Retained earnings</p> <p>This item shall reflect the relevant aggregate amount of retained earnings prior to the application of any regulatory adjustment, provided that any negative amount due to accumulated losses shall be reported in line item 231, as part of regulatory adjustments or deductions, and not in this line item 29.</p>
40	<p>Minority interest</p> <p>This item shall reflect the relevant aggregate amount of minority interests in shares or instruments qualifying as Common Equity Tier 1 capital, which shall be the same amount as the amount included in the form BA 600 in respect of subsidiaries that issued capital to third parties.</p>

Line items relating to Common Equity Tier 1 capital and reserve funds

Line item number	Description
45	<p data-bbox="544 331 1254 362">Deferred tax assets (excluding temporary differences)</p> <p data-bbox="544 398 1342 488">This item shall reflect the relevant aggregate amount of deferred tax assets that rely on the future profitability of the bank to be realised, provided that-</p> <ul data-bbox="544 524 1342 842" style="list-style-type: none"> <li data-bbox="544 524 1342 649">• the relevant amount may be netted with any associated deferred tax liabilities if such amount relates to taxes levied by the same taxation authority and offsetting is permitted by that authority; <li data-bbox="544 685 1342 842">• any relevant amount related to an overinstallment of tax, giving rise to a claim or receivable amount from the government or local tax authority, which amount is typically classified as part of current tax assets, shall be reported in the form BA 200, and assigned the relevant risk weight.
52	<p data-bbox="544 842 1334 873">Securitisation gain on sale (expected future margin income)</p> <p data-bbox="544 909 1342 1023">This item shall reflect the relevant aggregate amount related to any relevant securitisation gain on sale, which amount shall be equal to line item 39 column 1 plus line item 39 column 2 of the form BA 500.</p>

Line items relating to additional Tier 1 capital and reserve funds

Line item number	Description
66	<p data-bbox="544 1126 1023 1158">Additional Tier 1 instruments issued</p> <p data-bbox="544 1193 1342 1384">This item shall reflect the relevant aggregate amount related to instruments issued that comply with the criteria specified in these Regulations to qualify as additional Tier 1 capital, including any relevant amount related to an instrument that is subject to the specified phase-out arrangements, provided that the bank shall report any relevant premium received in line item 72.</p>
69 and 71	<p data-bbox="544 1384 919 1415">Capital subject to phase-out</p> <p data-bbox="544 1451 1342 1659">Based on the relevant requirements specified in subregulation (13)(d) of these Regulations, this item shall reflect the relevant aggregate amount related to capital instruments that are subject to phase-out, and shall be the relevant amount before the application of the relevant phased-out percentage on the base amount of the relevant qualifying instrument and minority interest.</p>

Line items relating to additional Tier 1 capital and reserve funds

Line item number	Description
70	<p>Minority interest</p> <p>This item shall reflect the relevant aggregate amount of minority interests in shares or instruments qualifying as additional Tier 1 capital, which shall be the same amount as the amount included in the form BA 600 in respect of subsidiaries that issued capital instruments to third parties.</p>

Line items relating to Tier 2 capital and reserve funds

Line item number	Description
79	<p>Tier 2 instruments issued</p> <p>This item shall reflect the relevant aggregate amount related to instruments issued that comply with the criteria specified in these Regulations to qualify as Tier 2 capital, including any relevant amount related to an instrument that is subject to the specified phase-out arrangements, provided that the bank shall report any relevant premium received in line item 83.</p>
80 and 82	<p>Capital subject to phase-out</p> <p>Based on the relevant requirements specified in subregulation (14)(c) of these Regulations, this item shall reflect the relevant aggregate amount related to capital instruments that are subject to phase-out, and shall be the relevant amount before the application of the relevant phased-out percentage on the base amount of the relevant qualifying instrument and minority interest.</p>
81	<p>Minority interest</p> <p>This item shall reflect the relevant aggregate amount of minority interests in shares or instruments qualifying as Tier 2 capital, which shall be the same amount as the amount included in the form BA 600 in respect of subsidiaries that issued capital instruments to third parties.</p>

Line items relating to reconciliation in respect of unappropriated profits

Line item number	Description
96	<p>Unappropriated profits</p> <p>This item shall reflect the relevant aggregate amount in respect of unappropriated profits, provided that any negative amount due to accumulated losses shall be reported in line item 231, as part of regulatory adjustments or deductions.</p>

Line items relating to specified regulatory adjustments and deductions

Line item number	Description
193 to 195	<p>Risk weighted assets of amounts below the threshold, not deducted</p> <p>These items shall reflect the relevant aggregate amounts in respect of assets or instruments held in the bank's banking book or trading book respectively, and which assets or instruments-</p> <ul style="list-style-type: none"> • are risk weighted and reported in accordance with the relevant requirements respectively specified in regulations 23 and 28 of these Regulations; • shall not be included in line item 3, column 6, of the form BA 700.
217	<p>Net deferred tax assets due to temporary differences</p> <p>This item shall reflect the relevant aggregate amount of deferred tax assets relating to temporary differences such as allowance for credit impairment, provided that the relevant amount may be netted with any associated deferred tax liabilities if such amount relates to taxes levied by the same taxation authority and offsetting is permitted by that authority.</p>

Line items relating to capital distribution and income

Line item number	Description
241 to 250	<p>Income and distributions</p> <p>These items shall only be completed by banks that have utilised part of their specified capital buffers and that have reported a percentage lower than 100 per cent in line item 257 of the form BA 700, provided that, when required to be completed, the items shall be completed based on six-month rolling balances.</p>
243 to 249	<p>Distributions</p> <p>All relevant specified distributions shall be reported in the period in which they are recognised in the relevant accounting records of the bank in accordance with the relevant Financial Reporting Standards, provided that the bank shall reverse or derecognise any relevant tax implication or impact of making such payments.</p>

Columns relating to the reconciliation between qualifying capital and reserve funds and accounting equity and reserves, items 98 to 132

Column number	Description
2	Based on the relevant amounts reported in column 1, this column 2 shall reflect the relevant required amount duly adjusted in accordance with the relevant requirements specified in these Regulations.

CHAPTER III**CORPORATE GOVERNANCE****39. Process of corporate governance**

(1) The board of directors of a bank is ultimately responsible for ensuring that an adequate and effective process of corporate governance, which is consistent with the nature, complexity and risk inherent in the bank's on-balance sheet and off-balance sheet activities and that responds to changes in the bank's environment and conditions, is established and maintained, provided that the board of directors may appoint supporting committees to assist it with its responsibilities.

(2) The process of corporate governance referred to in subregulation (1) includes the maintenance of effective risk management and capital management by a bank.

(3) The conduct of the business of a bank entails the ongoing management of risks, which may arise from the bank's on-balance sheet or off-balance sheet activities and which may include, among others, the following types of risk:

- (a) capital risk;
- (b) compliance risk;
- (c) concentration risk;
- (d) counterparty risk;
- (e) country risk and transfer risk;
- (f) credit risk, and in particular risks arising from impaired or problem assets and the bank's related impairments, provisions or reserves;
- (g) currency risk;
- (h) detection and prevention of criminal activities;
- (i) equity risk arising from positions held in the bank's banking book;
- (j) interest-rate risk;
- (k) liquidity risk;
- (l) market risk (position risk) in respect of positions held in the bank's trading book;
- (m) operational risk;
- (n) reputational risk;

- (o) risk arising from exposure to a related person;
- (p) risk arising from the outsourcing of material tasks or functions;
- (q) risk arising from all relevant payment and settlement services, processes or systems;
- (r) risk relating to procyclicality;
- (s) risks arising from or related to inappropriate compensation practices for directors and executive officers;
- (t) risks related to securitisation or resecuritisation structures;
- (u) risks related to stress testing;
- (v) risks related to the inappropriate valuation of instruments, assets or liabilities;
- (w) solvency risk;
- (x) strategic risk;
- (y) technological risk;
- (z) translation risk;
- (aa) any other risk regarded as material by the bank.

(4) In order to achieve the objective relating to the maintenance of effective risk management and capital management envisaged in subregulation (2), every bank shall have in place comprehensive risk-management processes, practices and procedures, and board-approved policies-

- (a) to identify;
- (b) to measure;
- (c) to monitor;
- (d) to control;
- (e) to appropriately price;
- (f) to appropriately mitigate; and
- (g) to appropriately communicate or report,

among other things, the risks referred to in subregulation (3).

(5) As a minimum, the risk management processes, practices, procedures and policies referred to in subregulation (4)-

- (a) shall be adequate for the size and nature of the activities of the bank, including the bank's activities relating to risk mitigation, trading and exposure to counterparty credit risk, and shall periodically be adjusted in the light of the changing risk profile or financial strength of the bank, financial innovation or external market developments;
- (b) shall be duly aligned with, and, where appropriate, provide specific guidance for the successful implementation of and the continued adherence to, the business strategy, goals and objectives, and the risk appetite or tolerance for risk, of the bank;
- (c) shall duly specify relevant limits and allocated capital relating to the bank's various risk exposures;
- (d) shall be sufficiently robust-
 - (i) to determine and monitor the total indebtedness of any person to whom the bank granted credit;
 - (ii) to ensure that the bank raises appropriate and timely credit impairments and maintains adequate allowances or reserves for potential losses in respect of its loans or advances;
 - (iii) to identify and manage material interrelationships between the bank's relevant risk exposures;
 - (iv) to ensure the bank's continued compliance with the relevant documented set of internal policies, controls and procedures;
 - (v) to ensure that the bank captures the economic substance and not merely the legal form of the bank's various exposures to risk;
 - (vi) to ensure that the bank conducts sufficiently robust and independent due diligence in respect of the bank's respective investment in or exposure to instruments, products or markets, and that the bank, for example, does not merely or solely rely on an external credit rating when investing in a particular product or instrument;
 - (vii) to ensure that the bank regularly conducts appropriate stress-testing or scenario analysis;
 - (viii) to ensure that the bank maintains sufficient liquidity and capital adequacy buffers to remain solvent during prolonged periods of financial market stress and illiquidity;

- (ix) to clearly delineate accountability and all relevant lines of authority across the bank's various business units, lines or activities, and ensure that a clear separation exists between all relevant business units, lines or activities, and any relevant risk or control function;
 - (x) to ensure that, prior to its initiation, all relevant risk management, control and business units or lines appropriately review and assess proposed new activities, investment in new instruments or the introduction of new products, to ensure that the bank will be able to continuously manage and control the relevant activity, investment or product;
 - (xi) to ensure that the bank is able to appropriately aggregate or consolidate all relevant risks or exposure to risk;
 - (xii) to ensure ongoing, accurate, appropriate and timely communication or reporting of the bank's relevant risk exposures and any material deviation from approved policies, processes or procedures to the senior management and the board of directors;
 - (xiii) to ensure that the bank's board of directors and senior management receive timely and appropriate information regarding the condition of the bank's respective asset portfolios, including matters related to the relevant classification of credit exposure, the level of impairment or provisioning, and major problem assets;
 - (xiv) to enable the proactive management of all relevant risks;
 - (xv) to ensure that any breach of an internal limit is duly escalated and addressed;
 - (xvi) to timeously detect potential criminal activities and prevent undue exposure to criminal activities;
 - (xvii) to ensure proper oversight of any relevant outsourced function.
- (e) shall in the case of the bank's exposure to counterparty credit risk-
- (i) duly take into account the market risk, liquidity risk, legal risk and operational risk normally associated with counterparty credit risk;
 - (ii) ensure that the bank-
 - (A) duly takes into account the creditworthiness of all relevant counterparties;
 - (B) duly takes into account any relevant settlement and pre-settlement risk;

- (C) continuously monitors the utilisation of credit lines;
 - (D) measures its current exposure gross and net of collateral in all relevant cases, including in the case of margin lending;
 - (E) manages all relevant risk exposures at a counterparty and bank-wide level;
- (f) shall in the case of risk mitigation, including matters related to collateral and margin agreements with counterparties, be sufficiently robust to ensure that the bank continuously-
- (i) devotes sufficient resources to the orderly operation of margin agreements with OTC derivative and securities financing counterparties, as measured by, among other things, the timeliness and accuracy of the bank's outgoing calls and response time to incoming calls;
 - (ii) controls, monitors and reports-
 - (A) all relevant risk exposures related to margin agreements, such as the volatility and liquidity of the securities exchanged as collateral;
 - (B) any potential concentration risk to particular counterparties or types of collateral;
 - (C) the reuse of both cash and non-cash collateral, including the potential liquidity shortfalls resulting from the reuse of collateral received from counterparties, and
 - (D) all relevant matters related to the surrendering of rights on collateral posted to counterparties;
- (g) shall be sufficiently robust to timeously identify material concentrations in any one of the risk exposures specified in subregulation (3), including concentrations relating to or arising from-
- (i) an individual or single counterparty, borrower or person;
 - (ii) a group of related or connected counterparties, borrowers or persons;
 - (iii) credit exposures in respect of counterparties or persons in the same industry, economic sector or geographic region;
 - (iv) credit exposures to counterparties or persons, the financial performance of which is dependent on the same activity or commodity;
 - (v) indirect credit exposures arising from the bank's risk mitigation activities such as exposure to a single collateral type or a single credit protection provider;

- (vi) interest-rate risk in the bank's banking book;
 - (vii) liquidity risk;
 - (viii) funding sources;
 - (ix) trading exposure or risk, including interest-rate risk and price risk;
 - (x) equity positions held in the bank's banking book;
 - (xi) specific assets or instruments held in either the banking book or trading book, including structured products;
 - (xii) off-balance-sheet exposures, including guarantees, liquidity lines or other commitments;
 - (xiii) correlation between any of the aforesaid risks, counterparties, instruments, assets, liabilities or commitments.
- (h) shall in the case of country risk and transfer risk be sufficiently robust-
- (i) to identify and monitor exposures on an individual country basis in addition to an end-borrower or end-counterparty basis;
 - (ii) to ensure that country exposures are accurately monitored and reported in the bank's information systems, risk management systems and internal control systems;
 - (iii) to continuously ensure adherence to the bank's established country exposure limits, and any other relevant limit that may be specified by the bank or Registrar;
 - (iv) to monitor and evaluate developments in country risk and in transfer risk, and apply appropriate countermeasures;
 - (v) to raise appropriate provision for loss against country risk and transfer risk in addition to any relevant required loan-specific provision or impairment;
- (i) shall in the case of liquidity risk be sufficiently robust to ensure that-
- (i) the bank conducts comprehensive cash flow forecasting;
 - (ii) the bank duly specifies, implements and maintains appropriate limits in respect of its respective funding sources, including all relevant products, counterparties and markets;
 - (iii) the bank conducts robust liquidity scenario stress testing, including stress tests in respect of such bank specific or sector specific scenarios as may be specified in writing by the Registrar;

- (iv) the bank develops and maintains robust and multifaceted contingency funding plans;
- (v) the bank maintains a sufficient cushion of liquid assets to meet contingent liquidity needs;
- (j) shall in relevant cases include prudent contingency plans specifying, for example, how the bank will respond to funding, capital and other pressures that may arise when access to securitisation markets is reduced, including matters related to the valuation of all relevant instruments or positions held;
- (k) shall include sound compensation processes, practices and procedures, and board-approved compensation policies, which compensation processes, practices, procedures and policies-
 - (i) shall be linked to longer-term capital preservation, and the financial strength of the bank.

This means, *inter alia*-

- (A) that variable compensation payments, for example, shall be appropriately deferred and payment shall not be finalised over short periods whilst risks are realised over long periods; and
- (B) that the mix of cash, equity and other forms of compensation shall be duly aligned with the bank's exposure to risk.
- (ii) shall incorporate and promote appropriate risk-adjusted performance measures, that is, compensation shall acknowledge all relevant risks so that remuneration is balanced between the profit earned and the degree of risk assumed in order to generate the profit;
- (iii) shall not be unduly linked, for example, to short-term accounting profit generation;
- (iv) shall ensure that staff engaged in the relevant financial and risk control areas have appropriate authority and are compensated in a manner that is independent of the business areas they oversee, and commensurate with their function in the bank;
- (v) shall promote adequate disclosure to stakeholders, that is, the bank shall disclose clear, comprehensive and timely information regarding the bank's compensation practices-
 - (A) to facilitate constructive engagement with all relevant stakeholders, including shareholders;
 - (B) to enable stakeholders to evaluate the quality of support for the bank's strategy, objectives and risk appetite;

- (l) shall be subject to adequate internal controls and appropriate internal audit coverage;
 - (m) shall ensure appropriate board and senior management oversight and involvement;
 - (n) shall include adequate internal controls to produce any data or information which might be required on a consolidated basis;
 - (o) shall be duly documented;
 - (p) shall be subject to regular monitoring and review, and relevant testing, to ensure that they remain relevant and current.
- (6) As a minimum-
- (a) the board of directors and senior management of a bank-
 - (i) shall possess sufficiently detailed knowledge of all the major business lines of the bank to ensure that the policies, processes, procedures, controls and risk monitoring systems envisaged in subregulations (4) and (5) are appropriate and effective;
 - (ii) shall have sufficient expertise to understand the various instruments, markets and activities in which the bank conducts business, including capital market activities such as securitisation and the related off-balance sheet-activities, and the associated risks;
 - (iii) shall ensure that the bank has in place management information systems-
 - (A) that facilitate the proactive management of risk;
 - (B) that enable the senior management of the bank to duly manage and appropriately mitigate the bank's relevant risk exposures, including the various risk exposures arising from any securitisation or resecuritisation structure;
 - (C) able to provide regular, accurate and timely information regarding matters such as the bank's aggregate risk profile, as well as the main assumptions used for risk aggregation;
 - (D) adaptable and responsive to changes in the bank's underlying risk assumptions;
 - (E) sufficiently flexible to generate relevant forward-looking scenario analyses that capture the board and senior management's interpretation of evolving market conditions and stressed conditions;

- (F) capable of capturing and bringing to the attention of senior management and the board of directors any breach in a specified internal, regulatory or other statutory limit;
- (G) that make provision for any relevant initial and ongoing validation;
- (iv) shall ensure that the monitoring and the reporting of individual and aggregate exposure(s) to related persons are subject to an independent credit review process;
- (v) shall remain informed about the aforesaid risks and changes thereto as financial markets, risk management practices and the bank's activities evolve;
- (vi) shall ensure that accountability and lines of authority are clearly delineated;
- (vii) shall ensure adequate segregation of duties to promote sound governance and effective risk management in the bank, and avoid conflict of interests;
- (viii) shall ensure that, before embarking on new activities, investing in new instruments or introducing products new to the bank-
 - (A) the potential changes in the bank's exposure to risk arising from the aforesaid new instruments, products or activities have been duly identified, considered and reviewed; and
 - (B) the bank's infrastructure, policies, processes, procedures and internal controls necessary to manage the related risks are duly updated and in place;
- (ix) shall duly consider the possible difficulty related to the valuation of new products, and how the products might perform in a stressed economic environment;
- (b) the senior management of a bank-
 - (i) shall ensure that the risks to which the bank is exposed are appropriately managed;
 - (ii) shall set capital targets commensurate with the bank's risk profile and control environment;
 - (iii) shall implement robust and effective risk management and internal control processes;
 - (iv) shall develop and maintain-

- (A) an appropriate strategy that ensures that the bank maintains adequate capital based on the nature, complexity and risk inherent in the bank's on-balance sheet and off-balance sheet activities, including the bank's activities relating to risk mitigation;
- (B) an internal capital adequacy assessment process that responds to changes in the business cycle within which the bank conducts business;
- (v) shall, with respect to new or complex products or activities, understand the underlying assumptions regarding business models, valuation and risk management practices, and shall duly evaluate the bank's potential risk exposure should the aforesaid assumptions fail;
- (vi) shall, on a periodic basis, conduct relevant stress tests, particularly in respect of the bank's main risk exposures, in order to identify events or changes in market conditions that may have an adverse impact on the bank.

(7) When a bank wishes to adopt the IRB approach for the measurement of the bank's exposure to credit risk as envisaged in regulation 23(10), the board of directors or a designated committee thereof, that is, a subcommittee of the board of directors, and the relevant senior management of the bank, shall approve all material aspects of the bank's rating and risk estimation processes, provided that-

- (a) the board of directors and any board-appointed committee-
 - (i) shall possess-
 - (A) a general understanding of the bank's risk rating system;
 - (B) a detailed comprehension of the relevant risk-management reports submitted to the board or board-appointed committee;
 - (ii) shall ensure that the bank establishes and maintains an independent credit risk control unit, which credit risk control unit-
 - (A) shall be responsible for-
 - (i) the design or selection, implementation and performance of the bank's internal rating systems;
 - (ii) the testing and monitoring of internal risk grades;
 - (iii) the production and analysis of summary reports from the bank's rating system, which reports shall include-

- (aa) historical data in respect of exposures that defaulted, sorted according to the rating of the exposure at the time of default and one year prior to default;
 - (bb) migration analyses in respect of risk grades;
 - (cc) trends in respect of key rating criteria;
 - (iv) the implementation of procedures to verify that rating definitions are consistently applied across all relevant departments and geographical areas;
 - (v) the review and documentation of any changes to the rating process, criteria or rating parameters, including the reasons for such changes;
 - (vi) the review of the rating criteria in order to ensure that the criteria remain predictive of risk.
- (B) shall be functionally independent from the personnel and management functions or business units or lines responsible for the origination of credit exposures;
- (C) shall be headed by a person who reports directly to the chief executive officer and the bank's board of directors, provided that, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, when a bank has appointed an independent Chief Risk Officer (CRO), as part of the bank's governance structure, who reports directly to the chief executive officer of the bank and the bank's board of directors, the head of the credit risk control unit may report directly to the said CRO;
- (D) shall bring to the attention of the senior management and the board of directors of the bank matters such as credit risk concentrations or any violations of specified risk or appetite limits;
- (E) shall actively participate in the development, selection, implementation and validation of the bank's rating models.
- (iii) shall ensure that the bank's rating systems and processes are subject to regular review, but no less frequently than once a year, by the internal audit department or an equally independent function, which independent review-
- (A) shall include-
 - (i) the operations of the credit function;
 - (ii) the estimates of all relevant risk components such as PD ratios, LGD ratios and EAD amounts;

- (iii) the bank's compliance with all relevant minimum requirements;
 - (B) shall be duly documented.
- (b) the relevant senior management of the bank-
 - (i) shall possess-
 - (A) a detailed understanding of the rating system's design and operation;
 - (B) a detailed comprehension of the risk reports generated by the risk system, including information relating to-
 - (i) the relevant internal ratings;
 - (ii) the bank's risk profile based on risk grades;
 - (iii) risk migration across risk grades;
 - (iv) the relevant risk estimates of the relevant parameters per risk grade;
 - (v) a comparison between realised and expected PD ratios, LGD ratios and EAD amounts,
 - provided that the frequency of reporting may vary based on the significance and type of information and the level of the recipient.
 - (ii) shall provide notice to the board of directors or a committee appointed by the board of material changes or exceptions from the established policies;
 - (iii) shall approve material differences between established procedure and actual practice;
 - (iv) shall, on an ongoing basis, ensure that the rating system operates in an effective manner;
 - (v) shall meet regularly with the relevant staff in the credit risk control unit in order to discuss-
 - (A) the performance of the rating process;
 - (B) areas that may need improvement;
 - (C) the status of previously identified deficiencies.

(8) As a minimum, a bank that wishes to adopt the internal model method for the measurement of the bank's exposure to counterparty credit risk-

- (a) shall obtain the prior written approval of the Registrar and shall in addition to the relevant requirements specified in these Regulations comply with such conditions as may be specified in writing by the Registrar;
- (b) shall have in place an independent risk control unit, which risk control unit-
 - (i) shall be responsible for the design and implementation of the bank's risk management system;
 - (ii) shall produce and analyse daily reports on the output of the bank's risk measurement model, including an evaluation of the relationship between measures of risk exposure and counterparty and trading limits;
 - (iii) shall be independent from all relevant line business units;
 - (iv) shall report directly to the senior management of the bank;
 - (v) shall conduct regular backtesting, that is, an ex-post comparison of the risk measure generated by the bank's EPE model against the bank's actual exposure to counterparty credit risk;
 - (vi) shall conduct the initial and ongoing validation of the internal model;
 - (vii) shall control the integrity relating to input data;
 - (viii) shall validate prices supplied by business units;
 - (ix) shall be adequately staffed;
 - (x) shall be closely integrated into the day-to-day credit risk management process of the bank, that is, the work of the unit shall form an integral part of the process of planning, monitoring and controlling the bank's credit and overall risk profile.
- (c) shall have in place a collateral management unit, which collateral management unit-
 - (i) shall be responsible for calculating and making margin calls, managing margin call disputes and reporting levels of independent amounts, initial margins and variation margins accurately, on a daily basis;
 - (ii) shall control the integrity of the data used to make margin calls, and ensure that it is consistent and frequently reconciled with all relevant sources of data within the bank;

- (iii) shall continuously track and report-
 - (A) the extent and reuse of cash and non-cash collateral and the rights that the bank gives away to its respective counterparties for posted collateral;
 - (B) concentration to individual counterparties or collateral asset classes accepted by the bank;
- (iv) shall have sufficient resources-
 - (A) to ensure that the unit effectively discharges its duties, as measured by matters such as the timeliness and accuracy of outgoing calls and response time to incoming calls;
 - (B) to process calls and disputes in a timely manner, even in the case of a severe market crisis;
 - (C) to enable the bank to limit its number of large disputes caused by trade volumes;
- (v) shall produce and maintain appropriate collateral management information that is regularly reported to the senior management of the bank, which internal reports, as a minimum, shall include information regarding-
 - (A) the type of cash and non-cash collateral received and posted;
 - (B) the categories of collateral assets reused, and the terms of such reuse, including instrument, credit quality and maturity;
 - (C) the size, ageing and cause for margin call disputes; and
 - (D) any relevant trends in the aforesaid information;
- (d) shall-
 - (i) ensure the active involvement and oversight of the bank's board of directors and senior management in the bank's risk control processes;
 - (ii) regard risk control, including credit and counterparty credit risk control, as an essential aspect of the bank's business;
 - (iii) devote adequate resources to the bank's risk control and collateral management units;
 - (iv) ensure that reports prepared by the independent risk control unit and the collateral management unit are reviewed by a level of senior management with sufficient authority to enforce both reductions of individual exposures to a particular counterparty and reductions in the bank's overall counterparty risk exposure;

- (v) ensure that the senior management of the bank is aware of the limitations and assumptions made in respect of the said internal model and the impact that such limitations and assumptions may have on the output of the model;
- (vi) ensure that the bank's model validation process and its review process are independent of the model developers;
- (vii) ensure that transactions are assigned to the appropriate netting set within the bank's model for the calculation or estimation of expected positive exposure relating to a particular counterparty;
- (viii) ensure that all relevant policies, processes and procedures, including all relevant policies, processes and procedures related to cash management, duly account for the liquidity risks associated with potential incoming margin calls in the context of exchanges of variation margin or other margin types, such as initial or independent margin, under adverse market shocks, potential incoming calls for the return of excess collateral posted by counterparties, and calls resulting from a potential downgrade of its own public rating;
- (ix) duly define-
 - (A) how representative counterparty portfolios are constructed for the purposes of validating its EPE model and its risk measures;
 - (B) criteria with which to assess the relevant EPE models and the models that input into the calculation of EPE;
- (x) ensure that the nature and horizon of collateral reuse is consistent with the bank's liquidity needs and does not jeopardise the bank's ability to post or return collateral in a timely manner;
- (xi) in the case of-
 - (A) exposures with a rising risk profile after one year, regularly compare the bank's estimate of EPE over one year with the EPE over the life of the said exposure;
 - (B) exposures with a maturity of less than one year, regularly compare the replacement cost or current exposure and the realised exposure profile;
- (xii) store sufficient data relating to the bank's counterparty exposure in order to conduct robust stress-testing and backtesting;
- (xiii) ensure that the bank has in place robust internal policies and procedures to verify that in respect of each exposure in respect of which-

- (A) the bank wishes to apply netting, prior to including the relevant transaction in a netting set, the transaction is covered by a legally enforceable netting contract that complies with the relevant requirements specified in these Regulations;
 - (B) the bank wishes to make use of collateral to mitigate the bank's exposure to counterparty credit risk, prior to recognising the effect of the said collateral in the calculation of the bank's exposure to counterparty credit risk, the collateral complies with the relevant requirements specified in these Regulations.
- (e) shall have in place a robust model for the estimation of expected positive exposure, that is, a robust EPE model, which model-
 - (i) shall be closely integrated into the risk management processes of the bank and the output of which model shall be an integral part of the process of planning, monitoring and controlling the bank's exposure to counterparty credit risk;
 - (ii) shall be used in conjunction with internal trading and exposure limits in a manner that is consistent over time and that is well understood by the relevant traders, the credit function, the senior management and all relevant line and support functions of the bank;
 - (iii) shall for purposes of measuring counterparty exposure forecast over a sufficiently long time horizon interest rates, foreign exchange rates, equity prices, commodities, and other market risk factors, the performance of which forecasting model relating to market risk factors shall be validated over a sufficiently long time horizon;
 - (iv) shall capture and include transaction-specific information in order-
 - (A) to aggregate counterparty exposures at the level of a particular netting set;
 - (B) to duly capture the effect of margining, that is, the model shall take into account the current amount of margining and margining that will be exchanged between relevant counterparties in the future;
 - (v) shall in the case of exposures with a long-term maturity duly capture the potential rising risk profile of the said exposure;
 - (vi) shall duly account for-
 - (A) the nature of margin agreements, that is, unilateral or bilateral agreements;
 - (B) the frequency of margin calls;

- (C) the margin period of risk;
 - (D) the minimum threshold of unmargined exposure the bank is willing to accept;
 - (E) the minimum transfer amount.
- (vii) shall either model the mark-to-market change in the value of collateral posted or ensure the bank's continued compliance with the relevant requirements relating to collateral, specified in regulations 23(7)(b) and 23(12)(b);
- (viii) shall comply with the relevant further operational requirements specified in subregulation (12) below.
- (f) shall have in place a robust process in respect of model validation, which model validation process-
- (i) shall include appropriate backtesting in respect of representative counterparty portfolios and netting sets that complies with the relevant qualitative requirements specified in paragraph (g) below-
 - (A) which backtesting shall include a sufficient number of actual and hypothetical representative counterparty portfolios and netting sets;
 - (B) which representative portfolios and netting sets shall be selected based on their sensitivity to the material risk factors and correlations to which the bank is exposed;
 - (C) during which process of backtesting-
 - (i) starting at a particular historical date, the bank shall use its internal model to forecast each portfolio's probability distribution of exposure at various time horizons;
 - (ii) using historical data on movements in market risk factors, the bank shall compute the exposures that would have occurred in respect of each portfolio at each time horizon assuming no change in the composition of the relevant portfolio;
 - (iii) the bank shall compare the realised exposures with the model's forecast distribution at the various relevant time horizons;
 - (iv) the bank shall repeat the process in respect of several historical dates that cover a wide range of market conditions such as rising rates, falling rates, quiet markets and volatile markets;
 - (v) the bank shall obtain and duly document the explanations for significant differences between the realised exposures and the model's forecast distribution.

- (ii) shall comply with the requirements regarding initial validation and on-going periodic review of the bank's internal model and the risk measures generated by it, as specified in paragraph (n) below,

Provided that, when validating its EPE models and its risk measures that produce forecast distributions, the bank's validation shall assess more than a single statistic of the model distribution.

- (g) shall have in place a robust process of backtesting, that is, an ex-post comparison of the relevant risk measures generated by the model against realised risk measures,
 - (i) which backtesting-
 - (A) shall be conducted at regular intervals;
 - (B) shall include comparing hypothetical changes based on static positions with realised measures;
 - (ii) which process of backtesting shall comply with the relevant requirements specified in paragraph (n) below;
 - (iii) which risk measures shall not only relate to Effective EPE, the risk measure used to derive minimum required capital and reserve funds, but also to the other risk measures used in the calculation of Effective EPE, such as the exposure distribution at a series of future dates, the positive exposure distribution at a series of future dates, the market risk factors used to derive those exposures and the values of the constituent trades of a portfolio;
- (h) shall have in place a comprehensive and rigorous process or programme of stress-testing-
 - (i) the results of which stress-testing-
 - (A) shall be integrated into regular reporting to the senior management of the bank;
 - (B) shall be used in the bank's internal assessment of capital adequacy;
 - (C) shall be compared against the bank's measure of expected positive exposure and the related impact on the bank's capital adequacy;
 - (D) shall be duly reflected in the bank's policies and counterparty limits set by management and the bank's board of directors;
 - (ii) which stress-testing process or programme-
 - (A) may form part of the bank's bank-wide stress testing process;

- (B) shall include the identification of possible events or future changes in economic conditions that may have an unfavourable effect on the bank's credit exposures, and an assessment of the bank's ability to withstand such changes, which events or economic conditions may include-
 - (i) economic or industry downturns;
 - (ii) market-place events; or
 - (iii) decreased liquidity conditions.
 - (C) shall include the stress testing of the bank's counterparty exposures, including a process of jointly stressing relevant market and credit risk factors;
- (iii) which stress-testing process or programme shall be sufficiently robust-
- (A) to ensure complete trade capture and exposure aggregation across all relevant forms of counterparty credit exposure, including counterparty risk arising from OTC derivative transactions, at the counterparty-specific level, in a sufficient time frame to conduct regular stress testing;
 - (B) to at least once a month, for all relevant counterparties, produce exposure stress testing of principal market risk factors, that is, for example, interest rates, foreign exchange, equities, credit spreads, and commodity prices, in order to proactively identify, and, when necessary, reduce undue concentrations to specific directional sensitivities;
 - (C) to at least once a quarter-
 - (i) apply multifactor stress testing scenarios and assess material non-directional risks, that is, for example, yield curve exposure and basis risks, which multiple-factor stress tests shall, as a minimum, aim to address scenarios in which-
 - (aa) severe economic or market events have occurred;
 - (bb) broad market liquidity has decreased significantly; and
 - (cc) the market impact of liquidating positions of a large financial intermediary;
 - (ii) conduct stress tests, applying stressed conditions to the joint movement of exposures and counterparty creditworthiness, since stressed market movements have an impact not only on counterparty exposures, but also on the credit quality of counterparties;

- (D) to perform exposure stress testing, including single factor, multifactor and material non-directional risks, and joint stressing of exposure and creditworthiness at the counterparty-specific level, counterparty group level, that is, for example, industry and regional level, and aggregate bank-wide counterparty credit exposure levels;
 - (E) to capture the largest counterparty-level impacts across the portfolio, material concentrations within segments of the portfolio, that is, for example, within the same industry or region, and relevant portfolio and counterparty specific trends;
 - (F) to ensure that the severity of factor shocks is consistent with the purpose of the stress test, that is, when the bank, for example, evaluates solvency under stress, factor shocks shall be severe enough to capture historical extreme market environments and/or extreme but plausible stressed market conditions;
 - (G) to ensure that the bank appropriately evaluates the impact of the aforesaid shocks on matters such as qualifying capital, capital requirements and earnings;
 - (H) to ensure that for the purpose of day-to-day portfolio monitoring, hedging, and management of concentrations, the bank also considers scenarios of lesser severity and higher probability;
 - (I) to ensure that the bank conducts relevant reverse stress tests to identify extreme, but plausible, scenarios that could result in significant adverse outcomes;
- (iv) during which process of stress-testing the bank shall consider-
- (A) concentration risk, including concentration risk in respect of a single counterparty or a group of related counterparties;
 - (B) any risk of correlation between market risk and credit risk, including situations in which a large movement in market prices, for example, may result in a particular counterparty exposure becoming a large exposure or cause a material deterioration in the credit quality of the said counterparty, or both;
 - (C) the risk that liquidating a counterparty position may have a material impact on the market;
 - (D) the impact on the bank's own positions of movements in market prices, which impact shall be integrated into the bank's assessment of counterparty risk.

Provided that when the bank's stress-tests reveal particular vulnerability to a particular set of circumstances, the bank shall take appropriate and prompt action in order to manage and control the relevant risks, which action may include hedging against a particular outcome, reducing the size of the bank's exposures or increasing the amount of capital and reserve funds.

(i) shall have in place a routine for ensuring the bank's continued compliance with a documented set of internal policies, controls and procedures concerning the operation of the bank's risk measurement system;

(j) shall duly document-

(i) the process for initial and on-going validation of the bank's internal model to a level of detail that would enable a third party to recreate the relevant analysis;

(ii) the calculation of the respective risk measures generated by the models to a level of detail that would allow a third party to re-create the said risk measures;

(iii) the bank's risk measurement system, for example, by maintaining an updated risk management manual that describes the basic principles of the risk management system and that provides an explanation of the empirical techniques used to measure the bank's exposure to counterparty risk,

which documentation, among other things, shall clearly set out the frequency with which backtesting analysis and any other on-going validation will be conducted, how the validation is conducted with respect to data flows and portfolios and the analyses that are used;

(k) shall conduct an appropriate independent review of the bank's risk measurement system, for example, as part of the bank's internal auditing process, which review-

(i) shall include the activities of the relevant business units, the independent risk control unit and the bank's overall risk management process;

(ii) shall be conducted at regular intervals but not less frequently than once a year;

(iii) as a minimum, shall include-

(A) the adequacy of documentation relating to the bank's risk management policies, system and processes;

(B) the organisation of the risk control unit;

(C) the organisation of the collateral management unit;

- (D) the integration of risk measures into the bank's ongoing risk management processes and systems;
 - (E) the approval process relating to all relevant risk pricing models and valuation systems, including counterparty credit risk models used in the calculation of counterparty credit risk exposure used by front office and back office personnel;
 - (F) the validation of any significant changes made in respect of the bank's risk measurement process;
 - (G) the scope of counterparty credit risk and relevant market risk factors captured by the risk measurement model;
 - (H) the integrity of the management information system;
 - (I) the accuracy and completeness of relevant credit and market variables and data;
 - (J) the accurate reflection of relevant legal terms in collateral and netting agreements in the respective measurements of the bank's exposure to risk;
 - (K) the verification of the consistency, timeliness and reliability of data sources used to operate the internal model, including the independence of the said data sources;
 - (L) the accuracy and appropriateness of volatility and correlation assumptions;
 - (M) the accuracy of valuation and risk transformation calculations;
 - (N) the verification of the model's accuracy through frequent backtesting as set out in these Regulations;
- (l) shall have in place a written policy that clearly describes the process by which unacceptable performance of the bank's model will be determined and remedied;
- (m) shall ensure that on-going validation of counterparty credit risk models, including backtesting, is reviewed periodically by senior management with sufficient authority to decide the course of action that will be taken to duly address weaknesses in the bank's models;
- (n) shall ensure that, as part of the bank's initial and on-going validation of its internal model and the related risk measures-
- (i) the most recent performance of the bank's EPE model and the relevant risk measures are duly assessed;

- (ii) the bank conducts backtesting using historical data on movements in market risk factors prior to the bank's application to the Registrar for approval of the bank's internal model, which backtesting shall consider a number of distinct prediction time horizons out to at least one year, over a range of various start or initialisation dates, and covering a wide range of market conditions;
- (iii) the bank's backtesting includes the performance of the EPE model and the model's relevant risk measures as well as the market risk factor predictions that support EPE, provided that, for collateralised trades, the prediction time horizons considered shall include those reflecting typical margin periods of risk applied in collateralised or margined trading, and include time horizons of at least one year;
- (iv) pricing models used to calculate counterparty credit risk exposure for a given scenario of future shocks to market risk factors are appropriately tested, which pricing models-
 - (A) may be different from the pricing models used to calculate market risk over a short horizon;
 - (B) shall in the case of options duly account for the nonlinearity of option value with respect to market risk factors;
 - (C) shall be regularly tested against appropriate independent benchmarks;
- (v) the bank verifies that transactions are assigned to the appropriate netting set within the model;
- (vi) static, historical backtesting on representative counterparty portfolios forms part of the bank's validation process;
- (vii) the bank conducts, at such intervals as may be directed in writing by the Registrar, backtesting on a sufficient number of representative counterparty portfolios, provided that-
 - (A) the representative portfolios shall be chosen based on their sensitivity to the material risk factors and correlations to which the bank is exposed;
 - (B) the backtesting conducted by the bank shall be designed to test the key assumptions of the bank's EPE model and the relevant risk measures, that is, for example, the modelled relationship between tenors of the same risk factor, and the modelled relationships between risk factors;
 - (C) the bank's backtesting programme shall be sufficiently robust to identify poor performance in the bank's EPE model's risk measures;

- (D) the bank shall report to the Registrar significant differences between realised exposures and the bank's forecast distribution;
- (viii) the bank validates its EPE model and all relevant risk measures out to time horizons commensurate with the maturity of trades for which exposure is calculated using the internal modelling method;
- (ix) the frequency with which the parameters of the bank's EPE model are updated is assessed;
- (x) in respect of a measure or metric for which the bank obtained prior approval of the Registrar to measure counterparty exposure, which measure shall be more conservative than the specified metric used to calculate EAD for every counterparty, that is, more conservative than alpha times Effective EPE, the bank shall regularly validate that the said measure or metric is sufficiently conservative;
- (xi) the bank includes all relevant counterparties for which the models are used;
- (xii) the bank assesses whether or not the bank level and netting set exposure calculations of EPE are appropriate;
- (o) shall comply with the relevant further operational requirements specified in subregulations (9) to (12) below.

(9) *Counterparty credit risk: operational requirements relating to the use test*

As a minimum, a bank that wishes to adopt the internal model method for the measurement of the bank's exposure to counterparty credit risk-

- (a) shall demonstrate to the satisfaction of the Registrar that the distribution of exposures generated by the bank's internal model and used by the bank to calculate its effective expected positive exposure is closely integrated into the day-to-day counterparty credit risk management process of the bank, that is-
 - (i) the output of the internal model shall play an essential role in the credit approval, counterparty credit risk management, internal capital allocations and governance processes of the bank;
 - (ii) the internal model used by the bank to generate the distribution of exposures shall form part of a counterparty risk management framework that includes the identification, measurement, management, approval and internal reporting of counterparty risk, which framework shall include the aggregation of credit exposures to the same counterparty and the allocation of economic capital;
 - (iii) peak exposure from the distribution is used by the bank, for example, to determine counterparty credit limits;

- (iv) expected positive exposure is used by the bank, for example, for internal allocation of capital.
- (b) shall have a credible track record in the use of an internal model that generate a distribution of exposures to counterparty credit risk, that is, the bank shall demonstrate to the satisfaction of the Registrar that for at least one year prior to the bank's application for approval to use the internal model method the bank has implemented a model-
 - (i) that calculates the distributions of exposures upon which the bank's EPE calculation is based;
 - (ii) that broadly meets the minimum requirements specified in subregulation (8) above.
- (c) shall have in place an independent risk control unit that complies with the relevant requirements specified in subregulation (8)(b) above;
- (d) shall have in place a collateral management unit that complies with the relevant requirements specified in subregulation (8)(c) above;
- (e) shall demonstrate to the satisfaction of the Registrar-
 - (i) that in addition to EPE which is a measure of future exposure, the bank measures and manages current exposure, gross and net of collateral held;
 - (ii) that the bank is able to measure counterparty exposure out to the life of all relevant contracts in a netting set and not just to a one year horizon, that is, the bank, for example, has procedures in place to identify and control the risks relating to counterparties in respect of which exposure rises beyond the one-year horizon;
 - (iii) that the bank is able to monitor and control the bank's exposure to counterparty credit risk;
 - (iv) that any forecasted increase in exposure beyond a one-year horizon constitutes an input into the bank's internal economic capital model.
- (f) shall implement a time profile of forecasting horizons that duly reflects the time structure of future cash flows and the maturity of the contracts that expose the bank to counterparty credit risk, provided that-
 - (i) although the bank may not be required to estimate or report expected exposure on a daily basis, the bank shall have the system capability to estimate expected exposure or EE daily when necessary;
 - (ii) based on materiality and the composition of the bank's exposure, the bank, for example, may compute EE on a daily basis for the first ten days, once a week out to one month, once a month out to eighteen months or once a quarter out to five years and beyond five years.

(10) *Counterparty credit risk: operational requirements relating to stress testing*

As a minimum, the senior management of a bank that wishes to adopt the internal model method for the measurement of the bank's exposure to counterparty credit risk-

- (a) shall ensure that the bank has in place a robust stress-testing process, which stress-testing process, amongst other things, shall comply with the relevant minimum requirements specified in subregulation (8)(h) above;
- (b) shall take a lead role in the integration of stress testing into the risk management framework and risk culture of the bank;
- (c) shall ensure that the results of-
 - (i) the stress testing process are meaningful and proactively used to manage counterparty credit risk;
 - (ii) stress testing for significant exposures are compared to board-approved standards that express the bank's risk appetite and elevated for discussion and action when excessive or material concentrated risks are present.

(11) *Counterparty credit risk: operational requirements relating to the identification of wrong-way risk*

As a minimum, a bank that wishes to adopt the internal model method for the measurement of the bank's exposure to counterparty credit risk shall have in place policies, processes and procedures to identify, monitor and control exposure to or cases of material-

- (a) general wrong-way risk, that is, when the probability of default of a counterparty is positively correlated with general market risk factors, provided that, as a minimum, the bank shall-
 - (i) identify all relevant exposures that give rise to a greater degree of general wrong-way risk;
 - (ii) develop and conduct relevant stress testing and scenario analyses to identify risk factors that are positively correlated with counterparty credit worthiness, which testing shall include and duly address the possibility of severe shocks occurring when relationships between risk factors have changed;
 - (iii) continuously monitor general wrong-way risk-
 - (A) by product;
 - (B) by region;
 - (C) by industry, or

- (D) by such other categories that may be relevant to the bank's business;
- (iv) regularly report to senior management and the appropriate committee of the Board relevant information related to wrong-way risks, and the steps taken to duly manage the related risk;

and

- (b) specific wrong-way risk, that is, when future exposure relating to a specific counterparty is highly correlated with the counterparty's probability of default, which situation may arise when a company, for example, write put options in respect of its own stock,

which policies, processes and procedures shall be adequate to monitor and control the relevant risk from the inception of the transaction as well as during the life of the said contract.

(12) Counterparty credit risk: further operational requirements relating to internal controls and the integrity of the bank's modelling process

As a minimum, a bank that wishes to adopt the internal model method for the measurement of the bank's exposure to counterparty credit risk-

- (a) shall have in place a robust internal model that calculates, amongst other things, expected positive exposure or EPE-
 - (i) which model shall reflect transaction terms and specifications in a timely, complete and conservative manner-
 - (A) which terms may include-
 - (i) the notional amounts of contracts;
 - (ii) the maturity of transactions, contracts or agreements;
 - (iii) any relevant reference asset;
 - (iv) any collateral threshold amount;
 - (v) any relevant margining arrangement or agreement;
 - (vi) any relevant netting arrangement or agreement;
 - (B) which terms and specifications shall reside in a secure database that is subject to formal and periodic audit;
 - (C) the transmission of which transaction terms and specifications to the bank's internal model shall be subject to internal audit;

- (ii) which EPE model and any modifications made to the model shall be subject to a robust internal model validation process, which model validation process-
 - (A) shall be duly articulated in the bank's policies and procedures;
 - (B) shall specify the type of testing required in order to ensure model integrity;
 - (C) shall identify conditions under which assumptions made may be violated, resulting in an understatement of EPE;
 - (D) shall include a review of the comprehensiveness of the bank's EPE model, including whether or not the EPE model sufficiently covers all products that may have a material impact on the bank's exposure to counterparty risk;
 - (E) shall comply with the additional requirements specified in subregulation (8)(e).
- (b) shall ensure that-
 - (i) when the model that is used to calculate, among other things, Effective EPE is calibrated using historic market data, the bank uses current market data to calculate current exposures, and at least three years of historical data is used to estimate parameters of the model, provided that-
 - (A) the bank may use market implied data to estimate parameters of the model; and
 - (B) in all cases, relevant data shall be updated quarterly or more frequently if warranted by market conditions;
 - (ii) when calculating the Effective EPE using a stress calibration, the bank also calibrates Effective EPE using-
 - (A) three years of data that include a period of stress to the credit default spreads of the bank's counterparties; or
 - (B) market implied data from a suitable period of stress,

Provided that, in order to assess the adequacy and effectiveness of the aforesaid stress calibration,

- (i) the bank shall demonstrate to the satisfaction of and in a manner and time interval determined in writing by the Registrar, which shall be no less frequently than quarterly, that the stress period coincides with a period of increased CDS or other credit spreads, such as loan or corporate bond spreads, for a representative selection of the bank's counterparties with traded credit spreads, provided that when the bank does not have adequate credit spread data for a counterparty, the bank shall map each relevant counterparty to specific credit spread

- data based on relevant region, internal rating and business types;
- (ii) the exposure model for all relevant counterparties shall use data, either historic or implied, that includes the data from the stressed credit period, and the bank shall use such data in a manner consistent with the method used for the calibration of the Effective EPE model for/ to current data;
 - (iii) the bank shall create several benchmark portfolios that are vulnerable to the same main risk factors to which the bank is exposed, provided that the exposure to the said benchmark portfolios shall be calculated using-
 - (aa) current positions at current market prices, stressed volatilities, stressed correlations and other relevant stressed exposure model inputs from the 3-year stress period; and
 - (bb) current positions at end of stress period market prices, stressed volatilities, stressed correlations and other relevant stressed exposure model inputs from the 3-year stress period,
 - (iv) the Registrar may request the bank to adjust the stress calibration if the exposures of the said benchmark portfolios deviate substantially;
- (c) shall have in place a robust process for the recognition of any netting arrangement or agreement, which netting arrangement or agreement-
- (i) shall be subject to signoff by legal staff of the bank in order to verify the legal enforceability of the relevant netting arrangement or agreement;
 - (ii) shall be captured into the relevant database by an independent unit.
- (d) shall have in place a formal reconciliation process between the bank's internal model and its source data systems in order to verify on an ongoing basis that transaction terms and specifications are duly reflected in the bank's calculation of EPE.

(13) As a minimum, and without derogating from the relevant requirements specified in regulations 3 and 14 of these Regulations, a bank that invests or trades in instruments, contracts or positions that are measured at fair value shall implement robust governance structures and control processes as part of its risk-management framework for the prudent valuation of the said instruments, contracts or positions, which structures, control processes and risk-management framework shall include the key elements specified below:

(a) *Structures, processes, systems and controls*

A bank shall establish and maintain adequate structures, processes, systems and controls in respect of instruments, contracts or positions measured at fair value, which structures, processes, systems and controls-

- (i) shall explicitly cover the role of the board of directors and the senior management of the bank;
- (ii) shall ensure that the board receives regular reports from senior management regarding matters related to the valuation oversight and valuation model performance that were brought to the attention of the senior management for resolution, and all significant changes to valuation policies;
- (iii) shall ensure the robust production, assignment and verification of all relevant valuations;
- (iv) shall be sufficiently robust-
 - (A) to ensure and promote the quality, integrity and reliability of all relevant input that affects the valuation of instruments, contracts or positions, in respect of which input the bank shall duly consider-
 - (i) the frequency and availability of the relevant prices or quotes;
 - (ii) whether or not the relevant prices represent actual regularly occurring transactions on an arm's length basis;
 - (iii) the breadth of the distribution of the data and whether it is generally available to all relevant participants in the market;
 - (iv) the timeliness of the information relative to the frequency of valuations;
 - (v) the number of independent sources that produce the relevant quotes or prices;
 - (vi) whether or not the relevant quotes or prices are supported by actual transactions;
 - (vii) the maturity of the market; and
 - (viii) the similarity between the instrument, contract or position sold in a transaction and the instrument, contract or position held by the bank;

- (B) to appropriately consider and apply all relevant international standards or guidance that may affect the valuation of instruments, contracts or positions, including all relevant financial or accounting standards or statements;
- (C) to ultimately ensure that the bank's valuation estimates are prudent and reliable;
- (v) shall ensure that all relevant new product approval processes include all internal stakeholders relevant to risk measurement, risk control, and the assignment and verification of valuations;
- (vi) shall ensure that the bank's control processes for the measurement and reporting of valuations are consistently applied-
 - (A) across the bank;
 - (B) across similar instruments or risks; and
 - (C) across all relevant business lines;
- (vii) shall be duly integrated with other risk management structures, policies, procedures, processes and systems, such as credit analysis, within the bank;
- (viii) shall be based on duly documented policies and procedures for the process of valuation, which documented policies and procedures, among other things-
 - (A) shall ensure that all relevant approvals of valuation methodologies are duly documented;
 - (B) shall duly specify the range of acceptable practices for the initial pricing, marking-to-market or model, valuation adjustments and periodic independent revaluation;
 - (C) shall include duly defined responsibilities of the various areas involved in the determination of valuations;
 - (D) shall include the sources of market information to be used and the review of their appropriateness;
 - (E) shall include appropriate guidelines for the use of unobservable inputs, reflecting the bank's assumptions of what market participants may use when pricing the relevant position;
 - (F) shall include the frequency of independent valuation;
 - (G) shall include the timing of closing prices;

- (H) shall include all relevant matters related to verification.
- (ix) shall ensure that the performance of the bank's relevant models is subject to robust testing and review, particularly under stressed conditions, in order to ensure that the board of directors and senior management of the bank understand any potential limitations of the models;
- (x) shall ensure that the bank has in place-
 - (A) adequate capacity to determine or establish and verify all relevant valuations, particularly during periods of stress;
 - (B) a board-approved external reporting or disclosure policy-
 - (i) that complies with the relevant requirements specified in regulation 43;
 - (ii) that ensures that the bank provides timely, relevant and reliable information;
 - (iii) that ensures that the bank provides meaningful information relating to-
 - (aa) the bank's respective modelling techniques and the instruments to which they apply;
 - (bb) the sensitivity of fair values to modelling inputs and assumptions;
 - (cc) the impact of stress scenarios on valuations;
 - (iv) that promotes transparency;
 - (v) that is subject to regular review to ensure that the information disclosed continues to be relevant and current;
- (xi) shall be subject to clear and independent reporting lines, that is, independent from the front office, which reporting line ultimately shall be to an executive director of the bank;
- (xii) shall be subject to internal audit.

(b) *Valuation methodologies*

(i) *Marking to market*

Based on readily available close out prices, which close out prices shall be sourced independently, a bank shall mark to market all positions accounted for at fair value as often as possible, but not less frequently than at the close of business of every day or when the closing price of a particular position or market is published, provided that-

- (A) unless the bank is a significant market maker in a particular instrument or position, and the bank is in a position to close positions out at mid-market prices, the bank shall use the more prudent side of bid/offer prices;
- (B) when estimating fair value the bank shall maximise the use of relevant observable inputs and minimise the use of unobservable inputs;
- (C) when observable inputs or transactions are deemed by the bank not to be relevant, such as in a forced liquidation or distressed sale situation, or transactions may not be observable, such as when markets are inactive, the bank shall duly consider any observable data in accordance with its board-approved policies, in order to determine the extent to which such inputs should be regarded as determinative.

(ii) *Marking to model*

Only when a bank is unable to mark to market positions accounted for at fair value, the bank may use a mark-to-model approach, that is, valuations that are benchmarked, extrapolated or otherwise calculated from a market input, provided that-

- (A) the senior management of the bank shall be aware of the elements of the trading book or other instruments, contracts or positions that are accounted for at fair value and that are subject to mark-to-model valuations, and shall understand the uncertainty that may exist in the reporting of the risk or performance of the bank;
- (B) the bank-
 - (i) shall demonstrate to the satisfaction of the Registrar that its mark-to-model approach is prudent;
 - (ii) shall source market input as frequently as possible;
 - (iii) shall use generally accepted valuation methodologies relating to particular products as frequently as possible;

- (iv) shall have in place formal change control procedures and a secure copy of the model, which copy of the model shall be maintained and periodically used to check all relevant valuations;
- (C) when the model was developed internally by the bank, the model-
 - (i) shall be based on appropriate assumptions, which assumptions shall be assessed by duly qualified persons who shall be independent from the development process;
 - (ii) shall be approved independently from the front office;
 - (iii) shall be independently tested.
- (D) the model shall be subject to periodic review to determine the accuracy of its performance, including an analysis of profit and loss against the risk factors and a comparison of actual close out values to model outputs.

(iii) *Independent price verification*

By way of independent price verification, a bank shall regularly but not less frequently than once a month, verify market prices and model inputs for accuracy, which independent price verification in respect of market prices or model inputs-

- (A) shall be performed by a unit independent from the dealing room;
- (B) shall be used-
 - (i) to identify any errors or biases in pricing;
 - (ii) to eliminate any inaccurate adjustments to valuations.

(c) *Valuation adjustment*

Due to, for example, the uncertainty associated with liquidity in markets, instruments or products accounted for at fair value, that may result in a bank being unable to sell or hedge the said instruments, products or positions in a desired short period of time, as part of a bank's risk management framework and mark-to-market or mark-to-model procedure, a bank shall establish and maintain procedures for considering relevant valuation adjustments, provided that-

- (i) as a minimum, the bank shall duly consider-
 - (A) valuation adjustments to instruments, products or positions that may be subject to reduced liquidity;

- (B) relevant close-out prices for concentrated positions and/or stale positions;
- (C) all relevant factors when determining the appropriateness of valuation adjustments or reserves for less liquid positions, including, for example-
 - (i) the time required to hedge out the position or risks associated with the position;
 - (ii) the average volatility of bid/offer spreads;
 - (iii) the availability of independent market quotes;
 - (iv) the number and identity of market makers;
 - (v) the average and volatility of trading volumes, including trading volumes during periods of market stress;
 - (vi) market concentrations;
 - (vii) the aging of positions;
 - (viii) the extent to which valuation relies on marking-to-model, and the impact of model risk;
- (ii) for complex products, including securitization or resecuritisation exposures and n-th-to-default credit derivative instruments, the bank shall explicitly and continuously assess the need for any relevant valuation adjustment to reflect at least two forms of model risk, namely
 - (A) the model risk associated with using a possibly incorrect valuation methodology; and
 - (B) the risk associated with using unobservable and possibly incorrect calibration parameters in the bank's valuation model.

(14) A bank that wishes-

(a) to adopt the internal model market-based approach for the measurement of the bank's exposure arising from equity instruments held in the bank's banking book-

(i) shall have in place board approved policies, procedures and controls in order to ensure the integrity of the model and the modelling process used to measure the bank's exposure to risk, which board approved policies, procedures and controls shall be adequate-

(A) to ensure a complete integration of the internal model into the bank's overall management information systems, particularly in respect of the ongoing management of the bank's banking book equity portfolio, including a complete integration in order-

(i) to determine investment hurdle rates;

(ii) to evaluate alternative investments;

(iii) to measure and assess the performance of the bank's equity portfolio, including the risk-adjusted performance;

(iv) to allocate economic capital to equity positions;

(v) to evaluate the bank's capital adequacy,

provided that the bank shall by way of, for example, investment committee minutes, demonstrate to the satisfaction of the Registrar that output from the internal model plays an essential role in the bank's investment management process.

(B) to ensure that the bank's internal model has good predictive power and will not produce materially incorrect capital requirements;

(C) to establish a rigorous statistical process, including out-of-time and out-of-sample performance tests, in order to validate the bank's selection of explanatory variables;

(D) to ensure that all elements of the internal modelling process, including systems, procedures and control functions, are subject to adequate periodic independent review, which independent review, as a minimum-

(i) shall assess the approval process relating to any revision of the model;

(ii) shall validate any proxies and mapping techniques used by the bank;

- (iii) shall assess the accuracy, completeness and appropriateness of model input and output;
 - (iv) shall ensure that the model remains relevant based on the bank's equity portfolio and external conditions;
 - (v) shall be adequate to detect and limit potential model weaknesses;
 - (vi) shall be based on well established model review standards;
 - (vii) may be conducted as part of the bank's internal or external audit programmes by an independent risk control unit or an external third party;
- (E) to monitor investment limits and risk exposures;
- (F) to ensure that the unit(s) responsible for the design and application of the model is functionally independent from the unit(s) responsible for the management of individual investments;
- (G) to ensure that the persons responsible for any aspect of the modelling process are adequately qualified;
- (ii) shall have in place a robust system in order to validate the accuracy and the consistency of the bank's internal model and the modelling process, including the input and the output of the model, which robust system and validation process-
 - (A) shall be adequate-
 - (i) to assess the performance of the bank's internal model and modelling processes in a consistent and meaningful manner;
 - (ii) by way of backtesting, to regularly compare actual realised and unrealised gains and losses with modelled estimates;
 - (iii) to demonstrate that the bank's actual returns are within the expected range for the portfolio and individual holdings;
 - (iv) to backtest volatility estimates and the appropriateness of proxies used in the model;
 - (B) shall make use of external data sources, which external data sources-
 - (i) shall be appropriate for the bank's equity portfolio;
 - (ii) shall be updated on a regular basis;

- (iii) shall cover a relevant observation period;
- (C) shall be based on-
 - (i) sufficiently long data histories, which data histories-
 - (aa) shall include a range of economic conditions;
 - (bb) shall preferably include one or more complete business cycles;
 - (ii) appropriate databases of actual returns and modelled estimates;
 - (iii) methods and data that are consistent through time.
- (iii) shall duly document all material elements of the bank's internal model and modelling process, which documentation-
 - (A) shall include matters relating to the design and the operational details of the internal model;
 - (B) shall provide a detailed outline of the theory, assumptions and/or mathematical and empirical basis of the parameters, variables, and data source(s) used;
 - (C) shall clearly indicate the circumstances under which the model does not work effectively;
 - (D) shall include the methods and data used in any comparison between actual realised and unrealised gains and losses, and modelled estimates;
 - (E) shall clearly indicate the use of explicit and assumptions relating to implicit correlations, which correlations shall be supported by empirical analysis;
 - (F) shall be updated on a regular basis, but not less frequently than once a year;
 - (G) shall comprehensively deal with any changes in respect of the internal model, the estimation method, data, data sources and periods covered;
 - (H) shall be adequate to demonstrate the bank's compliance with the prescribed minimum quantitative and qualitative requirements envisaged in regulation 23(11)(b)(vii);

- (l) shall duly address matters relating to-
 - (i) the application of the model to different segments of the portfolio;
 - (ii) estimation methodologies;
 - (iii) the responsibilities of persons involved in the modelling process;
 - (iv) the model approval and model review processes;
 - (v) the rationale for the bank's choice of a particular methodology;
 - (vi) the history of major changes in the model over time;
 - (vii) any changes made to the modelling process subsequent to supervisory review;
 - (viii) proxies, mapping techniques or processes used by the bank during the modelling process, including all relevant and material factors relating to-
 - (aa) business lines;
 - (bb) balance sheet characteristics;
 - (cc) geographic location;
 - (dd) company age;
 - (ee) industry sector and subsector;
 - (ff) operating characteristics;
- (iv) shall in all cases in which the bank maps individual positions to proxies, market indices or risk factors-
 - (A) ensure that the said mapping is plausible, intuitive, appropriate and conceptually sound;
 - (B) perform rigorous analysis in order to demonstrate to the satisfaction of the Registrar that the said proxies and mappings are relevant based on historical economic and market conditions and the bank's underlying portfolio;
 - (C) demonstrate that the said proxies are robust estimates of the potential risk of the bank's underlying exposure.

- (v) shall have in place a rigorous and comprehensive stress-testing programme in respect of the bank's internal model and estimation procedures, which stress-testing process-
 - (A) shall include hypothetical or historical scenarios in order to reflect worst-case losses in respect of the bank's equity positions;
 - (B) shall provide comprehensive information relating to the effect of tail events beyond the level of confidence specified in respect of the internal model approach.
- (b) to adopt the internal models approach for the measurement of the bank's exposure to market risk arising, *inter alia*, from positions held in the bank's trading book-
 - (i) shall have in place an independent risk control unit, which risk control unit-
 - (A) shall be responsible for the design and implementation of the bank's risk management system;
 - (B) shall produce and analyse daily reports on the output of the bank's risk measurement model, including an evaluation of the relationship between measures of risk exposure and trading limits;
 - (C) shall be functionally independent from all relevant business trading units;
 - (D) shall report directly to the senior management of the bank;
 - (E) shall conduct regular backtesting, that is, an ex-post comparison of the risk measure generated by the bank's model against actual daily changes in portfolio value over longer periods of time, as well as hypothetical changes based on static positions;
 - (F) shall conduct the initial and ongoing validation of the internal model, which validation process shall be conducted in accordance with the relevant requirements specified in subparagraph (ix) below;
 - (G) shall control the integrity relating to input data;
 - (H) shall validate prices supplied by business units;
 - (I) shall be adequately staffed;
 - (ii) shall ensure the active involvement and oversight of the bank's board of directors and senior management in the bank's risk control processes;
 - (iii) shall regard risk control as an essential aspect of the bank's business;

- (iv) shall devote adequate resources to the bank's risk control unit and risk control processes;
- (v) shall ensure that the daily reports prepared by the independent risk control unit are reviewed by a level of senior management with sufficient authority to enforce both reductions of positions taken by individual traders and reductions in the bank's overall risk exposure;
- (vi) shall ensure that the senior management of the bank is aware of the limitations and assumptions made in respect of the said internal model and the impact that such limitations and assumptions may have on the output of the model;
- (vii) shall have in place a robust risk measurement model, which model-
 - (A) shall be closely integrated into the day-to-day risk management processes of the reporting bank and the output of which model shall form an integral part of the process of planning, monitoring and controlling the bank's exposure to market risk;
 - (B) shall be used in conjunction with internal trading and exposure limits in a manner that is consistent over time and that is well understood by traders and the senior management and relevant line functions of the reporting bank;
- (viii) shall have in place a routine and rigorous process or programme of stress testing, the results of which stress testing-
 - (A) shall be duly documented;
 - (B) shall periodically be reviewed by the senior management of the bank;
 - (C) shall be used in the bank's internal assessment of capital adequacy;
 - (D) shall be duly reflected in the bank's policies and limits set by management and the bank's board of directors,

Provided that when the bank's stress tests reveal particular vulnerability to a particular set of circumstances, the bank shall take appropriate and prompt action in order to manage and control the relevant risks, which action may include hedging against a particular outcome, reducing the size of the bank's exposures or increasing the amount of capital and reserve funds.

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- (ix) shall have in place robust processes in order to ensure adequate validation of the bank's relevant models by suitably qualified persons independent from the development process, which validation-
- (A) shall ensure that all relevant and material risks are duly captured;
 - (B) as a minimum, shall be conducted-
 - (i) when the model is initially developed;
 - (ii) when any significant changes are made to the model;
 - (iii) on a periodic basis but especially when significant structural changes in the market or in the composition of the bank's portfolio took place, which changes might result in the model no longer being adequate;
 - (C) shall in appropriate cases ensure compliance with the relevant requirements relating to specific risk, specified in regulation 28(8);
 - (D) shall not be limited to backtesting;
 - (E) as a minimum, shall include-
 - (i) tests to demonstrate that any assumptions made within the internal model are appropriate and do not underestimate risk, including relevant tests relating to-
 - (aa) the assumption of a normal distribution;
 - (bb) the use of the square root of time to scale from a one day holding period to a ten day holding period;
 - (cc) the use of extrapolation or interpolation techniques;
 - (dd) the bank's pricing models;
 - (ii) tests during which hypothetical changes in portfolio value is used when end-of-day positions remain unchanged, which tests therefore shall exclude fees, commissions, bid-ask spreads, net interest income and intra-day trading;
 - (iii) tests conducted for periods longer than what is otherwise required in the bank's process of backtesting, which longer time period may improve the power of the backtesting process, provided that a longer time period may not be desirable when the bank's VaR model or market conditions have changed to an extent that makes historical data irrelevant or less relevant;

- (iv) tests based on confidence intervals other than the 99 per cent interval required in respect of quantitative standards specified in regulation 28(8)(e);
- (v) the use of hypothetical portfolios in order to ensure that the bank's model is able to account for particular structural features that may arise such as-
 - (aa) when data histories for a particular instrument do not meet the quantitative standards specified in regulation 28(8) and the bank has to map positions to proxies, in which case the bank shall ensure that the proxies produce conservative results under relevant market scenarios;
 - (bb) ensuring that material basis risks are duly captured, which may include mismatches between long and short positions by maturity or by issuer;
 - (cc) ensuring that the model captures concentration risk that may arise from an undiversified portfolio.
- (x) shall have in place a routine for ensuring the bank's continued compliance with a documented set of internal policies, controls and procedures concerning the operation of the bank's risk measurement system;
- (xi) shall duly document the bank's risk measurement system, for example, by maintaining an updated risk management manual that describes the basic principles of the risk management system and provides an explanation of the empirical techniques used to measure the bank's exposure to market risk;
- (xii) shall conduct an appropriate independent review of the bank's risk measurement system, for example, as part of the bank's internal auditing process, which review-
 - (A) shall include the activities of the relevant business trading units, the independent risk control unit and the bank's overall risk management process;
 - (B) shall be conducted at regular intervals but not less frequently than once a year;

- (C) as a minimum, shall include-
- (i) the adequacy of documentation relating to the bank's risk management policies, system and processes;
 - (ii) the organisation of the risk control unit;
 - (iii) the integration of market risk measures into daily risk management;
 - (iv) the approval process relating to all relevant risk pricing models and valuation systems used by front and back-office personnel;
 - (v) the validation of any significant changes made in respect of the bank's risk measurement process;
 - (vi) the scope of market risk and market risk factors captured by the risk measurement model;
 - (vii) the integrity of the bank's management information system;
 - (viii) the accuracy and completeness of relevant market variables and position data;
 - (ix) the verification of the consistency, timeliness and reliability of data sources used to operate the internal model, including the independence of the said data sources;
 - (x) the accuracy and appropriateness of volatility and correlation assumptions;
 - (xi) the accuracy of valuation and risk transformation calculations;
 - (xii) the verification of the model's accuracy through frequent backtesting.

- (c) to adopt an internal approach and incremental risk capital (IRC) model for the measurement of the bank's exposure to incremental default and migration risks arising from instruments or positions subject to specific interest rate risk, other than securitisation or resecuritisation exposures and n-th-to-default credit derivative instruments, held in the bank's trading book, shall have in place a robust validation process, which validation process-
- (i) shall apply the validation principles specified in regulations 39(8), 39(14)(a) and 39(14)(b) when designing, testing and maintaining the bank's IRC models, including-
 - (A) the evaluation of conceptual soundness;
 - (B) ongoing monitoring that includes process verification and benchmarking; and
 - (C) outcomes analysis;
 - (ii) shall ensure that-
 - (A) liquidity horizons reflect actual practice and experience during periods of both systematic and idiosyncratic stresses;
 - (B) the bank's IRC model for measuring default and migration risks over the liquidity horizon takes into account objective data over the relevant horizon and includes a comparison of risk estimates for a rebalanced portfolio with that of a portfolio with fixed positions;
 - (C) correlation assumptions are supported by analysis of objective data in a conceptually sound framework.

When a bank uses a multi-period model to compute incremental risk, the bank shall evaluate the implied annual correlations to ensure they are reasonable and in line with observed annual correlations.
 - (D) the bank's modelling approach for correlations is appropriate for the bank's portfolio, including the choice and weights of systematic risk factors;
 - (iii) shall include relevant stress tests, sensitivity analyses and scenario analyses, to assess its qualitative and quantitative reasonableness, particularly with regard to the model's treatment of concentrations;
 - (iv) shall be an ongoing process that makes provision for the Registrar and the bank to jointly determine the exact set of validation procedures to be employed, that is, tests, for example, shall not be limited to the range of events experienced historically.

Provided that the bank shall duly document its modelling approach in order to ensure that the correlation and other modelling assumptions, for example, are available and transparent.

(15) As a minimum, a bank that wishes to adopt the advanced measurement approach for the calculation of the bank's capital requirement relating to operational risk-

- (a) shall have in place an independent operational risk management function, which operational risk management function shall be responsible for-
 - (i) the development of-
 - (A) policies and procedures relating to operational risk management and control, including policies to address areas of non-compliance, which policies ultimately shall be approved by the bank's board of directors;
 - (B) strategies to identify, measure, monitor and control or mitigate the bank's exposure to operational risk.
 - (ii) the design and implementation of-
 - (A) a methodology for the measurement of the bank's exposure to operational risk;
 - (B) the bank's operational risk management framework;
 - (C) a risk-reporting system relating to operational risk;
- (b) shall have in place an internal operational risk measurement system-
 - (i) which operational risk measurement system-
 - (A) shall be closely integrated into the day-to-day risk management processes of the bank;
 - (B) shall be subject to regular validation and independent review, which validation and independent review shall include verification that the internal validation processes are operating in a satisfactory manner and that data flows and processes associated with the risk measurement system are transparent and accessible;
 - (ii) the output of which system shall form an integral part of the process to monitor and control the bank's exposure to operational risk, including internal capital allocation and risk analysis;

- (c) shall have in place techniques-
 - (i) to allocate capital to major business units, which allocation shall be based on operational risk;
 - (ii) to create incentives to improve the management of operational risk throughout the bank;
- (d) shall on a regular basis report its exposure to operational risk, including material losses suffered in respect of operational risk, to the management of the bank's business units, the senior management of the bank and the bank's board of directors;
- (e) shall have in place adequate measures to take appropriate action, including in cases of non-compliance with internal policies, controls and procedures;
- (f) shall duly document the bank's operational risk management system;
- (g) shall have in place a process to ensure compliance with the bank's documented set of internal policies, controls and procedures concerning the operational risk management system;
- (h) shall have in place a robust operational risk management process, which operational risk management process shall be subject to regular review by the bank's internal and/or external auditors, which review shall include the activities of-
 - (i) the relevant business units;
 - (ii) the independent operational risk management function.

(16) Based on and without derogating from the requirements specified in subregulations (1) to (15) above, a bank's policies, processes and procedures relating to governance, effective risk management, adequate capital and internal controls shall contain the key features specified below:

(a) *Board and senior management oversight*

Since a sound governance and risk management process provides the basis for ensuring, among other things, that a bank continuously maintains adequate capital and liquidity, the board of directors of a bank-

- (i) shall set the bank's tolerance for risk, that is, the board of directors shall, among other things, duly define and approve the bank's risk appetite;

-
- (ii) shall ensure that effective governance is in place in respect of the bank's compensation or remuneration policies, processes, practices and procedures, and in particular the board of directors-
 - (A) shall actively oversee the design and operation of the bank's compensation or remuneration policies, processes, practices and procedures;
 - (B) shall duly monitor and review the bank's policies, processes, practices and procedures in order to ensure that the said policies, processes, practices and procedures operate as intended;
 - (C) shall ensure that staff engaged in financial and risk control-
 - (i) are independent;
 - (ii) have appropriate authority; and
 - (iii) are compensated in a manner that is independent of the relevant business areas they oversee, and commensurate with the key function that they fulfil;
 - (iii) shall ensure that the bank's compensation or remuneration policies, processes, practices and procedures are duly aligned with the board approved tolerance for risk or risk appetite, and in particular the board of directors shall ensure that-
 - (A) compensation in the bank is duly adjusted for all relevant and material types of risk;
 - (B) all compensation outcomes are symmetric with the relevant and related risk outcome;
 - (C) all relevant compensation payout schedules are duly sensitive to the relevant and related time horizon of risk;
 - (D) the relevant mix or composition of cash payment, equity or other form of compensation is consistent with the relevant and related risk exposure;
 - (E) the aforesaid policies, processes, practices, procedures and compensation outcomes duly consider the risk and reward related to all relevant transactions concluded by executive directors or executive officers;
 - (F) the aforesaid policies, processes, practices and procedures support and promote the bank's other policies, processes, practices and procedures related to sound corporate governance and effective risk management;

- (G) the aforesaid policies, processes, practices and procedures protect and promote the long-term safety and soundness of the bank;
 - (H) the aforesaid policies, processes, practices and procedures include adequate controls and are subject to appropriate audit;
 - (I) the bank's policies, processes, practices and procedures comply with such further requirements as may be specified in writing by the Registrar;
- (iv) shall ensure that, based on, among other things, the bank's capital needs, the bank's anticipated capital expenditure and the bank's desired level of capital, the annually approved variable component of compensation does not unduly limit or restrict the ability of the bank to appropriately strengthen the capital base;
- (v) shall ensure that the senior management of the bank-
- (A) establishes a risk framework in order to assess and appropriately manage the various risk exposures of the bank;
 - (B) develops a system to relate the bank's risk exposures to the bank's capital and reserve funds, that is, every bank shall have in place a robust internal capital adequacy assessment process (ICAAP), as part of the bank's overall risk management framework and processes, which ICAAP-
 - (i) shall in addition to the relevant requirements specified in this sub-item (B), continuously comply with the requirements specified in paragraph (b) below;
 - (ii) shall ensure that the bank maintains qualifying capital and reserve funds adequate to continuously support the nature and extent of the bank's relevant risk exposures;
 - (iii) shall incorporate sufficiently robust stress-testing to complement and validate the bank's quantitative and qualitative measures related to its risk management framework, policies, processes or practices, and shall provide the board of directors and senior management with sufficiently robust information to better understand the bank's various exposures to risk and the potential interrelatedness of the said risks under stressed conditions, including the potential interrelatedness between liquidity risk and capital adequacy;
 - (iv) shall incorporate measures to ensure that the bank builds and maintains sufficient capital buffers during benign periods to ensure that the bank will be able to subsequently withstand severe and prolonged market downturns;

- (v) shall be sufficiently robust-
 - (aa) to examine future capital resources and capital requirements under adverse scenarios;
 - (bb) to ensure that the bank maintains an appropriate amount of capital for concentration risk;
 - (cc) to continuously analyse the bank's issued capital instruments and their potential performance during periods of stress, including their ability to absorb losses and support the bank's ongoing business operations;
 - (dd) to accommodate changes in the bank's strategy or risk appetite, and volatility in market conditions over time;
- (vi) shall incorporate such further requirements as may be specified in writing by the Registrar;
- (C) establishes a method to monitor the bank's compliance with internal policies;
- (D) effectively communicates all relevant policies and procedures throughout the bank;
- (E) duly defines the bank's stress testing objectives and scenarios-
 - (i) the results of which stress tests shall be duly considered during the bank's strategic decision making process and when the board of directors specifies the bank's risk tolerance or appetite levels;
 - (ii) which stress testing shall in relevant cases duly consider-
 - (aa) the potential risks and exposures associated with pipeline and warehoused exposures that may emerge when the bank is unable to access the securitisation market due to either bank specific or market stresses;
 - (bb) reputational risk scenarios;
 - (cc) scenarios in respect of which the bank, for example, assesses the size and the soundness of securitisation vehicles relative to the bank's own financial, liquidity and capital positions, including an assessment of all relevant covenants and triggers;

- (F) duly discusses and understands the results of the bank's stress tests and scenario analysis;
- (vi) shall adopt and support strong internal controls;
- (vii) shall ensure that the bank has in place appropriate written policies and procedures;
- (viii) shall ensure that the bank has in place an appropriate strategic plan, which strategic plan, as a minimum, shall duly outline-
 - (A) the bank's capital needs;
 - (B) the bank's anticipated capital expenditure;
 - (C) the bank's desired level of capital.
- (ix) shall ensure that the bank has in place an appropriate policy relating to public disclosure, which policy, as a minimum, shall ensure the bank's continued compliance with the requirements specified in regulation 43.

(b) *Sound capital assessment*

Without derogating from the relevant requirements specified in paragraph (a) above, as a minimum, a bank shall have in place a sound capital assessment process, which capital assessment process-

- (i) shall include board approved policies and procedures designed to ensure that the bank identifies, measures, and reports all material risk exposures;
- (ii) shall include all material risk exposures incurred by the bank, including the risks specifically referred to in subregulation (3);

Although a bank may not be able to accurately measure all risk exposures, the bank shall develop and implement an appropriate framework and process to estimate the key elements of the bank's material risk exposures.

- (iii) shall relate the bank's capital and reserve funds to the level of risk incurred by the bank;
- (iv) based on the bank's strategic focus and business plan, shall clearly state the bank's objectives in respect of capital adequacy and risk exposure;
- (v) shall incorporate rigorous, forward-looking stress testing that identifies possible events or changes in market conditions that could adversely impact the bank, the results of which stress testing shall be considered when the bank evaluates the adequacy of its capital buffer;

- (vi) shall promote the integrity of the bank's overall risk-management process by way of internal controls and appropriate internal and external reviews and audit.

(c) *Monitoring and reporting*

- (i) As a minimum, a bank shall establish and maintain an adequate system-
 - (A) to monitor, communicate and report the bank's exposures to risk in a timely manner and at an appropriate level;
 - (B) to assess the impact of the bank's changing risk profile on the bank's capital position.
- (ii) The board of directors of a bank or a board-appointed committee shall receive regular reports, which reports shall be sufficiently detailed to allow the said board of directors or board-appointed committee-
 - (A) to evaluate and understand the level and trend of material risk exposures and the impact of the risk exposures on the bank's capital adequacy;
 - (B) to determine whether the bank maintains sufficient capital against the various risk exposures and complies with the bank's established objectives relating to capital adequacy;
 - (C) to make timely adjustments to the bank's strategic plan.
- (iii) The senior management of a bank shall receive regular reports, which reports shall be sufficiently detailed to allow the senior management of the bank-
 - (A) to consider the matters specified in subparagraph (ii) above;
 - (B) to evaluate and understand the sensitivity and reasonableness of key assumptions used in the capital measurement system;
 - (C) to assess the bank's future capital requirements based on the bank's reported risk profile.

(d) *Internal control review*

- (i) A bank shall establish and maintain an appropriate internal control structure in order to monitor the bank's continued compliance with internal policies and procedures.

- (ii) As a minimum, a bank shall conduct periodic reviews of its risk management processes, which periodic reviews-
 - (A) shall be adequate to ensure-
 - (i) the integrity, accuracy, and reasonableness of the processes;
 - (ii) the appropriateness of the bank's capital assessment process based on the nature, scope and complexity of the bank's activities;
 - (iii) the timely identification of any concentration risk;
 - (iv) the accuracy and completeness of any data inputs into the bank's capital assessment process;
 - (v) the reasonableness and validity of any scenarios used in the capital assessment process;
 - (vi) that the bank conducts appropriate stress testing;
 - (B) shall ensure the appropriate involvement of internal and external audit.

(17) On an ongoing basis, the overall effectiveness of the processes relating to corporate governance, internal controls, risk management, capital management and capital adequacy shall be monitored, amongst other things, by the bank's board of directors.

(18) The board of directors of a bank or a committee appointed by the board for such purpose-

- (a) shall at least once a year assess and document whether the processes relating to corporate governance, internal controls, risk management, capital management and capital adequacy implemented by the bank successfully achieve the objectives specified by the board;
- (b) shall at the request of the Registrar provide the Registrar with a copy of the report compiled by the board of directors or committee in respect of the adequacy of the processes relating to corporate governance, risk management, capital management and capital adequacy.

(19) In addition to the reports referred to in regulations 40(4) and 46, the external auditors of a bank shall annually review the process followed by the board of directors in assessing the corporate governance arrangements, including the management of risk and capital, and the assessment of capital adequacy, and report to the Registrar whether any matters have come to their attention to suggest that they do not concur with the findings reported by the board of directors, provided that when the auditors do not concur with the findings of the board of directors, they shall provide reasons therefor.

(20) The provisions of subregulations (1) to (19), insofar as they are relevant, shall *mutatis mutandis* apply to any controlling company.

40. Guidelines relating to conduct of directors

(1) Every director of a bank or controlling company shall acquire a basic knowledge and understanding of the conduct of the business of a bank and of the laws and customs that govern the activities of such institutions. Although not every member of the board of directors of a bank or controlling company is required to be fully conversant with all aspects of the conduct of the business of a bank, the competence of every director of a bank shall be commensurable with the nature and scale of the business conducted by that bank and, in the case of a director of a controlling company, as a minimum, shall be commensurable with the nature and scale of the business conducted by the banks in the group.

(2) All directors and executive officers of a bank or controlling company shall perform their functions with diligence and care and with such a degree of competence as can reasonably be expected from persons holding similar appointment and carrying out similar functions as are carried out by the relevant director or executive officer, provided that none of the provisions or requirements contained or specified in these Regulations, including this regulation 40, shall be construed as derogating from any other relevant provision or requirement relating to directors and executive officers that may be contained or specified in any other relevant law or code of conduct.

(3) In view of the fact that the primary source of funds administered and utilised by a bank in the conduct of its business is deposits loaned to it by the general public, it shall be the duty of every director and executive officer of a bank to ensure that risks that are of necessity taken by such a bank in the conduct of its business are prudently managed.

(4) The-

(a) directors of a bank shall annually report to the Registrar whether or not:

(i) the bank's internal controls-

(A) provide reasonable assurance as to the integrity and reliability of the bank's financial statements; and

(B) safeguard, verify and maintain accountability of the bank's assets;

(ii) the internal controls are based on established policies and procedures and are implemented by trained, skilled personnel, whose duties are duly segregated;

(iii) adherence to the implemented internal controls is continuously monitored by the bank;

(iv) all bank employees are required to maintain high ethical standards, thereby ensuring that the bank's business practices are conducted in a manner that is above reproach;

- (v) the bank implemented and continuously maintained compensation policies, processes and practices that, as a minimum, comply with the requirements specified in regulation 39(16)(a);
 - (vi) anything came to their attention to indicate that any material malfunction, as defined and documented by the board of directors, which definition shall be submitted to the Registrar, in the functioning of the aforementioned controls, procedures and systems has occurred during the period under review.
- (b) directors of a bank shall annually report to the Registrar that there is no reason to believe that the bank will not be a going concern in the year ahead, and should there be reason to believe so, such reason shall be disclosed and explained.
 - (c) directors of a bank shall submit the reports on the internal controls and going-concern aspect of the bank within 120 days after the financial year-end of the bank.
 - (d) external auditors of a bank shall annually report to the Registrar whether or not they concur with the reports mentioned in paragraphs (a) and (b) above, provided that when the external auditors do not concur with such reports, they shall provide reasons therefor.
- (5) The provisions of subregulation (4) shall *mutatis mutandis* apply to any controlling company.
- (6) For the purposes of this regulation, "director" includes an alternate director.

41. Composition of the board of directors of a bank or controlling company

- (1) The chairperson of the board of directors of a bank shall not be an employee of-
- (a) the bank;
 - (b) any of the subsidiaries of the bank;
 - (c) the controlling company of the bank; or
 - (d) any subsidiary of the controlling company.
- (2) The chairperson of the board of directors of a bank shall not be a member of the audit committee of-
- (a) the bank; or
 - (b) the controlling company of the bank.

- (3) The chairperson of the board of directors of a controlling company shall not be an employee of-
- (a) the controlling company; or
 - (b) any bank in respect of which that company is registered as a controlling company.
- (4) The chairperson of the board of directors of a controlling company shall not be a member of the audit committee of-
- (a) the controlling company; or
 - (b) any bank in respect of which that company is registered as a controlling company.
- (5) Except when the Registrar, in view of special circumstances pertaining to a particular bank, grants consent to a deviation from the provisions of this regulation in respect of that particular bank, at least two of the members of the board of directors of a bank shall be persons who are employees of that bank.

42. Statement relating to attributes of serving or prospective directors or executive officers

- (1) A duly completed statement and declaration in the form of a form BA 020, as prescribed in regulation 53, shall be submitted to the Registrar by the chairperson of the board, or the chairperson's duly appointed representative, or, in the case of a new bank, by the auditor, in respect of-
- (a) every person who for the first time accepts an appointment as a director or an executive officer of a bank or a controlling company at least 30 days prior to the appointment becoming effective; and
 - (b) every person who previously served as a director or executive officer of a bank or controlling company but subsequently resigned as such and is being reappointed as a director or executive officer of a bank or controlling company after a period of more than twelve months since the date of resignation at least 30 days prior to the appointment becoming effective; and
 - (c) any serving director or executive officer of a bank or controlling company, at the request of the Registrar, in terms of section 1(1A)(c) of the Act.
- (2) For the purposes of this regulation, "related party" means any person (whether natural or juristic) over the business of which the director or executive officer can exercise a significant influence and which business undertakes business with the relevant bank or controlling company to an extent that could materially influence the asset base, profitability or risk profile of the said bank or controlling company.

BA 020

When insufficient space is provided, please attach a separate sheet.

STATEMENT BY INDIVIDUALS WHO ARE HOLDING, OR ARE PROPOSING TO HOLD, THE OFFICE OF A DIRECTOR OR EXECUTIVE OFFICER OF A BANK OR CONTROLLING COMPANY

(Confidential and not available for inspection by the public)

1. Name of institution in connection with which this questionnaire is being completed ("the institution"):

.....

2. Your surname:

.....

3. Your full forename(s):

.....

4. Former surname(s) and or forename(s) by which you may have been known:

.....

5. Please state in which capacity you are completing this questionnaire, that is, as a current or prospective director, an executive officer or combination of these.

.....

6. Please state your full title, and describe the particular duties and responsibilities attaching to the position(s) that you hold or will hold. If you are completing this form in the capacity of director, indicate whether, in your position as director, you have or will have executive responsibility for the management of the institution's business. In addition, please provide a copy of your *curriculum vitae*, unless it has already been provided:

.....

.....

7. Residential address:

.....

8. Any previous residential address(es) during the past 10 years:

.....

9. Date and place of your birth (including town or city):
.....
10. Your nationality and how it was acquired (birth, naturalisation or marriage):
.....
11. Name(s) and address(es) of your bankers during the past 10 years:
.....
12. Your professional qualifications and year in which they were obtained:
.....
13. Your occupation and employment now and during the past 10 years, including the name of your employer in each case, the nature of the business, the position held and relevant dates:
.....
14. Of which bodies corporate (other than the institution) are you a director or an executive officer and since when?
.....
15. Do you have any direct or indirect interest representing 15 per cent or more of the issued capital of any body corporate (other than the institution) that is now registered, or that has applied for authorisation, under the Act? If so, give particulars:
.....
16. Of which bodies corporate other than the institution and those listed in reply to question 13 above have you been a director or an executive officer at any time during the past 10 years? Give relevant dates:
.....
17. Do any of the bodies corporate listed in reply to questions 13, 14, 15 and 16 above maintain a business relationship with the institution? If so, give particulars:
.....
18. Do you hold or have you ever held or applied for a licence or equivalent authorisation to conduct any business activity in the Republic of South Africa ("the Republic") or elsewhere? If so, give particulars. If any such application was refused or withdrawn after it was made or if any authorisation was revoked, give particulars:
.....

19. Does any institution with which you are, or have been, associated as a director or executive officer hold, or has it ever held or applied for, a licence or equivalent authorisation to conduct any business activity? If so, give particulars. If any such application was refused, or was withdrawn after it was made or if an authorisation was revoked, give particulars:

.....

20. Have you at any time been convicted of any offence, excluding -

- (i) any offence committed when you were under 18 years, unless the same offence was committed within the last 10 years;
- (ii) any road traffic offence; or
- (iii) any political offence?

If so, give particulars of the court by which you were convicted, the offence, the penalty imposed and the date of conviction:

.....

21. Have you, in the Republic or elsewhere, been censured, disciplined, warned as to future conduct, or made the subject of a court order at the instigation of any regulatory authority or any professional body to which you belong or belonged, or have you ever held a practising certificate subject to conditions? If so, give particulars:

.....

22. Have you, or has any body corporate, partnership or unincorporated institution with which you are, or have been, associated as a director or executive officer, been the subject of an investigation, in the Republic or elsewhere, by or at the instigation of a government department or agency, professional association or other regulatory body? If so, give particulars:

.....

23. Have you, in the Republic or elsewhere, been dismissed from any office or employment, or been subject to disciplinary proceedings by your employer or been barred from entry to any profession or occupation? If so, give particulars:

.....

24. Have you failed to satisfy any debt adjudged due and payable by you, as a judgement-debtor under an order of a court in the Republic or elsewhere, or made any compromise arrangement with your creditors within the past 10 years? If so, give particulars:

.....

- 25.** Have you ever been declared insolvent (either provisionally or finally) by a court in the Republic or elsewhere, or has a bankruptcy petition ever been served on you? If so, give particulars:

.....

- 26.** Have you, in connection with the formation or management of any body corporate, partnership or unincorporated institution, been adjudged by a court in the Republic or elsewhere civilly liable for any fraud, misfeasance or other misconduct by you towards such a body or company or towards any members thereof? If so, give particulars:

.....

- 27.** Has any body corporate, partnership or unincorporated institution with which you were associated as a director or executive officer, in the Republic or elsewhere, been wound up, made subject to an administration order, otherwise made any compromise or arrangement with its creditors or ceased trading, either while you were associated therewith or within one year after you ceased to be associated therewith, or has anything analogous to any of these events occurred under the laws of any other jurisdiction? If so, give particulars:

.....

- 28.** Have you been concerned with the management or conduct of the affairs of any institution that, by reason of any matter relating to a time when you were so concerned, has been censured, warned as to future conduct, disciplined or made the subject of a court order at the instigation of any regulatory authority in the Republic or elsewhere? If so, give particulars:

.....

- 29.** In carrying out your duties will you be acting on the directions or instructions of any other individual or institution? If so, give particulars:

.....

- 30.** Do you, or does any related party of whom you are aware, undertake business with this institution? If so, give particulars:

.....

- 31.** How many shares in the institution are registered in your name or the name of a related party? If applicable, give name(s) in which such shares are registered and the class of shares:

.....

- 32.** In how many shares in the institution (not being registered in your name or that of a related party) are related parties beneficially interested?

.....

33. Do you, or does any related party, hold any shares in the institution as trustee or nominee? If so, give particulars:

.....

34. Are any of the shares in the institution mentioned in reply to questions 31, 32 and 33 above equitably or legally charged or pledged to any party? If so, give particulars:

.....

35. In respect of which proportion of the voting power at any general meeting of the institution (or of another body corporate of which it is a subsidiary) are you or any related party entitled to exercise control?

.....

36. If the exercise of the voting power at any general meeting of the institution, or of another body corporate of which it is a subsidiary, is or may be controlled by one or more of your associates or any related party, give the proportion of the voting power so controlled in each case and the identity of each associate:

.....

37. Are you currently, or do you, other than in a professional capacity, expect to be, engaged in any litigation in the Republic or elsewhere? If so, give particulars:

.....

38. Do you have a basic knowledge and understanding of the risks to which banks are exposed? (Refer to Chapter III, regulation 39 of the Regulations relating to Banks, in this regard.)

.....

39. Do you, at all times while acting in your capacity as a director or executive officer of the institution, undertake-

- (i) to act in good faith towards the bank/banks in the group;
- (ii) to avoid conflict between your other interests and the interests of the bank/banks in the group; and
- (iii) to place the interest of the bank/banks in the group and the depositors above all other interests?

.....

40. Have you acquainted yourself with, and do you understand, the extent of the rights and powers, as well as your responsibilities and duties as a director of the institution, as contained in the applicable law? (To be completed only by directors or prospective directors.)

.....
.....

Please attach to the form BA 020 a matrix that clearly sets out the details specified below:

- (i) The number of other directorships or memberships held by the proposed appointee.
- (ii) The name of the other entity(ies) in respect of which the proposed appointee already serves as a director or member.
- (iii) The particular duties and responsibilities attached to each of the aforesaid positions held.
- (iv) The number of meetings each of the aforesaid entities holds or is expected to hold per annum, that the proposed appointee is required to attend.
- (v) The expected average number of hours that is required for the proposed appointee to duly prepare for each of the aforesaid meetings.

DECLARATION

I,, hereby declare the following:
This statement consists of pages, each signed by me. The content of this declaration is true to the best of my knowledge and belief. I am aware that should it be submitted as evidence and I know that something appears therein that I know to be false or believe not to be true, I may be liable to prosecution.

I undertake that, as long as I continue to be a director or executive officer of the institution, I will notify the Registrar of any material changes to, or affecting the completeness or accuracy of, the information supplied by me in items 1 to 40 as soon as possible, but in no event later than 21 days from the day that the changes come to my attention.

Taking into account the commitments set out in question 40, I confirm that I have sufficient time available to duly discharge my duties and responsibilities as a director of this institution.*

I know and understand the content of this declaration. I have*/do not have* objections to taking the prescribed oath*/ affirmation*.
I consider the prescribed oath*/ affirmation* to be binding*/not binding* on my conscience.

.....SIGNATURE OF DEPONENT

I certify that the above statement was taken by me and that the deponent has acknowledged that he*/she* knows and understands the content of this statement. This statement was sworn to*/affirmed* before me and the deponent's signature was placed thereon in my presence at on this day of(yyyy-mm).

.....
COMMISSIONER OF OATHS

FULL NAMES:

EX OFFICIO:

AREA:

ADDRESS:

* Delete whichever is not applicable

Note: Each page of the form BA 020, and each additional page attached thereto, shall be initialed by the relevant signatories, that is, the relevant applicant, commissioner of oaths, and the chairperson of the board of directors or external auditor.

DECLARATION BY CHAIRPERSON OF INSTITUTION*

I, the undersigned,, being chairperson of the board of directors of, confirm that I have carefully studied all information supplied in this statement and, after discussion with the deponent and all other members of the board, and after having taken into account any other information at my disposal or that has come to my attention, am of the opinion that the deponent is fit and proper to take up office in this institution, with effect from In the case of the appointment of a director, I confirm that there has been compliance with the appropriate conditions of the articles of association of the company. Similarly, in the case of the appointment of an executive officer, I confirm that there has been compliance with company policy.

DECLARATION BY AUDITOR IN CASE OF NEW BANK*

I, the undersigned,, being the auditor of, confirm that I have carefully studied all information supplied in this statement and, after discussion with the deponent and all other members of the board, and after having taken into account any other information at my disposal confirm that nothing has come to my attention that causes me to believe that the deponent is not fit and proper to take up office in this institution, with effect from In the case of the appointment of a director, I confirm that there has been compliance with the appropriate conditions of the articles of association of the company. Similarly, in the case of the appointment of an executive officer, I confirm that there has been compliance with company policy.

NAME

SIGNED

DATE

* *Delete whichever is not applicable*

Note: Each page of the form BA 020, and each additional page attached thereto, shall be initialled by the relevant signatories, that is, the relevant applicant, commissioner of oaths, and the chairperson of the board of directors or external auditor.

43. Public disclosure

(1) Subject to the provisions of subregulation (3), a bank shall disclose in its annual financial statements and other disclosures to the public, reliable, relevant and timely qualitative and quantitative information that enable users of that information, among other things, to make an accurate assessment of the bank's financial condition, including its capital adequacy position, and financial performance, business activities, risk profile and risk-management practices, provided that-

- (a) the bank shall have in place a formal board approved policy relating to disclosure, which policy, as a minimum-
 - (i) shall specify the approach that the bank adopted in order to determine the materiality, nature and extent of information that will be disclosed to the public;
 - (ii) shall be sufficiently robust to ensure that the bank-
 - (A) establishes and maintains appropriate internal control processes and procedures relating to the qualitative and quantitative information disclosed to the public;
 - (B) assesses on a regular basis the appropriateness of information disclosed to the public;
 - (C) establishes and maintains an appropriate process to validate the information disclosed to the public;
 - (D) regularly assesses the frequency and materiality of information disclosed to the public;
 - (E) is able to continuously determine the extent to which the required information may already be included in the bank's accounting disclosure requirements and to what extent the bank has to disclose information in addition to the bank's accounting disclosure requirements;
- (b) when compliance with the minimum required information specified in subregulation (2) below is not sufficient to provide a true and fair presentation of the bank's financial condition, including its capital-adequacy position, and financial performance, business activities, risk profile and risk-management practices, the bank shall disclose relevant additional information;
- (c) the bank's annual financial statements and other disclosures to the public shall present or disclose each material item separately. Information is material if its omission or misstatement could change or influence the judgement or decision of a user relying on that information to take, amongst other things, economic or investment decisions;

- (d) the minimum required publicly disclosed information, amongst other things, shall be consistent with the manner in which the board of directors and the senior management of the bank assess and manage the bank's risk exposures;
- (e) the bank shall on a regular basis, but not less frequently than-
 - (i) once a year disclose to the public qualitative information in respect of the bank's risk management objectives and policies, reporting system and general definitions;
 - (ii) once a year disclose to the public the relevant required qualitative and quantitative information related to remuneration, specified in subregulation (2)(f) below;
 - (iii) on a quarterly basis, disclose to the public quantitative information in respect of-
 - (A) the bank's tier 1 capital, including the bank's tier 1 capital adequacy ratio;
 - (B) the bank's total capital, including the bank's total capital adequacy ratio;
 - (C) the components of capital;
 - (D) the total required amount of capital and reserve funds;
 - (E) the bank's relevant countercyclical buffer requirement, which buffer requirement shall be based on the latest relevant jurisdictional countercyclical buffers available at the date that the bank calculates its minimum capital requirement, provided that the bank shall also disclose to the public the relevant geographic distribution of its private sector credit exposures used in the calculation of the said buffer requirement;
 - (F) any risk exposure or other item that is subject to rapid or material change,
 - (iv) on a semi-annual basis, disclose to the public the qualitative and quantitative information, other than the information referred to in subparagraphs (i) to (iii) above, envisaged in subregulation (2) below,

provided that, in all cases, the bank shall publish material information that are subject to rapid or material change as soon as possible;
- (f) at the discretion of the management of the bank, the bank shall determine appropriate additional mediums and locations to disclose the required information to the public;

- (g) the bank's disclosure to the public in terms of the provisions of this regulation 43-
 - (i) shall be consistent with the bank's audited financial statements;
 - (ii) shall be subject to appropriate internal control and verification;
- (h) when the information required to be disclosed in terms of the provisions of this regulation 43 differs from any prescribed listing requirements or disclosure requirements in terms of Financial Reporting Standards, the bank shall in an appropriate manner explain any material differences between the said disclosure requirements;
- (i) on prior written application by the bank and/or subject to such conditions as may be specified in writing by the Registrar, the requirements of this regulation 43 place no duty on the bank to disclose to the public proprietary or confidential information, that is-
 - (i) information in respect of, for example, products or systems that, if shared with competitors, is likely to render the bank's investment in the said products or systems less valuable or undermine the bank's competitive position; or
 - (ii) information that is provided in terms of a legal agreement, which information is classified as confidential information;
- (j) except for information that forms part of a bank's audited financial statements as a result of requirements relating to Financial Reporting Standards, unless otherwise specified in writing by the Registrar, the required additional information that has to be disclosed by the bank to the public in terms of the provisions of this regulation 43 may be, but is not required to be, subject to external audit.

(2) Without derogating from the provisions of subregulation (1), in accordance with the provisions of the framework for the preparation and presentation of financial statements, read with the relevant requirements of Financial Reporting Standards that may be issued from time to time, a bank shall, as a minimum, disclose in its financial statements appropriate qualitative and quantitative information in respect of the broad categories of information specified below:

(a) Scope of application

A bank shall in respect of the required-

- (i) qualitative information, disclose to the public-
 - (A) the name(s) of the controlling company/ public company in the group structure to which the requirements of the Regulations also apply;

- (B) any differences between the manner in which entities are consolidated for accounting and regulatory purposes, with a brief description of the entities within the group-
 - (i) that are fully consolidated;
 - (ii) that are pro-rata consolidated;
 - (iii) that are subject to a deduction approach;
 - (iv) from which surplus capital is recognised as qualifying capital and reserve funds;
 - (v) that are neither consolidated nor deducted, that is, the bank's investment in the entity is risk-weighted,which entities shall include subsidiaries and significant minority equity investments in entities involved in-
 - (aa) securities trading;
 - (bb) insurance;
 - (cc) other financial activities;
 - (dd) commercial activities;
 - (C) sufficiently detailed information in respect of any restrictions or other major impediments on the transfer of funds or qualifying capital within the banking group;
- (ii) quantitative information, disclose to the public-
 - (A) in the case of a subsidiary that conducts insurance business, the aggregate amount of surplus capital recognised in the capital and reserve funds of the consolidated banking group, that is, for example, the difference between the amount invested in the insurance entity and the entity's regulatory capital requirement;
 - (B) in the case of a subsidiary in respect of which the invested amount is deducted from capital and reserve funds instead of being consolidated-
 - (i) the aggregate amount relating to capital deficiencies, that is, the amount by which the subsidiary's capital requirement exceeds the invested amount;
 - (ii) the name(s) of the said subsidiaries,

provided that any capital deficiency that has been deducted on a group level in addition to the investment in the said subsidiary shall not be included in the aggregate amount relating to a capital deficiency;

- (C) in the case of an investment in an entity that conducts insurance business, which investment is risk-weighted instead of being deducted from capital and reserve funds or subject to an alternate method of consolidation in accordance with the provisions of regulation 36-
 - (i) the aggregate amount, that is, the book value of the said investment;
 - (ii) the name of the relevant entity;
 - (iii) the country of incorporation or residence;
 - (iv) the proportion of ownership interest and, when different, the proportion of voting rights in the said entity;
 - (v) the quantitative impact in respect of qualifying capital and reserve funds as a result of the investment being risk weighted instead of being deducted from capital and reserve funds.

(b) Financial performance

(c) Financial position, including-

- (i) capital adequacy;

A bank shall in respect of the required-

- (A) qualitative information, disclose to the public sufficiently detailed information in respect of the bank's approach to assess the adequacy of the bank's capital in order to support the bank's current and future activities;
- (B) quantitative information, disclose to the public-
 - (i) the bank's capital requirement in respect of credit risk, including sufficiently detailed information in respect of-
 - (aa) portfolios subject to the standardised or simplified standardised approach, which disclosure shall be made in respect of each relevant credit portfolio;

- (bb) portfolios subject to the IRB approaches, that is, portfolios subject to the foundation IRB approach and portfolios subject to the advanced IRB approach, which disclosure shall be made in respect of each relevant credit portfolio, including:
 - (i) exposures relating to corporate institutions, including exposures in respect of specialised lending not subject to the standardised risk grades, sovereigns and banks;
 - (ii) residential mortgage exposure;
 - (iii) qualifying revolving retail exposure;
 - (iv) other retail exposure;
- (cc) the bank's securitisation exposures;
- (ii) the bank's capital requirement in respect of equity exposures subject to the IRB approach, that is-
 - (aa) equity portfolios subject to the market-based approach, including-
 - (i) equity portfolios subject to the simple risk-weight method; and
 - (ii) equities held in the banking book, which equity positions are subject to the internal model approach;
 - (bb) equity portfolios subject to the PD/LGD approach;
- (iii) in respect of positions held in the bank's trading book, the bank's capital requirement in respect of market risk, with separate disclosure in respect of exposures subject to-
 - (aa) the standardised approach;
 - (bb) the internal models approach;
- (iv) the bank's capital requirement in respect of operational risk, with separate disclosure in respect of-
 - (aa) the basic indicator approach;
 - (bb) the standardised approach;
 - (cc) the advanced measurement approach;

- (v) sufficiently detailed information in respect of the bank's total capital adequacy ratio and its common equity tier 1 and additional tier 1 capital adequacy ratios, including the component relating to innovative capital instruments that is subject to phase-out arrangements and a comprehensive explanation of how the respective aforesaid ratios were calculated, in respect of-
 - (aa) the controlling company;
 - (bb) significant bank subsidiaries, either based on a stand-alone basis or sub-consolidated basis depending on the required manner of reporting in respect of the said subsidiaries.
- (ii) capital structure;

A bank shall in respect of the required-

- (A) qualitative information, disclose to the public sufficiently detailed information relating to-
 - (i) the main features, terms and conditions of all relevant capital instruments issued by the bank, particularly in respect of innovative, complex or hybrid capital instruments;
 - (ii) all limits and minima, identifying the positive and negative elements of capital to which such limits and minima apply;
- (B) quantitative information, disclose to the public -
 - (i) the amount relating to common equity tier 1 capital and reserve funds, including information in respect of:
 - (aa) paid-up share capital, including ordinary shares;
 - (bb) reserve funds;
 - (cc) any relevant minority interests in the equity of fully consolidated subsidiaries in relation to instruments issued to third parties;
 - (dd) other instruments qualifying as common equity tier 1 capital;
 - (ee) any relevant surplus amount of capital from insurance companies, calculated in accordance with the provisions of regulation 36(10);

- (ff) amounts deducted from common equity tier 1 capital in respect of expected losses that exceed the eligible provisions of a bank that adopted the IRB approach for the calculation of the bank's exposure to credit risk;
 - (gg) other amounts deducted from common equity tier 1 capital, including goodwill and specified investments;
 - (ii) the amount relating to additional tier 1 capital and reserve funds, including information in respect of:
 - (aa) paid-up capital;
 - (bb) relevant reserve funds;
 - (cc) relevant minority interests in the equity of fully consolidated subsidiaries in relation to instruments issued to third parties;
 - (dd) other instruments qualifying as additional tier 1 capital;
 - (ee) any relevant amount of surplus capital from insurance companies, calculated in accordance with the provisions of regulation 36(10);
 - (ff) amounts deducted from additional tier 1 capital;
 - (iii) the relevant amounts relating to tier 2 capital;
 - (iv) the relevant amounts relating to deductions from the bank's tier 2 capital and reserve funds;
 - (v) the relevant amount relating to total qualifying capital and reserve funds;
 - (vi) a full reconciliation between all instruments and reserves qualifying as capital and reserve funds in terms of the provisions of these Regulations and the balance sheet in the audited financial statements;
 - (vii) all adjustments to qualifying capital and reserve funds other than the relevant items or deductions specified above, including any relevant amount related to limited recognition as envisaged in regulation 38(5)(b);
- (iii) liquidity.

(d) Types of risk to which the bank is exposed

In respect of each type of risk envisaged in regulation 39(3), that is, for example, credit risk, market risk, operational risk, interest-rate risk in the bank's banking book or currency risk, a bank shall disclose sufficiently detailed information in respect of the bank's risk-management objectives and policies, including information in respect of-

- (i) the bank's strategies and processes;
- (ii) the structure and organisation of the relevant risk management functions;
- (iii) the scope and nature of the bank's risk reporting and/or risk-measurement systems;
- (iv) the bank's policies relating to hedging and/or risk mitigation and the bank's strategies and processes in order to monitor the continued effectiveness of hedges or risk-mitigation instruments.

(e) Nature and extent of risk exposures, including-

- (i) credit risk;

A bank shall in the case of-

- (A) credit risk exposures, excluding credit risk arising from positions held in equity instruments, disclose to the public the qualitative and quantitative information specified below:

- (i) Qualitative information

A bank-

- (aa) shall in addition to the information specified in paragraph (d) above, disclose to the public sufficiently detailed information in respect of-

- (i) the bank's accounting definitions in respect of past due and impaired exposure;
- (ii) the approaches adopted by the bank in respect of credit impairment, including specific and portfolio impairment, and general allowance, as well as relevant information in respect of the statistical methods applied by the bank;
- (iii) the bank's credit risk management policy;

(bb) that partially adopted either the foundation IRB or advanced IRB approach shall provide a description of the nature of exposures within each relevant portfolio that are subject to-

- (i) the standardised approach;
- (ii) the foundation IRB approach;
- (iii) the advanced IRB approach,

and by which date the bank expects to adopt a particular IRB approach in respect of all its credit exposures.

(ii) Quantitative information

A bank-

(aa) shall in respect of its major types of credit exposure disclose to the public sufficiently detailed information relating to-

- (i) the aggregate amount of gross credit exposure after the effect of set-off in accordance with the requirements of Financial Reporting Standards have been taken into consideration but before the effects of credit risk-mitigation techniques such as collateral or netting have been taken into account;
- (ii) the bank's average amount of gross exposure during the reporting period, which average gross exposure amount shall be calculated on a daily average basis, unless the exposure at the end of a particular reporting period in all material respects represents the average credit exposure amount during the said reporting period in which case the bank need not disclose the said average exposure amount, provided that when the bank is unable to calculate an average exposure amount on a daily average basis the bank shall disclose to the public the basis on which it calculated such average exposure amounts;
- (iii) the geographical distribution of its credit exposures, which distribution shall be based on the relevant requirements specified in the form BA 210 and in regulation 24;

- (iv) the distribution of exposures based on industry or counterparty type;
 - (v) the maturity breakdown of the bank's credit portfolio, which maturity breakdown shall be based on the residual contractual maturity of the said exposures;
- (bb) shall in respect of each major industry, counterparty type or geographical area disclose to the public sufficiently detailed information in respect of the aggregate amount relating to -
- (i) impaired loans and past due loans, including an analysis of the ageing of past-due loans;
 - (ii) any credit impairment, including any specific or portfolio impairment;
 - (iii) any specific or portfolio impairment raised and amounts written off during the current reporting period,

provided that the bank shall separately disclose the unallocated portion of general allowances, that is, the portion of general allowances not allocated to a specific industry, counterparty or geographical area;

- (cc) shall provide a reconciliation of changes in specific impairment or portfolio impairment, or general allowance, which reconciliations shall include-
- (i) a description of the type of impairment or allowance;
 - (ii) the relevant opening balance;
 - (iii) amounts written off against the relevant specific impairment or portfolio impairment, or allowance, during the reporting period;
 - (iv) amounts transferred to or reversed against the relevant specific impairment or portfolio impairment, or allowance, during the reporting period;
 - (v) any other adjustments such as exchange rate differences, business combinations, acquisitions and disposals of subsidiaries, including transfers between the relevant specific impairment or portfolio impairment, or allowances;

- (vi) the relevant closing balance,

provided that the bank shall separately disclose any amounts written off or recoveries that have been recorded directly in the income statement;
- (dd) shall in respect of each relevant credit portfolio disclose to the public the relevant amounts of exposure that are subject to-
 - (i) the standardised approach;
 - (ii) the foundation IRB approach;
 - (iii) the advanced IRB approach.
- (B) portfolios subject to the standardised approach or the standardised risk grades relating to specialised lending in terms of the IRB approach specified in regulation 23(11)(d)(iii), disclose to the public the qualitative and quantitative information specified below:
 - (i) Qualitative information

A bank shall in the case of credit portfolios subject to the standardised approach or the standardised risk grades relating to specialised lending in terms of the IRB approach specified in regulation 23(11)(d)(iii) disclose to the public sufficiently detailed information in respect of-
 - (aa) the names of the external credit assessment institutions or export credit agency used by the bank, and in the case of any changes made by the bank in respect of external credit assessment institutions or export credit agencies, the reasons for such change;
 - (bb) the types of exposure for which the bank uses a particular agency;
 - (cc) the process followed by the bank to assign publicly issued ratings to comparable assets in the bank's banking book;
 - (dd) any mapping of exposures, that is, the alignment between the alphanumerical rating scale of each relevant rating agency used by the bank and the bank's relevant risk categories, unless the bank conducts its mapping of credit exposures in accordance with the mapping procedures specified by the Registrar from time to time;
 - (ee) the risk weights associated with a particular rating grade or risk category.
 - (ii) Quantitative information

A bank shall in the case of-

- (aa) exposure subject to the standardised approach, separately disclose to the public-
 - (i) the outstanding amounts after risk mitigation in respect of rated and unrated exposures relating to each relevant risk category;
 - (ii) any exposure amount that is deducted from the bank's capital and reserve funds;
 - (bb) exposures subject to the standardised risk weights in terms of the IRB approach specified in regulation 23(11)(d)(iii) and equity exposures subject to the simple risk weight method, disclose to the public the aggregate outstanding amount in respect of each relevant risk category;
- (C) portfolios subject to one or both of the IRB approaches, that is, the foundation or advanced IRB approach, disclose to the public the qualitative and quantitative information specified below:
 - (i) Qualitative information

A bank-

 - (aa) shall disclose to the public relevant information in respect of the approval granted by the Registrar for the bank to apply a particular IRB approach for the measurement of the bank's exposure to credit risk, including relevant details when the Registrar granted approval for a transition period to implement a particular IRB approach;
 - (bb) shall provide sufficiently detailed information, that is, as a minimum, an explanation and review of-
 - (i) the structure of the bank's internal rating systems and the relationship between internal and external ratings;
 - (ii) the use by the bank of internal risk estimates other than for the calculation of the bank's capital requirement in terms of the IRB approach;
 - (iii) the bank's process in order to manage and recognise credit risk mitigation instruments;

- (iv) the bank's control mechanisms in respect of its rating system, including information relating to matters such as independence, accountability and the review of the rating systems;
- (cc) shall provide separate descriptions in respect of the bank's internal rating processes relating to-
 - (i) corporate exposure, including exposures to SMEs, specialised lending and purchased corporate receivables, and sovereign and bank exposure;
 - (ii) equity exposure when the bank adopted the PD/LGD approach in respect of equity instruments held in the bank's banking book;
 - (iii) residential mortgage exposure;
 - (iv) qualifying revolving retail exposure;
 - (v) other retail exposure;

which description shall in the case of each portfolio include sufficiently detailed information in respect of-

- (a) the types of exposure included in the portfolio;
- (b) the definitions, methods and data used to estimate and validate the bank's PD ratios and in the case of portfolios subject to the advanced IRB approach, the LGD ratios and/or EAD amounts, including any assumptions made by the bank in respect of the relevant risk components, provided that the bank is not required to provide a detailed description of the model used by the bank;
- (c) any approval obtained from the Registrar to deviate from the definition of default specified in regulation 67, including information relating to the broad segments of the portfolio(s) affected by such a deviation(s).

(ii) Quantitative information relating to the bank's assessment of risk

A bank-

(aa) shall in respect of each relevant portfolio other than retail exposure specified in sub-item (i)(cc) above, disclose to the public the information specified below, which information shall be provided across a sufficient number of PD grades, including exposures that are in default, to provide a meaningful distribution of risk, provided that the information relating to PD ratios, LGD ratios and EAD amounts shall reflect the effects of eligible risk mitigation instruments and each PD grade shall include the exposure weighted average PD for a particular risk grade.

- (i) The total outstanding amount, that is, in the case of-
 - (a) corporate, sovereign and bank exposure, the total outstanding amount plus the relevant EAD amount in respect of undrawn commitments;
 - (b) equity exposure, the outstanding amount;
- (ii) In the case of a bank that adopted the advanced IRB approach, the exposure-weighted average LGD ratio, which LGD ratio shall be expressed as a percentage;
- (iii) The exposure weighted average risk weight.

(bb) that adopted the advanced IRB approach, shall disclose to the public-

- (i) the amount in respect of undrawn commitments; and
- (ii) in respect of each relevant portfolio, the exposure-weighted average EAD amounts,

provided that the bank may provide only one estimate of the EAD amount in respect of a particular portfolio or, when the bank is of the opinion that more detailed disclosure will ensure a better assessment of risk, disclose EAD estimates across a number of EAD categories;

(cc) shall in the case of each retail portfolio specified in sub-item (i)(cc) above, on a pool basis, either disclose-

- (i) the information specified in sub-item (ii)(aa) above, that is, the same information relating to PD ratios, LGD ratios and EAD amounts as for non-retail exposure; or
- (ii) an analysis of outstanding loans and EAD amounts in respect of commitments, against a sufficient number of expected loss risk grades in order to

CONTINUES ON PAGE 962—PART 7



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PART 7 OF 8

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ensure a meaningful distribution of risk.

(iii) Quantitative information relating to historical results

A bank shall in respect of each relevant portfolio specified in sub-item (i)(cc) above-

(aa) disclose to the public the amount of actual losses, that is, amounts written off and specific provisions raised, in respect of the period preceding the current financial year, including sufficiently detailed information in respect of-

- (i) the extent to which the said amounts differed from the bank's past experience;
- (ii) the factors that impacted on the bank's loss experience during the period preceding the current financial year, that is, did the bank, for example, experience higher than average default rates or higher than average LGD ratios or EAD amounts.

(bb) provide a comparison between the bank's risk estimates and the actual outcomes over a sufficiently long period to provide a meaningful assessment of the performance of the bank's internal rating processes, provided that a bank that adopted-

- (i) the foundation IRB approach shall, when appropriate, such as in the case of material differences, further decompose the said information and provide an analysis of PD ratios and reasons for material differences;
- (ii) the advanced IRB approach shall, when appropriate, such as in the case of material differences, further decompose the said information and provide an analysis of actual PD ratios, LGD ratios and EAD outcomes compared to the bank's estimated risk components, provided that the bank shall provide reasons for any material differences.

(D) credit risk mitigation in terms of the standardised or IRB approach, excluding any risk mitigation that falls within the ambit of the exemption notice relating to securitisation schemes, disclose to the public sufficiently detailed information in respect of the qualitative and quantitative information specified below:

(i) Qualitative information

A bank shall in addition to the information specified in paragraph (d) above, disclose to the public sufficiently detailed information in respect of-

- (aa) the bank's policies and processes relating to on- and off-balance sheet netting, including the extent to which the bank makes use of on- and off-balance sheet netting when the bank determines its exposure to credit risk;
- (bb) the bank's policies and processes relating to the valuation and management of collateral, including a description of the main types of collateral accepted by the bank;
- (cc) the main types of guarantors or credit-derivative counterparties involved in the bank's risk mitigation activities, and the creditworthiness of the said parties;
- (dd) any risk concentration incurred in respect of the bank's risk mitigation activities.

(ii) Quantitative information

A bank shall in respect of each separately identified credit portfolio in terms of the standardised or foundation IRB approach disclose to the public the bank's total exposure after the effect of any on- or off- balance sheet netting has been taken into consideration, with an indication of exposures protected by way of-

- (aa) eligible financial collateral, after the effect of any haircuts has been taken into consideration;
- (bb) other eligible IRB collateral, that is, collateral that qualifies as eligible collateral in terms of the IRB approach in addition to eligible financial collateral, after the effect of any haircuts or adjustments to the exposure has been taken into consideration;
- (cc) guarantees or credit-derivative instruments.

(E) exposure to counterparty credit risk, disclose to the public sufficiently detailed information in respect of the qualitative and quantitative information specified below:

(i) Qualitative information

In respect of derivative instruments and exposures relating to counterparty credit risk, a bank shall in addition to the information specified in paragraphs (d) and (e)(i)(A) above, disclose to the public sufficiently detailed information relating to-

- (aa) the methodology adopted by the bank in order to assign economic capital and credit limits in respect of the bank's exposure to counterparty risk;
- (bb) the bank's policies in order to secure collateral and to establish adequate credit reserves;
- (cc) the bank's policies with respect to the identification, measurement and control of wrong-way risk exposure;
- (dd) the estimated amount of collateral the bank would have to provide in the case of a credit rating downgrade.

(ii) Quantitative information

A bank-

- (aa) shall disclose to the public sufficiently detailed information relating to-
 - (i) the gross positive fair value of all relevant contracts that expose the bank to counterparty credit risk;
 - (ii) any relevant netting benefits;
 - (iii) the net amount of current credit exposure;
 - (iv) collateral held, including the type of collateral held, such as cash or government securities;
 - (v) the net amount of derivative credit exposure, that is, the amount of credit exposure in respect of derivative transactions after the benefits relating to legally enforceable netting agreements and collateral arrangements have been taken into consideration;
 - (vi) the notional value of credit derivative hedges;
 - (vii) the distribution of current credit exposure, which distribution shall be based on the relevant types of credit exposure, that is, for example, interest rate

contracts, FX contracts, equity contracts, credit derivative instruments or commodity contracts.

- (bb) shall in respect of the current exposure method, standardized method or internal model method, as the case may be, disclose to the public sufficiently detailed information relating to the relevant exposure amount or EAD, that is, the estimated exposure at default;
 - (cc) shall, based on the relevant types of credit derivative product, that is, for example, credit default swaps or total return swaps, disclose to the public sufficiently detailed information relating to credit derivative transactions or contracts that expose the bank to counterparty credit risk, including any relevant notional amounts, provided that within the said product type the bank shall distinguish between-
 - (i) instruments used as part of the bank's own credit portfolio and instruments used as part of the bank's intermediation activities;
 - (ii) protection bought and protection sold.
 - (dd) that obtained the approval of the Registrar to estimate an alpha factor for the measurement of the bank's exposure to counterparty credit risk shall disclose the bank's said estimate of alpha.
- (F) credit risk arising from positions held in equity instruments, disclose to the public the qualitative and quantitative information specified in subparagraph (ii) below.
- (ii) market risk;
- A bank-
- (A) that adopted the standardised approach specified in regulation 28(7) for the measurement of the bank's exposure to market risk in respect of positions held in the bank's trading book shall disclose to the public sufficiently detailed information in respect of the qualitative and quantitative information specified below:

(i) Qualitative information

A bank shall in addition to the qualitative information specified in paragraph (d) above, disclose to the public information relating to the portfolios/instruments that are subject to the standardised approach.

(ii) Quantitative information

A bank shall disclose to the public sufficiently detailed quantitative information in respect of the bank's capital requirement relating to:

- (aa) interest-rate products, provided that the bank shall separately disclose its relevant required amount of capital and reserve funds related to securitised or resecuritized instruments or positions in accordance with the relevant requirements specified in subparagraph (vi) below;
- (bb) equity positions;
- (cc) positions in foreign exchange; and
- (dd) commodities.

(B) that adopted the internal models approach specified in regulation 28(8) for the measurement of the bank's exposure to market risk in respect of positions held in the bank's trading book shall disclose to the public sufficiently detailed information in respect of the qualitative and quantitative information specified below:

(i) Qualitative information

A bank-

- (aa) shall in addition to the qualitative information specified in paragraph (d) above, disclose to the public sufficiently detailed information in respect of the portfolios/instruments that are subject to the internal models approach;
- (bb) shall in respect of each relevant portfolio subject to the internal models approach provide a description of-
 - (i) the key characteristics of the model(s) used by the bank;
 - (ii) the stress testing applied by the bank to a particular portfolio;

- (iii) the approach adopted by the bank in order to backtest or validate the accuracy and consistency of the internal model(s) and modelling processes used by the bank.
- (cc) shall disclose to the public sufficiently detailed information in respect of the (extent of) approval obtained from the Registrar to apply the internal models approach in respect of positions held by the bank in its trading book;
- (dd) shall in respect of the bank's incremental risk capital requirement and its comprehensive risk capital requirement disclose to the public sufficiently detailed information in respect of the methodologies used and the risks measured through the use of the bank's internal models, including-
 - (i) the approach used to determine liquidity horizons;
 - (ii) the methodologies used to achieve a capital assessment that is consistent with the required soundness standard; and
 - (iii) the approaches used in the validation of the models.
- (ii) Quantitative information

A bank shall in respect of each relevant portfolio subject to the internal models approach-

- (aa) disclose to the public sufficiently detailed information in respect of the high, mean and low value-at-risk (VaR) amounts of the reporting bank during the relevant reporting period and as at the end of the reporting period;
- (bb) disclose to the public sufficiently detailed information in respect of the high, mean and low stressed value-at-risk (sVaR) amounts of the reporting bank during the relevant reporting period and as at the end of the reporting period;
- (cc) disclose to the public sufficiently detailed information in respect of the high, mean and low amounts of required capital and reserve funds related to incremental risk and comprehensive risk during the relevant reporting period and as at the end of the reporting period;
- (dd) provide a detailed comparison between value-at-risk estimates and actual gains/losses experienced by the bank;
- (ee) provide an analysis of important "outliers" identified during the bank's backtesting process.

- (C) shall in respect of equity positions held in the bank's banking book disclose to the public sufficiently detailed information in respect of the qualitative and quantitative information specified below:

(i) Qualitative information

A bank shall in addition to the qualitative information specified in paragraph (d) above, disclose to the public sufficiently detailed information in respect of the bank's accounting policies, including-

- (aa) the manner in which the bank values and accounts for equity positions held in the banking book, that is, the accounting technique and valuation methodology used by the bank;
- (bb) key assumptions made and practices adopted by the bank, which practices may affect the valuation of the said equity positions, and any significant changes made by the bank in respect of the said practices,

provided that the bank shall differentiate between equity positions in respect of which the bank expects to realise capital gains and equity positions held for other reasons, such as strategic positioning or in order to establish a particular relationship.

(ii) Quantitative information

A bank-

- (aa) shall disclose to the public-

- (i) the value at which investments held in the bank's banking book is disclosed in the bank's balance sheet, and the fair value of the said investments, provided that when the share price of listed instruments materially differs from the fair value of the instruments the bank shall provide a comparison between the listed share price and the fair value of the said instruments;
- (ii) the cumulative amount of gains/losses realised by the bank from the sale/liquidation of positions held in the bank's banking book during the current reporting period;

- (iii) the total amount relating to unrealised gains/losses, that is, unrealised gains/losses recognised directly in the bank's balance sheet instead of being recognised in the bank's income statement;
 - (iv) the total amount relating to latent revaluation gains/losses, that is, unrealised gains/losses not recognised in either the bank's balance sheet or income statement;
 - (v) the extent to which the bank included unrealised gains/losses referred to in items (iii) and (iv) above in tier 1 or tier 2 capital and reserve funds of the bank;
 - (vi) based on the approach adopted by the bank, the bank's capital requirement in respect of the various equity positions held in the bank's banking book;
- (bb) shall distinguish between the various types of instrument held in the bank's banking book, and the nature of the said investments, including the amounts relating to-
- (i) publicly traded instruments; and
 - (ii) privately traded instruments.
- (iii) liquidity risk;
- (iv) interest-rate risk;

A bank shall in respect of positions held in the bank's banking book-

- (A) in addition to the qualitative information specified in paragraph (d) above, disclose to the public sufficiently detailed qualitative information relating to-
- (i) the nature of the bank's exposure to interest-rate risk;
 - (ii) key assumptions made by the bank, including assumptions relating to loan prepayments and the behaviour of core deposits, that is, deposits that are not drawn in accordance with the contractual provisions of the deposits and which deposits are regarded as "permanent" funding;
 - (iii) the frequency with which the bank measures its exposure to interest-rate risk.

(B) disclose to the public, quantitative information in respect of the increase or decrease in earnings, economic value or the relevant measure used by the management of the bank, relating to a standardised upward and downward interest rate shock specified in the form BA 330 or in writing by the Registrar, provided that the bank shall break the required information down based on each relevant currency.

(v) operational risk;

A bank-

(A) shall in addition to the qualitative information specified in paragraph (d) above, disclose to the public sufficiently detailed information relating to the approach(es) adopted by the bank for the measurement of the bank's exposure to operational risk, provided that a bank that obtained the approval of the Registrar to apply different approaches for the measurement of the bank's exposure to operational risk shall provide sufficiently detailed information in respect of the scope and coverage of the different approaches used by the bank;

(B) that adopted the advanced measurement approach for the measurement of the bank's exposure to operational risk shall provide a sufficiently detailed description of-

- (i) the advanced measurement approach applied by the bank, including a discussion of relevant internal and external factors considered by the bank;
- (ii) insurance obtained by the bank in order to mitigate the bank's exposure to operational risk.

(vi) securitisation or resecuritisation;

A bank that adopted the standardised approach or IRB approach for the measurement of the bank's exposure to risk arising from a traditional or synthetic securitisation scheme or resecuritisation exposure shall disclose to the public the qualitative and quantitative information specified below, provided that, where relevant or specified below or directed in writing by the Registrar, the bank shall separately disclose qualitative and quantitative information related to the securitisation and resecuritisation positions held in the bank's banking book and its trading book.

(A) Qualitative information

A bank-

(i) shall in addition to the information specified in paragraph (d) above, disclose to the public sufficiently detailed information in respect of-

(aa) the bank's objectives in respect of securitisation schemes or resecuritisation exposure, including the extent to which the bank successfully achieves a transfer of credit risk to external entities or persons;

(bb) the types of risk assumed or retained by the bank in respect of securitisation or resecuritisation exposure.

For example, when a bank actively participates in the market of the senior tranche of resecuritisation exposures of mezzanine tranches related to securitisations of residential mortgages, the bank shall describe the structure of the relevant resecuritisations, such as senior tranche of mezzanine tranche of residential mortgages, which information shall be provided for the main categories of resecuritisation products in which the bank is active.

(cc) the nature of other risks inherent in the bank's securitised or resecuritised assets or exposure, such as liquidity risk or reputational risk;

(dd) the various role(s) played by the bank in respect of a securitisation scheme or resecuritisation exposure, with an indication of the extent of the bank's involvement in each of the said roles played. For example, the role of-

(i) an originator;

(ii) an investor;

(iii) a servicer;

(iv) a provider of credit enhancement;

(v) a sponsor of an asset-backed commercial paper facility;

(vi) a liquidity provider;

(vii) a swap provider,

(ee) the processes in place to monitor changes in the credit and market risk exposures related to or arising from the bank's relevant securitisation or resecuritisation

exposures, including how the aforesaid processes differ for resecuritisation exposures.

This includes, for example, how the behaviour of the underlying assets impacts the bank's securitisation exposures.

- (ff) the bank's policy governing the use of credit risk mitigation to mitigate the risks retained through securitisation or resecuritisation exposures;
 - (gg) the approach adopted by the bank in respect of its exposures arising from securitisation or resecuritisation activities, including the type of securitisation or resecuritisation exposures to which the said approach applies, that is, whether the bank, for example, adopted the standardised approach, the ratings-based approach, the internal assessment approach or the standard formula approach.
- (ii) shall provide a list of-
- (aa) the names and types of special-purpose institutions in respect of which the bank acts as a sponsor to securitise third-party exposures, and indicate whether the bank has exposure to the said special-purpose institutions, either on-balance sheet or off-balance sheet;
 - (bb) affiliated entities-
 - (i) that the bank manages or advises; and
 - (ii) that invest either in the securitisation exposures securitised by the bank or in special-purpose institutions in respect of which the bank acts as a sponsor;
- (iii) shall provide summary information in respect of the bank's accounting policies relating to its securitisation or resecuritisation activities, including-
- (aa) whether the said securitisation or resecuritisation transactions are treated as sales or financing;
 - (bb) information relating to the recognition of gains in respect of sales;

- (cc) key assumptions made and methods used by the bank when the bank values retained or purchased interests or positions, including any significant changes to the aforesaid, made by the bank since the previous reporting period, and the impact of the said changes, provided that, when relevant, the bank shall duly distinguish between the valuation of securitised exposures and resecuritized exposures;
 - (dd) the manner in which the bank treats exposures that arise from a synthetic securitisation scheme or resecuritisation structure, unless such information is disclosed as part of other accounting policies, such as policies in respect of derivative instruments;
 - (ee) the manner in which the bank values exposures intended to be securitised or resecuritized, such as exposures related to the bank's pipeline or warehouse activities, and whether the said exposures are included in the bank's banking book or trading book;
 - (ff) the bank's policies for recognising on-balance-sheet liabilities related to or arising from arrangements, contracts or agreements that could require the bank to provide financial support for securitised or resecuritized assets or exposures.
- (iv) shall disclose the names of external credit assessment institutions used by the bank in respect of securitisation or resecuritisation transactions, and the types of securitisation or resecuritisation exposure for which a particular agency is used;
 - (v) shall in relevant cases provide a description of its process related to the internal assessment approach, including-
 - (aa) the structure of the internal assessment process and the relation between internal assessment and external ratings, including the information specified in sub-item (iv) above related to the use of external credit assessment institutions;
 - (bb) the use of the bank's internal assessment approach, other than for the purpose of calculating the bank's required capital and reserve funds relating to securitisation or resecuritisation exposure;

- (cc) the control mechanisms in place for the internal assessment process, including matters related to independence, accountability and internal assessment process review;
- (dd) the exposure type to which the internal assessment process is applied, such as, for example, credit cards, mortgage loans and instalment sales and leasing;
- (ee) the stress factors used for determining credit enhancement levels, which information shall be disclosed by exposure type.

Provided that the bank shall disclose to the public sufficiently detailed explanatory information when significant changes to any of the aforesaid qualitative or quantitative information occurred since the previous reporting period.

(B) Quantitative information

A bank-

- (i) shall in respect of exposures securitised or resecuritised, which exposures are held in the bank's banking book and are subject to the exemption notice relating to securitisation schemes, based on the exposure or asset type, that is, for example, exposures relating to credit cards, residential mortgage loans or vehicle finance, disclose to the public-
 - (aa) the total outstanding amount in respect of the exposures securitised or resecuritised by the bank, provided that the bank-
 - (i) shall duly distinguish between exposures relating to a traditional securitisation scheme and exposures related to a synthetic securitisation scheme;
 - (ii) shall separately disclose the required information related to the securitisation of third-party exposures in respect of which the bank acts only as a sponsor;
 - (bb) the aggregate amount in respect of-
 - (i) impaired or past due assets securitised;
 - (ii) losses recognised by the bank during the current reporting period, including, for example, amounts written off or provisions raised for potential loss in respect of exposures that remained on the bank's balance sheet or credit-enhancing interest-only strips, that is, an on-balance sheet asset that is based on the valuation of future cash flows related to margin income, which asset is subordinated, and other residual interests;

- (iii) exposures retained or purchased, including, for example, commercial paper issued by the relevant special-purpose institution, liquidity facilities, credit enhancement such as interest-only strips, cash collateral accounts and other subordinated instruments;
 - (iv) on-balance-sheet securitisation or resecuritisation exposure retained or purchased;
 - (v) off-balance-sheet securitisation or resecuritisation exposure;
 - (vi) exposures intended to be securitised or resecuritised within the six-month period following the disclosure date;
 - (cc) summary information in respect of securitisation or resecuritisation transactions concluded during the current reporting period, including the relevant aggregate amount of exposures securitised or resecuritised, and any related recognised gains or losses on sale;
- (ii) shall in respect of exposures held in the bank's banking book separately disclose information relating to-
- (aa) a securitisation or resecuritisation transaction in respect of which the bank acted as an originator but in respect of which the bank did not retain any exposure, provided that the said information shall be reported only in respect of the reporting period during which the securitisation or resecuritisation transaction was concluded;
 - (bb) transactions in respect of which the bank acts only as a sponsor;
- (iii) that adopted the IRB approach for the measurement of the bank's exposure to risk relating to assets or exposures securitised or resecuritised, held in the bank's banking book-
- (aa) shall in addition to the aggregate amount of exposures retained or purchased disclose to the public the associated IRB capital requirement in respect of the said exposure(s), provided that the bank-

- (i) shall break the required information down into a meaningful number of risk categories in respect of each relevant approach, that is, for example, the ratings-based approach, internal assessment approach or the standard formula approach;
 - (ii) shall, based on the underlying asset or exposure type, separately disclose information relating to exposures deducted from tier 1 capital and reserve funds and from tier 2 capital and reserve funds.
- (bb) based on the underlying asset or exposure type, shall in the case of securitisation or resecuritisation exposures that are subject to an early amortisation mechanism, disclose to the public the aggregate amount relating to-
- (i) drawn exposures attributed to the seller's and the investors' interests;
 - (ii) the capital and reserve funds required to be maintained by the bank in respect of the bank's retained share of the drawn balances and undrawn commitments, that is, the seller's interest;
 - (iii) the capital and reserve funds required to be maintained by the bank in respect of the investor's shares of drawn amounts and undrawn commitments.

Provided that the bank shall duly distinguish between assets or exposures securitised and assets or exposures resecuritised.

- (iv) that adopted the standardised approach for the measurement of the bank's exposure to risk relating to assets or exposures securitised or resecuritised, held in the bank's banking book-
- (aa) shall in addition to the aggregate amount of exposures retained or purchased disclose to the public the associated capital requirement relating to the said exposure(s), provided that the bank-
- (i) shall break the required information down into a meaningful number of risk categories;
 - (ii) shall, based on the underlying asset or exposure type, separately disclose information relating to exposures deducted from tier 1 capital and reserve funds and from tier 2 capital and reserve funds.

- (bb) based on the underlying asset or exposure type, shall in the case of securitisation or resecuritisation exposures that are subject to an early amortisation mechanism, disclose to the public the aggregate amount relating to-
- (i) drawn exposures attributed to the seller's and the investors' interests;
 - (ii) the capital and reserve funds required to be maintained by the bank in respect of the bank's retained share of the drawn balances and undrawn commitments, that is, the seller's interest;
 - (iii) the capital and reserve funds required to be maintained by the bank in respect of the investor's shares of drawn amounts and undrawn commitments.

Provided that the bank shall duly distinguish between assets or exposures securitised and assets or exposures resecuritised.

- (v) shall in respect of exposures securitised or resecuritised, which exposures are held in the bank's trading book and are subject to the exemption notice relating to securitisation schemes, based on the exposure or asset type, that is, for example, exposures relating to credit cards, residential mortgage loans or vehicle finance, disclose to the public-
- (aa) the total outstanding amount in respect of the exposures securitised or resecuritised by the bank, provided that the bank-
- (i) shall duly distinguish between exposures relating to a traditional securitisation scheme and a synthetic securitisation scheme;
 - (ii) shall separately disclose the relevant required information related to the securitisation of third-party exposures in respect of which the bank acts only as a sponsor;
- (bb) the aggregate amount in respect of-
- (i) exposures securitised or resecuritised and in respect of which the bank retained some exposures and which exposures are subject to the relevant requirements specified in regulation 28;
 - (ii) on-balance-sheet securitisation or resecuritisation exposure retained or purchased;
 - (iii) off-balance-sheet securitisation or resecuritisation exposure;

- (iv) exposures intended to be securitised or resecuritised within the six-month period following the disclosure date.

Provided that in respect of exposures retained or purchased, the bank shall separately disclose the relevant required information in respect of exposures subject to the comprehensive risk measurement approach for specific risk;

- (cc) summary information in respect of securitisation or resecuritisation transactions concluded during the current reporting period, including the relevant aggregate amount of exposures securitised or resecuritised, and any related recognised gains or losses on sale;
- (vi) shall in respect of securitisation or resecuritisation exposures held in the bank's trading book, which exposures are subject to the comprehensive risk measurement approach, disclose to the public the relevant required amount of capital and reserve funds, broken down into the relevant risk classifications, that is, for example, default risk, migration risk and correlation risk;
- (vii) shall in respect of securitisation or resecuritisation exposures retained or purchased, which exposures are held in the bank's trading book, disclose to the public the relevant aggregate amount of exposures held and the relevant required amount of capital and reserve funds, broken down into a meaningful number of risk categories for each relevant approach, that is, for example, the standardised approach, the ratings-based approach or the standard formula approach;
- (viii) shall in respect of securitisation or resecuritisation exposures held in the bank's trading book, based on the exposure or asset type, separately disclose to the public the relevant aggregate amounts of exposures deducted from tier 1 capital and reserve funds and from tier 2 capital and reserve funds;
- (ix) shall in the case of securitisation or resecuritisation exposures held in the bank's trading book, which exposures are subject to an early amortisation mechanism, based on the relevant asset or exposure type, disclose to the public the aggregate amount relating to-
 - (aa) drawn exposures attributed to the seller's and the investors' interests;
 - (bb) the capital and reserve funds required to be maintained by the bank in respect of the bank's retained share of the drawn balances and undrawn commitments, that is, the seller's interest;
 - (cc) the capital and reserve funds required to be maintained by the bank in respect of the investor's shares of drawn amounts and undrawn commitments;

- (x) shall in the case of resecuritisation exposures retained or purchased, irrespective whether the position is held in the bank's banking book or trading book, separately disclose to the public the relevant aggregate amount of-
 - (aa) exposures in respect of which the bank obtained credit protection to mitigate its exposure to risk;
 - (bb) exposures in respect of which the bank did not obtain any credit protection to mitigate its exposure to risk;
 - (cc) exposure to guarantors, broken down according to the relevant types of guarantors.

Provided that the bank shall duly distinguish between exposures held in the bank's banking book and its trading book.

- (vii) other material risks to which the bank is exposed;

(f) Remuneration

With regards to a bank's remuneration policies, processes and procedures, a bank shall disclose to the public sufficiently detailed qualitative and quantitative information-

- (i) in respect of-
 - (A) the bank's relevant governance and/or committee structures;
 - (B) the design and operation of the bank's remuneration structure, and the frequency of review;
 - (C) the independence of remuneration for risk and compliance staff;
 - (D) the relevant risk adjustment methodologies;
 - (E) the link between remuneration and performance;
 - (F) the relevant long-term performance measures, such as deferral, malus or clawback;
 - (G) the relevant types of remuneration, such as cash versus equity, and fixed versus variable;

- (ii) which qualitative information, as a minimum, shall include-
 - (A) information relating to the relevant bodies that oversee the bank's remuneration, including-
 - (i) the relevant name, composition and mandate of the main body overseeing remuneration;
 - (ii) external consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process;
 - (iii) a description of the scope of the bank's remuneration policy, for example, by regions and business lines, including the extent to which it is applicable to foreign subsidiaries and branches;
 - (iv) a description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each relevant group;
 - (B) information relating to the design and structure of the bank's remuneration processes, including
 - (i) an overview of the key features and objectives of the bank's remuneration policy;
 - (ii) whether the remuneration committee reviewed the bank's remuneration policy during the past year, and if so, an overview of any material changes that were made;
 - (iii) a discussion of how the bank ensures that risk and compliance employees are remunerated independently of the relevant businesses they oversee;
 - (C) a description of the ways in which current and future risks are taken into account in the bank's remuneration processes, including-
 - (i) an overview of the key risks that the bank takes into account when implementing remuneration measures;
 - (ii) an overview of the nature and type of the key measures used to take account of the said risks, including risks difficult to measure;
 - (iii) a discussion of the ways in which the said measures affect remuneration;
 - (iv) a discussion of how the nature and type of the said measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration;
 - (D) a description of the manner in which the bank seeks to link performance during a performance measurement period with levels of remuneration, including-

- (i) an overview of main performance metrics for bank, top-level business lines and individuals;
 - (ii) a discussion of how amounts of individual remuneration are linked to bank-wide and individual performance;
 - (iii) a discussion of the measures the bank in general implement to adjust remuneration in the event that performance metrics are weak, including the bank's criteria for determining "weak" performance metrics;
- (E) a description of the manner in which the bank seeks to adjust remuneration to take account of longer-term performance, including-
- (i) a discussion of the bank's policy on deferral and vesting of variable remuneration, and when the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance;
 - (ii) a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and, when relevant, after vesting through, for example, clawback arrangements;
- (F) a description of the different forms of variable remuneration that the bank utilises, and the rationale for using such different forms of variable remuneration, including-
- (i) an overview of the respective forms of variable remuneration offered, that is, for example, cash, shares and share-linked instruments, or other forms, with a sufficiently detailed description of the core elements of such other forms;
 - (ii) a discussion of the use of the different forms of variable remuneration and, when the mix of different forms of variable remuneration differs across employees or groups of employees, a description of the factors that determine the mix and their relative importance;
- (iii) which quantitative information shall relate to and separate between the bank's senior management and other employees whose actions may have a material impact on the bank's exposure to risk, and, as a minimum, shall include-

- (A) the relevant number of-
- (i) meetings held by the main body overseeing remuneration during the financial year, and the remuneration paid to its members;
 - (ii) employees who received a variable remuneration award during the financial year;
- (B) the relevant number of and total amount related to-
- (i) guaranteed bonuses awarded during the financial year;
 - (ii) sign-on awards made during the financial year;
 - (iii) severance payments made during the financial year;
- (C) the relevant total amount of-
- (i) outstanding deferred remuneration, duly distinguishing between cash, shares and share-linked instruments, and other forms of deferred remuneration;
 - (ii) deferred remuneration paid out in the financial year;
- (D) a breakdown of the amount of remuneration awards for the financial year, clearly separating between-
- (i) fixed and variable remuneration;
 - (ii) deferred and non-deferred remuneration; and
 - (iii) the different forms of remuneration used, that is, cash, shares and share-linked instruments, and other forms of remuneration,

as indicated in table 1 below:

Table 1

Total amount of remuneration for the financial year	Unrestricted	Deferred
Fixed remuneration		
<i>of which:</i>		
Cash-based	x	x
Shares and share-linked instruments	x	x
Other	x	x
Variable remuneration		
<i>of which:</i>		
Cash-based	x	x
Shares and share-linked instruments	x	x
Other	x	x

- (E) sufficiently detailed information related to employees' exposure to implicit adjustments, that is, for example, fluctuations in the value of shares or performance units, and explicit adjustments, that is, for example, malus, clawbacks or similar reversals or downward revaluations of awards, of deferred remuneration and retained remuneration, clearly indicating the relevant total amount of-
 - (i) outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments;
 - (ii) reductions during the financial year due to ex post explicit adjustments; and
 - (iii) reductions during the financial year due to ex post implicit adjustments,

Provided that in all relevant cases the bank shall also disclose to the public the relevant comparative quantitative information for the previous year.

- (g) To the extent not already covered by the information required to be disclosed in terms of the provisions of paragraphs (a) to (f) above, an overview of the key aspects relating to-
 - (i) the organisational structure relevant to risk management and control, including relevant risk-management strategies, policies and practices;
 - (ii) the methods used to measure and manage risks;
 - (iii) the principal accounting policies and procedures relevant to the interpretation of the bank's risk exposures; and
 - (iv) basic business, management and corporate governance information;
 - (v) the bank's compensation or remuneration policies, processes and procedures, including sufficiently detailed information related to-
 - (A) the decision-making process used to determine the bank's compensation policy;
 - (B) the most important design characteristics of the compensation system, including-
 - (i) criteria used for performance measurement and risk adjustment;
 - (ii) relevant matters related to the bank's deferral policy and vesting criteria;
 - (iii) the parameters used for allocating cash versus other forms of compensation;
 - (vi) the manner in which the bank treats insurance entities when the bank calculates its required capital and reserve funds.

(3) Subject to such conditions as may be specified in writing by the Registrar, when a bank is controlled by-

- (a) a controlling company;
- (b) another bank; or
- (c) an institution which has been approved by the Registrar and which conducts business similar to the business of a bank in a country other than the Republic,

the requirements specified in subregulations (1) and (2) shall apply to such controlling company, bank or institution, as the case may be, instead of to such bank that is so controlled, provided that control for the purposes of this subregulation (3) means control as defined in section 42(2) of the Act.

44. Annual financial statements

(1) Unless deviation is specifically authorised by the Act or the Registrar, the annual financial statements of a bank or controlling company shall be compiled in accordance with Financial Reporting Standards issued from time to time, with additional disclosure when required, provided that in the absence of a specific Financial Reporting Standard and an approved interpretation reference shall be made to the relevant pronouncements of the International Accounting Standards Board.

(2) When the Act or the Registrar authorises a deviation as envisaged in subregulation (1), the said bank or controlling company shall in writing inform its auditors of such authorisation.

(3) Annual financial statements in respect of all subsidiary companies of a bank or controlling company shall be held available by such a bank or controlling company for submission to the Registrar when required by the Registrar, and the information reported on the respective BA returns shall *inter alia* reflect such financial statements.

(4) When relevant, interim reports of a bank or controlling company shall be prepared in accordance with relevant Financial Reporting Standards issued from time to time in respect of interim reports, with additional disclosure when required, provided that-

- (a) in the absence of a specific Financial Reporting Standard on interim reports in South Africa and an approved interpretation reference shall be made to the relevant pronouncements of the International Accounting Standards Board;
- (b) the said interim reports shall be submitted to the Registrar as soon as they become available.

45. Consolidated financial statements

(1) A bank or in the case of a group of banks the relevant controlling company shall within 120 days of the end of the financial year of such bank or controlling company, as the case may be, furnish the Registrar with consolidated annual financial statements, as prescribed in subregulations (2) and (3), whether or not such bank or controlling company in the preparation of its annual financial statements avails itself of any exemption granted under section 15A(1) of the Companies Act, 1973, or in terms of any relevant provision contained in the Companies Act, 2008, as amended from time to time.

(2) The consolidated annual financial statements referred to in subregulation (1) shall duly present the state of affairs and the results of operations in respect of the banking business and all other business activities conducted by-

- (a) the reporting bank and all its subsidiaries, or the reporting controlling company and all its subsidiaries, as the case may be;
- (b) when applicable, the following associates of such reporting bank and its subsidiaries or of such reporting controlling company and its subsidiaries, as the case may be:
 - (i) a company or other incorporated business undertaking in respect of the issued share capital of which the reporting bank and its subsidiaries or the reporting controlling company and its subsidiaries jointly hold more than 20 per cent but not more than 50 per cent;
 - (ii) a trust or other unincorporated business undertaking in which the reporting bank and its subsidiaries or the reporting controlling company and its subsidiaries jointly hold an interest of more than 20 per cent, whether as beneficiary or ultimate beneficiary in the case of a trust, or as a partner in the case where such other unincorporated business undertaking is a partnership; and
- (c) associates referred to in paragraph (b), the business activities and financial affairs of which the reporting bank and its subsidiaries or the reporting controlling company and its subsidiaries are able to materially influence.

(3) The consolidated annual financial statements shall be prepared in accordance with Financial Reporting Standards issued from time to time, with additional disclosure when required, provided that in the absence of a specific Financial Reporting Standard in South Africa and an approved interpretation reference shall be made to the relevant pronouncements of the International Accounting Standards Board, and shall reflect rand amounts in units of thousands.

46. Audit reports

(1) The auditor of a bank shall annually, within 120 days of the financial year-end of the reporting bank, in addition to any report that a bank is statutorily required to obtain from the auditor, report on the bank's financial position and the results of its operations, as reflected in the returns specified in subregulation (6) that were submitted to the Registrar as at the financial year-end of the reporting bank.

(2) Notwithstanding the provision of subregulation (1), the auditor shall also report whether, in the auditor's opinion, the information contained-

- (a) in the returns at year-end in all material respects-
 - (i) reasonably reflects the information of the management accounts;
 - (ii) is complete in so far as all relevant information contained in the accounting and other records at the reporting date has been extracted therefrom and recorded in the returns;
 - (iii) is accurate in so far as it correctly reflects the information contained in, and extracted from, the accounting and other records at the reporting date;
 - (iv) is prepared using the same accounting policies as those applied in the management and statutory accounts; and
 - (v) is prepared in accordance with the directives and instructions of the Act and the Regulations.
- (b) in the returns other than at year-end in all material respects-
 - (i) reasonably reflects the information of the management accounts;
 - (ii) is prepared using the same accounting policies as those applied in the management and statutory accounts; and
 - (iii) is prepared in accordance with the directives and instructions of the Act and the Regulations.

(3) Notwithstanding the provision of subregulation (2), the auditor shall annually report to the Registrar on any significant weaknesses in the system of internal controls relating to-

- (a) financial regulatory reporting; and
- (b) compliance with the Act and the Regulations,

that came to the auditor's attention while performing the necessary auditing procedures to enable the auditor to furnish the reports required under subregulation (2), within 120 days of the financial year-end of the reporting bank.

(4) Notwithstanding the provisions of subregulations (1), (2) and (3), the auditor shall annually, within 120 days of the financial year-end of the reporting bank, report to the Registrar on any significant weaknesses in the system of internal controls that came to the auditor's attention while performing the necessary auditing procedures as regards the policies, practices and procedures of the bank relating to-

- (a) the granting of loans;
- (b) the making of investments;
- (c) the ongoing management of the loan and investment portfolios; and
- (d) the relevant credit impairments or loan loss provisions and reserves.

(5) In the case of amendments having been effected by a reporting bank to returns submitted by it during the course of the financial year, the auditor shall, when required to do so in terms of a written request addressed by the Registrar to both the reporting bank and the auditor, in writing confirm that the auditor has verified such of the amendments as have been specified by the Registrar in the said written request.

(6) The audit reports contemplated in this regulation 46 shall be rendered in accordance with the wording and practices agreed from time to time between the Registrar, the South African Institute of Chartered Accountants and the Independent Regulatory Board for Auditors, and shall be in respect of the forms BA 100, BA 110, BA 120, BA 125, BA 130, BA 200, BA 210, BA 220, BA 300, BA 310, BA 320, BA 325, BA 330, BA 340, BA 350, BA 400, BA 410, BA 500, BA 600, BA 610 and BA 700 submitted in respect of the reporting bank's and bank controlling company's banking and other relevant operations in the Republic and elsewhere in the world.

(7) Form BA 900 shall be reconcilable with the form BA 100, and the auditor shall within 120 days of the financial year-end of the reporting bank furnish the Registrar with a written report in which it is stated whether or not all forms BA 100 and BA 900 submitted by the reporting bank during the financial year under review were in fact reconcilable with each other.

(8) Notwithstanding the provisions of subregulations (1) to (7) above, the auditor shall annually, within 120 days of the financial year-end of the reporting bank, report to the Registrar whether there were any instances of non-compliance with the requirements specified in regulations 27(6), 42(1)(a) or 42(1)(b) of these Regulations.

(9) For the purposes of the performance of the auditor's duties in terms of this regulation, the auditor-

- (a) shall hold preliminary discussions with the Registrar prior to the commencement of the said audit; and
- (b) shall obtain from the Registrar, free of charge, copies of the relevant returns submitted to the Registrar by the reporting bank or controlling company during the financial year under review.

47. Reportable offences

(1) The Registrar may, after consultation with the Minister, by notice in the *Gazette*, declare a specified activity or event as a reportable offence.

(2) A bank shall report an offence specified in subregulation (3), or specified in the *Gazette*, as contemplated in subregulation (1), in writing to the Registrar within 30 days after the bank became aware of the said reportable offence.

(3) A reportable offence includes-

- (a) a breach of the fiduciary duty of a member of the board of directors, an employee in charge of a risk-management function or an executive officer;
- (b) market abuse or financial fraud within the bank that results in or is likely to result in the bank losing an amount in excess of 1 per cent of its qualifying capital and reserve funds, as reported in item 88 of the form BA 700, at the latest date for which the relevant statement was submitted;
- (c) any act of a member of the board of directors, an employee in charge of a risk-management function or an executive officer that results in or will probably result in the reputation of the bank being adversely affected;
- (d) any act of a member of the board of directors, an employee in charge of a risk-management function or an executive officer that results in or will probably result in the bank contravening the code of conduct or ethical code of any institution of which the bank is a member or with which the bank is associated;
- (e) any money-laundering or financing of terrorism activity in which the bank was involved and which was not identified in a timely manner and reported as required by law, including in terms of the relevant requirements contained in the Financial Intelligence Centre Act, 2001 (Act No. 38 of 2001), as amended from time to time;
- (f) any reportable irregularity as envisaged in section 45 of the Auditing Profession Act, 2005 (Act 26 of 2005), as amended, which irregularity was brought to the attention of the board of directors and/or senior management of the relevant bank.

48. Internal audit

(1) In order to, amongst other things, evaluate and improve the effectiveness of a bank's risk management, control, capital management and governance processes and/or systems, a bank shall establish an independent and objective internal audit function, which internal audit function-

- (a) shall in no case serve as a substitute for the ultimate responsibility of the bank's board of directors to ensure that the senior management of the bank, amongst other things-
 - (i) establishes and maintains-
 - (A) an adequate and effective system of internal controls, including controls over financial reporting;
 - (B) a sufficiently robust measurement system in order to identify and assess the various risks to which the bank may be exposed;
 - (C) a sufficiently robust system that relates risk exposure to required capital levels;
 - (D) appropriate methods in order to monitor the bank's compliance with laws, regulations, and supervisory and internal policies;
 - (ii) implements appropriate corrective actions in respect of internal control weaknesses identified by the bank's internal or external auditor and subsequently brought to the attention of the bank's board of directors or senior management;
 - (iii) keeps the internal audit department fully informed of new developments, initiatives, products and operational changes in order to ensure that all associated risks are identified at an early stage;
- (b) shall form an integral part of the ongoing monitoring of the bank's system of internal controls, and of the bank's internal capital assessment procedure;
- (c) shall be a permanent function of the bank, provided that-
 - (i) subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, a bank may outsource some of its internal audit services, provided that the bank shall as part of its application to the Registrar, among other things, present its analysis and assessment of the impact that the said outsourcing of internal audit services will have on the bank's overall risk profile and internal control system;
 - (ii) notwithstanding approval that might be obtained from the Registrar for a bank to outsource certain internal audit services, the bank's board of directors and senior management shall remain ultimately responsible for ensuring that the bank's system of internal control and internal audit are adequate, and operate effectively;
- (d) based on-

- (i) the nature and extent of the bank's operations and risk exposure, shall be appropriately structured within the bank's governance structure;
 - (ii) the governance structure of the bank, shall report directly to the bank's chief executive officer, board of directors or audit committee;
- (e) shall have sufficient resources and appropriately trained staff, that is-
 - (i) the staff of the internal audit department shall be sufficiently competent to examine all areas in which the bank conducts business;
 - (ii) the bank shall ensure the continued professional competence of internal auditors by way of systematic and relevant training;
 - (iii) all staff members of the internal audit department shall have sufficient up-to-date knowledge of auditing techniques and banking activities;
- (f) shall be functionally independent from the activities audited and the day-to-day internal control processes of the bank, that is, the internal audit function-
 - (i) shall be able to conduct an assignment on its own initiative in respect of any relevant department, establishment or functions of the bank, including the activities of branches and subsidiaries, and outsourced activities;
 - (ii) shall be free to report its findings and appraisals;
 - (iii) shall be free to internally disclose its findings and appraisals;
- (g) shall be able to conduct any assignment with objectivity and impartiality, that is-
 - (i) the internal audit department shall be able to conduct an assignment free from any bias or interference;
 - (ii) staff shall not audit any activity or function they performed within the twelve month period preceding their appointment in the internal audit department and staff assignments shall periodically be rotated;
 - (iii) the internal audit department shall not be involved in the operations of the bank or in selecting or implementing internal control measures that may impair the judgmental independence of the internal auditors;
 - (iv) staff members of internal audit shall conduct their work free from any potential conflict of interest, which potential conflict of interest, for example, may be influenced by matters such as a compensation scheme, that is, the compensation of internal auditors shall be consistent with the objectives and charter of internal audit;

- (h) shall be headed by a senior executive officer of the bank with the authority to communicate directly and freely in respect of any relevant matter, including, for example, decisions made by the management of the bank that may be in conflict with legal or regulatory requirements, and on his/her own initiative,
 - (i) with the members or chairman of the bank's board of directors;
 - (ii) with the members or chairman of the bank's audit committee; or
 - (iii) with the external auditor of the bank, when appropriate.

Provided that whenever the head of the bank's internal audit department ceases to act as such or has been relieved of his/her duties, the bank shall in writing inform the Registrar accordingly.

- (i) shall be subject to independent review, which review, for example, may be conducted by an independent person or committee such as external audit or the bank's audit committee;
- (j) shall conduct its work in terms of a duly documented internal audit charter, which charter-
 - (i) shall enhance the standing and authority of the internal audit function within the bank;
 - (ii) shall duly state-
 - (A) the objectives and scope of the internal audit function;
 - (B) the position of the internal audit department within the bank, including its powers, responsibilities and relations with other control functions within the bank;
 - (C) the accountability of the head of the internal audit department;
 - (D) that the senior management of the bank grants the internal audit department the right of initiative and authorises the department-
 - (i) to have direct access to and communicate with any member of staff;
 - (ii) to examine any activity or entity of the bank;
 - (iii) to access any records, files or data of the bank, including management information and the minutes of any consultative or decision-making body, whenever relevant to the performance of the department's assignment;
 - (E) the terms and conditions according to which the internal audit department may be requested to provide consulting or advisory services or to conduct special tasks;
 - (F) that none of the activities of the bank or entities in which the bank has an interest, including the activities of branches and subsidiaries,

and outsourced activities, are excluded from the scope of investigation of the internal audit department;

- (iii) shall periodically be reviewed by the internal audit department, approved by the senior management of the bank and subsequently confirmed by the board of directors of the bank as part of the board's supervisory role;
- (iv) shall be communicated throughout the bank;
- (k) shall adopt and comply with all relevant generally accepted internal audit standards issued from time to time;
- (l) as a minimum-
 - (i) shall provide an independent assessment of the adequacy of and compliance with the bank's established policies, processes and procedures;
 - (ii) shall examine and evaluate-
 - (A) the adequacy and effectiveness of the bank's internal control systems;
 - (B) the application and effectiveness of the bank's risk management procedures and risk assessment methodologies;
 - (C) the bank's management and financial information systems, including the electronic information system and electronic banking services;
 - (D) the accuracy and reliability of the bank's accounting records and financial reports;
 - (E) the manner and means in terms of which the bank safeguards its assets;
 - (F) the bank's system in terms of which the bank assesses its capital and reserve funds in relation to the bank's risk exposure;
 - (G) the systems and processes established by the bank in order to ensure compliance with any relevant legal and regulatory requirements, codes of conduct and the implementation of policies and procedures;
 - (H) the manner in which assigned responsibilities are fulfilled;
 - (I) the bank's compliance with policies and controls;
 - (J) the reliability, integrity, accuracy, completeness and timeliness of financial and management information;

- (K) the continuity and reliability of the electronic information systems;
- (L) the functioning of the staff departments;
- (iii) shall conduct-
 - (A) an appraisal of the economy and efficiency of the bank's operations;
 - (B) appropriate testing of-
 - (i) transactions;
 - (ii) the functioning of specific internal control procedures;
 - (iii) the reliability and timeliness of the bank's regulatory reporting;
 - (C) relevant special investigations from time to time;
- (iv) shall evaluate whether or not the senior management of the bank-
 - (A) developed and maintained sufficiently robust risk management processes and procedures to identify, measure, monitor and control the risks to which the bank is exposed;
 - (B) at least once a year, reports to the board of directors the scope and performance of the bank's internal control system and the bank's capital assessment procedure;
 - (C) maintains an organisational structure that clearly assigns responsibility, authority and reporting relationships, and ensures that delegated responsibilities are effectively carried out;
 - (D) developed and maintains appropriate internal control policies;
 - (E) continuously monitors the adequacy and effectiveness of the internal control system;
- (m) shall have in place a complete and duly authorised audit programme in respect of each relevant audit assignment, which audit programme, as a minimum, shall describe the relevant audit objectives and an outline of the required audit work in order to achieve the stated objectives;
- (n) in order to ensure the senior management of the bank makes informed decisions in a cost-effective manner, may provide advisory services to the senior management of the bank regarding the development or improvement of internal controls, provided that-
 - (i) the said advisory or consulting services shall be ancillary to the basic function and primary responsibilities of internal audit;
 - (ii) subsequently internal audit shall not be precluded from analysing and criticising the internal controls that have been put in place by or at the direction of senior management;

- (iii) the introduction, development or improvement of internal controls shall remain the responsibility of the management of the bank;
- (o) may in the case when the bank established a separate department to control or monitor a specific activity or entity of the bank use the information reported by the relevant control department, provided that the internal audit department shall remain responsible for the examination and evaluation of the adequate functioning of the internal control of the said activity or entity;
- (p) may from time to time provide such additional assurance services as reasonably may be expected by the bank from such a function;
- (q) shall encourage departments or business units within the bank, or entities within the banking group, from time to time to conduct control self-assessments regarding the efficiency and effectiveness of all relevant internal control procedures;
- (r) may from time to time meet with the bank's external auditor in order to-
 - (i) provide information relating to any significant matter that came to the attention of the internal audit department that may affect the work of the external auditor;
 - (ii) obtain information regarding any significant matter that came to the attention of the external auditor that may affect internal audit;
 - (iii) provide input regarding the nature, timing and extent of certain external audit procedures,provided that the external auditor shall solely be responsible for the audit opinion in respect of the bank's financial statements;
- (s) shall provide the bank's external auditor access to any relevant internal audit reports;
- (t) shall duly document-
 - (i) the bank's audit plan;
 - (ii) all audit procedures, examinations and evaluations that formed part of a particular audit assignment;
 - (iii) the purpose and scope of every audit assignment;
 - (iv) all audit findings and recommendations, and the relevant responses received;

- (u) shall have in place a sufficiently robust process in order to follow up-
 - (i) responses that relate to audit findings;
 - (ii) whether or not recommendations made by the internal audit department have been implemented;
 - (iii) whether or not the department's concerns were appropriately addressed.
- (v) shall regularly-
 - (i) report to and advise senior management and the board of directors or audit committee, as the case may be-
 - (A) on the performance of the internal control system;
 - (B) on the achievement of the objectives of the internal audit department;
 - (ii) inform senior management and/or the board of directors or audit committee about the progress made in respect of the audit plan.

49. Compliance function

(1) A bank shall have in place as part of its risk-management framework and governance structure an independent compliance function, which independent compliance function shall ensure that the bank continuously manages its regulatory and supervisory risks, that is, the risk that the bank does not comply with applicable laws and regulations or supervisory requirements.

(2) The compliance function-

- (a) shall be headed by a senior executive officer of the bank with the authority to communicate directly and freely in respect of any relevant matter, including, for example, decisions made by the management of the bank that may be in conflict with legal or regulatory requirements, and on his/her own initiative,
 - (i) with the members or chairman of the bank's board of directors;
 - (ii) with the members or chairman of the bank's audit committee; or
 - (iii) with the external auditor of the bank, when appropriate.
- (b) shall be headed by a compliance officer who shall perform his/her functions with diligence and care and with such a degree of competence as can reasonably be expected from a person responsible for such a function;
- (c) shall have adequate resources and stature in order to ensure that non-compliance with laws and regulations or supervisory requirements by the bank can be duly addressed.

- (3) As a minimum, the compliance officer of a bank-

Effectiveness

- (a) shall report directly to and have demonstrable support from the board of directors, the audit committee and the chief executive officer of the bank;
- (b) shall function independently from functions such as internal audit and shall be demonstrably independent;
- (c) shall in a timely manner report non-compliance with laws and regulations or supervisory requirements to the chief executive officer, the board of directors and the audit committee of the bank;
- (d) shall submit a report on the level of compliance with laws and regulations or supervisory requirements by the bank at every meeting of the board of directors or the audit committee of the bank and provide the Registrar with a copy of such a report;
- (e) shall ensure, as far as possible, that no conflict of interest with/between other internal control functions exists;

Monitoring

- (f) shall be responsible for establishing a compliance culture in the bank that contributes to the overall objective of prudent risk management by the bank;
- (g) shall establish a line of communication to line management, in order to monitor continuously compliance with laws and regulations or supervisory requirements by the bank;
- (h) shall require line management to monitor compliance with laws and regulations or supervisory requirements as part of their normal operational duties;
- (i) shall require relevant regulatory requirements to be incorporated into operational procedure manuals;
- (j) shall make recommendations whenever necessary in order to ensure that there is compliance with laws and regulations or supervisory requirements;

Reporting

- (k) shall establish prompt mechanisms for reporting and resolving non-compliance with laws and regulations or supervisory requirements;
- (l) shall ensure that resolutions are signed off;
- (m) shall duly document the compliance officer's findings, including any remedial action, as part of the compliance monitoring programme;

Resources

- (n) shall recruit sufficient staff of the correct quality in order to monitor and test continuously the bank's compliance with laws and regulations or supervisory requirements;
- (o) shall ensure that compliance staff are trained on a continuous basis in order to ensure that they have adequate technical knowledge in order to understand the regulatory framework that applies to the bank, as well as the risks to which the bank is exposed;

Manual

- (p) shall compile and maintain a compliance manual that -
 - (i) duly addresses all material risks to which the bank is exposed;
 - (ii) duly addresses all material objectives and aspects of applicable legislation;
 - (iii) refers to specific legislation, rules and regulations when appropriate;
 - (iv) is readily available to all relevant staff;
 - (v) is reviewed and updated at least once a year.
- (4) The provisions contained in this regulation shall not be construed as derogating from the general provisions contained in the Act that place the primary responsibility of compliance with the provisions of the Act and the Regulations on directors and executive officers.

50. Market abuse and financial crime

(1) A bank shall implement and maintain robust structures, policies, processes and procedures to guard against the bank being used for purposes of market abuse such as insider trading and market manipulation, and/or financial crimes such as fraud, financing of terrorist activities and money laundering.

(2) As a minimum, the structures, policies, processes and procedures referred to in subregulation (1) and implemented by the bank shall be adequate-

- (a) to ensure continued compliance with all relevant legislation;
- (b) to facilitate co-operation with relevant law-enforcement agencies;
- (c) to identify customers and, in particular, recognise suspicious customers and transactions;
- (d) to maintain high ethical standards in all business transactions;
- (e) to provide adequate training and guidance to staff;
- (f) to maintain internal records of transactions;
- (g) to report suspicious customers and transactions;
- (h) to provide a clear audit trail.

51. Eligible institutions

(1) An-

- (a) external credit assessment institution; or
- (b) export credit agency,

that wishes to be recognised as an eligible institution for purposes of these Regulations shall obtain the prior written approval of the Registrar and shall comply with such conditions as may be specified in writing by the Registrar.

(2) The Registrar shall not grant approval as envisaged in subregulation (1) unless, as a minimum-

- (a) the relevant external credit assessment institution complies with the requirements specified below.

(i) *Objectivity*

The methodology in terms of which an external credit assessment institution assigns credit assessments in respect of a particular market segment-

- (A) shall be well established for such a minimum period as may be specified by the Registrar, which minimum period shall in no case be less than one year;
- (B) shall be rigorous;
- (C) shall be systematic;
- (D) shall be based on a combination of qualitative and quantitative elements;
- (E) shall be subject to appropriate validation, ongoing review and backtesting;
- (F) shall be responsive to changes in financial condition.

(ii) *Independence*

The external credit assessment institution shall be independent in the sense, for example-

- (A) that the institution shall be free from political or economic pressure that may influence a particular rating;
- (B) that the composition of the board of directors or the shareholder structure of the institution to be assessed shall not create any conflict of interest.

(iii) *International access*

Individual assessments issued by the external credit assessment institution as well as the key elements underlying the assessments and whether the relevant issuer participated in the assessment process shall be publicly available on a non-selective basis, provided that-

- (A) in the case of a private assessment, the Registrar may, subject to conditions determined by the Registrar in writing, allow a deviation from the aforesaid requirements; and
- (B) in all cases, the general procedures, methodologies and assumptions for arriving at assessments, used by the relevant external credit assessment institution, shall be publicly available.

(iv) *Disclosure*

As a minimum, an external credit assessment institution shall publicly disclose-

- (A) its code of conduct;
- (B) the general nature of the compensation arrangements between the external credit assessment institution and the relevant assessed entities or institutions;
- (C) the assessment methodologies used by the said external credit assessment institution, including-
 - (i) the definition of default;
 - (ii) the time horizon used in the rating process;
 - (iii) the meaning of each relevant rating;
- (D) the actual default rates experienced in respect of each assessment category;
- (E) the transitions relating to the various assessments, that is, the likelihood of, for example, a AA rating becoming an A rating over time.

(v) *Resources*

An external credit assessment institution shall have sufficient resources-

- (A) to conduct high quality credit assessments, which assessments shall be based on a combination of qualitative and quantitative elements;
- (B) to allow for substantial ongoing contact with personnel at senior and operational levels within the assessed institutions.

(vi) *Credibility*

As a minimum, the credibility of an external credit assessment institution shall be evidenced by-

- (A) the reliance being placed on the institution's external credit assessments by independent parties such as investors or insurers;
- (B) the existence of comprehensive and duly documented internal policies and procedures to prevent the abuse of confidential information.

(b) the relevant export credit agency-

- (i) publishes its risk scores;
- (ii) subscribes to any relevant OECD agreed methodology to assign country risk scores, which methodology currently establishes eight risk score categories associated with minimum export insurance premiums.

CHAPTER IV

APPLICATION PROCEDURES

52. Application forms and certificates of registration

Form BA 001 up to and including form BA 023, prescribed in regulation 53 to these Regulations, shall be used in accordance with the applicable section of the Act and, unless otherwise directed on the form itself or by the Registrar, every application form submitted by an applicant shall include every prescribed item, numbered as indicated on the relevant form.

53. List of forms prescribed in respect of notices, applications, certificates and declarations under these Regulations

Form number	Heading of form	Applicable regulation/ section of Act No. 94 of 1990	Page no.
BA 001	Notice of review	Regulation 54(1)	1003
BA 002	Application for authorisation to establish a bank or a branch or registration as a bank or a branch	Section 12(2), 16(2), 18A	1004
BA 003	Certificate of registration as a bank	Section 17(4)	1008
BA 004	Application for registration as a controlling company	Section 43(1)	1009
BA 005	Certificate of registration as a controlling company in respect of a bank	Section 44(4)	1011
BA 006	Application for approval of appointment of auditor(s)	Section 61(2)	1012
BA 007	Application for permission to acquire shares in a bank/controlling company	Section 37(2)	1021
BA 008	Certificate of change of name	Section 56(5)	1023
BA 009	Certificate of authorisation to establish a branch	Section 18A	1024
BA 010	Certificate of authorisation to establish a representative office	Section 34(2C)	1025
BA 020	Statement by individuals who are holding, or are proposing to hold, the office of a director or executive officer of a bank or controlling company	Regulation 42	938
BA 021	Annual licence for a representative office	Section 35	1030
BA 022	Annual licence for a bank	Section 35	1031
BA 023	Annual licence for a branch	Section 35	1032

54. Review procedure

- (1) Any person desiring to submit a matter pertaining to a decision of the Registrar for review, in terms of section 9(1) of the Act, to the board of review shall within 30 days after the pronouncement of the decision in question lodge with the chairperson of the board of review a notice of review on form BA 001.
- (2) Upon receipt of the notice of review referred to in subregulation (1), the chairperson of the board of review shall cause a copy of such notice to be served on the Registrar who shall within a period determined by the said chairperson furnish the chairperson with a statement of the reasons for the decision in question.
- (3) Upon receipt of the statement referred to in subregulation (2), the chairperson of the board of review shall cause a copy thereof to be dispatched to the applicant by registered post and call upon the applicant to declare within 21 days of the date of dispatch of such statement or within such further period as the said chairperson may at the request of the applicant allow whether or not the applicant intends to proceed with the review.
- (4) When the applicant declares the intent not to proceed with the review, or when the applicant fails to declare his/her intention within the period of 21 days or the extended period contemplated in subregulation (3), the review automatically shall lapse.
- (5) When the applicant declares his/her intention in terms of subregulation (3) to proceed with the review the applicant shall in addition to such declaration lodge with the chairperson of the board of review a reply to the statement contemplated in subregulation (2).
- (6) The declaration and reply referred to in subregulation (5) shall be accompanied by the fee prescribed in item 1 of table 1 in regulation 58.
- (7) A review with which there is to be proceeded, as contemplated in subregulation (5), shall be heard at such a time and at such a place as the chairperson of the board of review may determine.

BA 001

NOTICE OF REVIEW

The Chairperson
Banks Review Board
PRETORIA

In terms of the provisions of regulation 54(1) of the Regulations relating to Banks,
notice is hereby given that -

(in the case of a juristic person)

(1)

(hereinafter referred to as the applicant)

represented herein by and

....., in their

respective capacities as and of
the applicant, duly authorised thereto by a resolution of the board of directors (a copy of which
resolution is attached hereto as Annexure

(in the case of a natural person)

(1)

(hereinafter referred to as the applicant)

intends to request a review of the following decision of the Registrar of Banks:

.....
.....
.....

(2) the affidavit/s annexed hereto as Annexure/s,, will be used in support of the review;

(3) the following address shall serve as domicilium citandi et executandi in respect of all documents to
be dispatched to or served upon the applicant by virtue of the provisions of regulation 54(3) of the
said Regulations:

Applicant's address

.....
.....

.....
on behalf of the applicant

.....
Date

.....
on behalf of the applicant

BA 002

APPLICATION FOR AUTHORISATION TO ESTABLISH A BANK OR BRANCH* OR REGISTRATION AS A BANK OR BRANCH*

The Registrar of Banks
PRETORIA

1. I, the undersigned, acting as principal/promotor/in the capacity as duly authorised agent* on behalf of
("the principal"), hereby apply for authorisation, in terms of section 13(1)/18A* of the Banks Act, 1990, by the Registrar of Banks to establish a bank/branch*; or
2. (a) I, the undersigned, chairperson/chief executive officer* of

duly empowered thereto, hereby apply for the registration of the abovementioned public company as a bank/branch*.
- (b) I hereby apply for your approval, under section 22(1) of the abovementioned Act, of the use of
as a literal translation, and of
.....
as an abbreviation, of the name under which the abovementioned public company is registered.
3. The applicable information detailed in 4 below shall accompany each application. Indicate, against each item, in the appropriate column in paragraph 4 below -
 - (a) whether or not the requested information is attached, and, if not, reason(s) therefor; or
 - (b) when the requested information is not applicable to the application in question.

I,.....,
the undersigned, hereby declare all information contained in and with this application to be correct.

.....
Date Applicant/Chairperson/Chief Executive Officer*

Address
.....
.....

**Delete whichever is not applicable*

FOR OFFICIAL USE	
Application granted	
Application refused	
Application granted subject to the appended conditions	

.....
Date Registrar of Banks

4.

Description		Authorisation ¹	Registration ¹
a)	Name of applicant - in own capacity (Yes/ No) - as agent (attach written consent of principal)		
b)	Full and abbreviated name of institution, as well as literal translation thereof, together with address of head office and postal address		
c)	Two copies of memorandum and articles of association, or memorandum of incorporation - Registered by Registrar of Companies and Close Corporations - not registered by Registrar of Companies and Close Corporations		
d)	Predominant business activities in which applicant is likely to be engaged and proportion in which each activity stands to total business activities of applicant		
e)	Outline of the proposed strategic and operating or business plans in the short, medium and long term Please include sufficiently detailed information in respect of - the relevant systems related to corporate governance, risk management and internal controls, including those related to the detection and prevention of criminal activities, and the oversight of proposed outsourced functions - the scope and degree of sophistication of the proposed activities		
f)	Form BA 100 (balance sheet) - proposed for ensuing year		
g)	Form BA 110 (off-balance sheet activities) - proposed for ensuing year		
h)	Form BA 125 (return regarding shareholders of a bank/controlling company) - current and proposed for ensuing 12 months as from date of application, and when applicable, written confirmation by a public accountant, as defined in section 1 of the Auditing Profession Act, 2005, that designated share capital received from proposed shareholders is held in a trust account		
i)	Form BA 120 (income statement) – proposed for ensuing year		
j)	Contemplated future policy with regard to payment of dividends		
k)	Form BA 300 (liquidity risk) - proposed for ensuing year		
l)	Guidelines (policy) to be followed in connection with maximum deposits, in relation to total deposits, to be accepted from a single depositor		
m)	Form BA 700 (capital adequacy) – proposed for ensuing year		
n)	Form BA 350 (derivative instruments) - proposed for ensuing year		
o)	Form BA 130 (restriction on investments, loans and advances) – proposed for ensuing year		

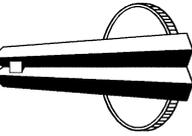
1. Indicate with an "X", under appropriate heading, type of application being submitted.

	Description	Authorisation ¹	Registration ¹
p)	Name(s) and address(es) of auditors		
q)	Form BA 006: Application for approval of appointment of auditor(s)		
r)	With regard to the management, by the applicant in the conduct of its business, of the risks specified in regulation 39(3), the policy to be followed by the applicant in the management of each type of risk and the effect, quantified if possible, of each type of risk on the business of the applicant (refer to annexure to form)		
s)	Names, and <i>curricula vitae</i> , of directors and executive officers of bank, together with duly completed forms BA 020		
t)	With regard to the group of companies of which the applicant is a member, a schematic representation reflecting all interests held in and by the applicant and, in the case of such interests held by the applicant, the nature of the business of the entities in which interests are so held by the applicant		
u)	With regard to the internal auditing of the transactions of the applicant, the applicant's findings relating to the adequacy and efficiency of the internal auditing processes applied in respect of the applicant's deposit book, advances book and large exposures during the period of 12 months immediately preceding the date of the application		
v)	Any instance of non-compliance by the applicant with any of the provisions of the Act or these Regulations during the period of 12 months immediately preceding the application		
w)	A report by a public accountant, as defined in section 1 of the Auditing Profession Act, 2005, on funds received from anticipated shareholders and held in a trust account		
x)	Additional information the Registrar deems necessary		
y)	The prescribed registration fee of R.....		

1. Indicate with an "X", under appropriate heading, type of application being submitted.

ANNEXURE TO FORM BA 002

RISK	RESPONSIBLE OFFICIAL	TITLE	RELEVANT EXPERIENCE	HIGHEST ACADEMIC QUALIFICATION
Solvency				
Liquidity				
Counterparty				
Interest rate				
Market (Position)				
Credit				
Currency				
Technological				
Operational				
Compliance				
Any other risk regarded as material: please specify				



SOUTH AFRICAN RESERVE BANK

Republic of South Africa
Banks Act, 1990
Office for Banks, Pretoria

CERTIFICATE OF REGISTRATION AS A BANK
(Section 17(4) of the Banks Act, 1990)

Certificate No.

I hereby certify that.....

has in terms of section 17(4) of the Banks Act, 1990, been registered as a bank.

DONE at Pretoria this day of

.....
Registrar of Banks

BA 003

BA 004

APPLICATION FOR REGISTRATION AS A CONTROLLING COMPANY

The Registrar of Banks
PRETORIA

1. I, the undersigned, chairperson/chief executive officer* of

, duly empowered thereto,
 hereby apply for the registration of the abovementioned public company as a controlling
 company in respect of

 an institution registered as a bank.

2. The application is accompanied, except in so far as it has been otherwise directed by
 you, by each of the following documents, duly signed by me:
 - 2.1 two copies of the Memorandum and Articles of Association or Memorandum of
 Incorporation, as the case may be, of the applicant;
 - 2.2 a copy of the certificate of incorporation, Companies Act form CM 1, in respect of
 the applicant;
 - 2.3 a copy of the registered office and postal address, Companies Act form CM 22, in
 respect of the applicant;
 - 2.4 a statement containing the name and address and the *curriculum vitae* of the
 chairperson, every director and every executive officer of the applicant;
 - 2.5 full particulars of the business that the applicant conducts or proposes to conduct,
 of the manner in which such business is or is to be conducted and of the extent of
 each type of business conducted or to be conducted;
 - 2.6 a copy of the applicant's latest audited group and company financial statements or,
 in the case of an applicant whose first financial year has not yet expired, of an
 audited balance sheet or a *pro forma* balance sheet of the applicant, as at a date
 not more than 30 days prior to the date of application;
 - 2.7 a return, in the format of form BA 125, duly completed in respect of the applicant;
 - 2.8 a statement furnishing, as at a date not more than 30 days prior to the date of the
 application -
 - (i) the amount of the issued share capital and reserves of the applicant;
 - (ii) the amounts of the applicant's investments in, respectively -
 - (aa) fixed property used mainly for the purpose of conducting the business
 of a bank;
 - (bb) fixed property not used mainly for the purpose of conducting the
 business of a bank;

(iii) the name of the undertaking concerned and the amount invested or proposed to be invested, set out separately under the headings "Shares" and "Loans", in -

- (aa) banks;
- (bb) controlling companies;
- (cc) property companies of which the property is used mainly for the purpose of conducting the business of a bank;
- (dd) property companies of which the property is not used mainly for the purpose of conducting the business of a bank; and
- (ee) other undertakings (to be specified in the statement);

2.9 a diagrammatic representation of the structure of the group of companies consisting of associates, as defined in section 37(7) of the Act, of the applicant, showing also the percentage shareholding of members of that group in the other members;

2.10 a return, in the format of form BA 125, duly completed in respect of every bank in respect of which the applicant is, or is to be, registered as a controlling company.

3. A controlling company shall, within 30 days after the date of a special resolution whereby a change of its name was effected as contemplated in section 44 of the Companies Act, in writing furnish the Registrar with full particulars of such change.

4. The prescribed registration fee in item 10 of table 1 in regulation 58 of R is enclosed with this application.

.....
DATE

.....
*Chairperson/Chief Executive Officer**

Address

.....
.....
.....

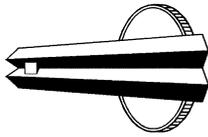
.....
**Delete whichever is not applicable*

FOR OFFICIAL USE	
Application granted	
Application refused	
Application granted subject to the appended conditions	

.....
Date

.....
Registrar of Banks

Certificate No.



SOUTH AFRICAN RESERVE BANK

Republic of South Africa
Banks Act, 1990
Office for Banks, Pretoria

**CERTIFICATE OF REGISTRATION AS A CONTROLLING COMPANY
IN RESPECT OF A BANK**
(Section 44(4) of the Banks Act, 1990)

I hereby certify that
previously known as
has in terms of section 44(4) of the Banks Act, 1990, been registered by me as a CONTROLLING COMPANY in respect of the bank registered/ to be
registered* as such under the name of
DONE at Pretoria this day of

.....
Registrar of Banks
BA 005

* *Delete whichever is not applicable*

BA 006

APPLICATION FOR APPROVAL OF APPOINTMENT OF AUDITOR(S)

The Registrar of Banks
PRETORIA

1. I, the undersigned, chairperson/chief executive officer* of
hereby declare that -

(a) the total assets of the abovementioned bank as at the close of its last preceding financial
year, that is, on.....(yyyy-mm-dd), amounted to R

(b) in accordance with the provisions of section 269/270* of the Companies Act, 1973 (Act No.
61 of 1973), a resolution was passed at a meeting of directors/members* of the said bank,
held on (yyyy-mm-dd), to appoint

(name)

of
(address)

and
(name)

of
(address)

as auditor(s) of the said bank from(yyyy-mm-dd),
until the conclusion of the first succeeding annual general meeting of the said bank;

(c) as at the date last mentioned in paragraph (b), the following persons were partners in the
auditors' firm/firms* mentioned in paragraph (b):

2. In terms of section 61(2) of the Banks Act, 1990, I hereby apply for your approval of the
appointment/ appointments* set out in paragraph 1(b).

3. The applicable information detailed in 4 below shall accompany each application.

.....
Date Chairperson/Chief Executive Officer*

Address

.....

*Delete whichever is not applicable

FOR OFFICIAL USE

Approval of appointment of -

(a)
as auditor granted/refused;*

(b)
as auditor granted/refused.*

.....
Date

.....
Registrar of Banks

*Delete whichever is not applicable

4. Information required by the Registrar of Banks in considering the approval of the appointment of an auditor for a regulated institution.

Instructions for completion of the questionnaire

The form consists of two parts:

Part A Applicable to the audit firm

Part B Applicable to the lead partner

"Responsible partner" means the auditor responsible for the effective functioning of all phases in the audit and for exercising his/her professional judgement, based on the results of the audit procedure, to express an opinion on the fair presentation of the financial statements of the regulated institution.

The responsible partner should be specifically nominated, by the firm being appointed, as the responsible partner on the audit of the regulated institution.

The responsible partner should complete the questionnaire and certify the contents, as set out in the declaration on the last page of this document.

When firms are appointed for the first time, both Parts A and B should be completed.

Space has been provided for any comments that the responsible partner might wish to make that could be relevant to the regulator when considering the application for approval. Should the space provided not be sufficient, the detail may be provided on a separate page, duly cross-referenced to the relevant question.

Although the questions cover various criteria for the qualification or disqualification of audit firms for audit engagements of regulated institutions, the criteria and replies thereto should not be regarded as an automatic qualification or disqualification, or as exhaustive. The criteria have been made as objective as possible, but, naturally, a degree of subjectivity is still present in some criteria, and not all applicable criteria could be foreseen by the regulators.

Furthermore, depending on the complexity and size of the audit of the relevant regulated institution, certain questions may not be appropriate and/or applicable. Where this is the case, the fact and reason for the question not being applicable should be stated.

Information required by the Registrar of Banks in considering the approval of the appointment of an auditor for a regulated institution

Part A (To be completed in respect of the audit firm)	
I General objective: Administrative and firm-profile information	
1.	Name of firm
2.	Business address (postal and physical), telephone and facsimile numbers
3.	Full name of responsible partner (including any former names) (The responsible partner should complete Part B of this questionnaire)
4.	Number of partners in your firm, number of partners in the office responsible for the assignment and names of key partners involved in the assignment. (Use separate page if necessary)
5.	Number of professional assistants in your firm and in the office responsible for the assignment
6.	Number of trainee accountants in your firm and in the office responsible for the assignment
7.	Details of significant <i>regulated institution(s)</i> audited / to be audited <u>Name</u> <u>Ref no.</u> <u>No. of years engaged in audit</u>
8.	Details of institutions similar to <i>regulated institution(s)</i> audited <u>Name</u> <u>Ref no.</u> <u>No. of years engaged in audit</u>
II General objective: Independence of the firm	
9.	Do you believe that your firm is organisationally independent from the <i>regulated institution</i> , or the group of which it is part, and is able to maintain an objective frame of mind in accomplishing its audit responsibilities? (Please provide details)
9.1	What percentage of your firm's total gross fees per annum are received (or will be received) directly or indirectly from the <i>regulated institution or the group of which it is part</i> ? (The regulators have indicated that, as a rule of thumb, 10 per cent or more of the total gross fees could be regarded as a large portion. Should the percentage indicated above exceed 10 per cent, please provide a motivation as to why you regard it as not impairing the firm's independence, using a separate page if necessary.)

III	General objective: Professional proficiency of the firm
10.	Are you of the opinion that sufficient and relevant knowledge, skills and disciplines are available in your firm for the engagement? (Please provide details)
11.	Is the responsible partner qualified to act as auditor under the Auditing Profession Act, 2005?
12.	What relevant qualifications, if any, in the industry of the <i>regulated institution</i> do you and the key staff to be involved in the engagement possess?
13.	Do you and your firm have access to a technical department capable of researching new developments in auditing and accounting standards in the relevant industry of the <i>regulated institution</i> ? (Please provide details)
14.	Does your firm have international links with auditors of similar institutions in other countries, in order to share information and expertise and to facilitate the audit of any cross-border activities of the <i>regulated institution</i> ? (Please provide details)
15.	Does your firm have access to adequately specialised training for auditors in the industry of the <i>regulated institution</i> ? (Please provide details)
16.	Does your firm have access to a library with up-to-date sources of all relevant statements, standards, legislation, regulations, literature, trends and developments within the industry of the <i>regulated institution</i> ? (Please provide details)
17.	Does your firm possess or have access to a specialised unit capable of auditing and assessing the adequacy and effectiveness of computerised systems? (Please provide details)
18.	Does your firm have an audit approach, techniques and procedures designed to obtain reasonable assurance that misstatements arising from fraud and error that are material to the financial statements as a whole are detected? (Please provide details)
19.	Does your firm ensure that its audit approach is kept up to date with regard to developments in the profession and within the industry of the <i>regulated institution</i> ? (Please provide details)

III	General objective: Professional proficiency of the firm – continue
20.	Does your firm have a competent quality assurance process that ensures that there is compliance with the firm's internal standards and any externally imposed standards? (Please provide details)
21.	Do you have firm and feasible plans to staff the engagement such that its effectiveness can be maintained from year to year, and is continuity of staff part of the policy of your firm? (Please provide details)
IV	General objective: Disqualification of the firm
22.	Is the responsible partner qualified to act as auditor, specifically relating to the disqualification criteria stated in section 275 of the Companies Act, 1973?
23.	Are there any pending or current lawsuits or professional liability suits against partners of the firm of which the regulator should be aware? (Please provide details)
24.	Has your firm previously been engaged by a regulatory authority to perform a special investigation on its behalf that failed to reveal a problem that was subsequently shown to exist? (Please provide details)
25.	Does your firm have the knowledge to comply with all the special duties imposed by legislation on the auditor of the specific <i>regulated institution</i> ? (Please provide details)

Part B (To be completed by the responsible partner)	
I	General objective: Lead partner information, qualifications and experience
1.	Name of society (of the South African Institute of Chartered Accountants - "SAICA") to which you belong
2.	Membership/reference number with SAICA and with the Independent Regulatory Board for Auditors ("IRBA")
3.	Professional qualifications and year in which they were obtained. Provide a copy of your <i>curriculum vitae</i> unless it has already been provided to the Registrar.
4.	Occupation and employment during the past 10 years. While in auditing, indicate types of client, in particular how many in the <i>regulated institution's</i> industry.
5.	Has your registration as a chartered accountant ever been suspended or have you ever been cautioned, reprimanded or fined by the PAAB or IRBA? (Please provide details)
6.	Details of attendance of SAICA's workshops relating to the <i>regulated institution's</i> industry?
7.	Are you on SAICA's mailing list for receiving documentation of the <i>regulated institution's</i> industry?
8.	Do you have a copy of the relevant Acts, regulations and circulars issued by the Registrar of Banks that are in force within the industry of the <i>regulated institution</i> , and are you aware of the contents thereof?
II	General objective: Independence of the lead partner
9.	Do you believe that you are independent from the <i>regulated institution</i> , or the group of which it is part, and able to maintain an objective frame of mind in accomplishing your audit responsibilities? (Please provide details)
9.1	Do you believe that in, your provision of other consulting services, if any, to the <i>regulated institution</i> , you will always be able to maintain an independent frame of mind in forming opinion regarding the institution? (Please provide details)

II General objective: Independence of the lead partner - continue	
9.2	<p>Are you or your firm involved in the management or decision making of the <i>regulated institution</i>, or are you or your firm associated with a service provider of the <i>regulated institution</i>? If yes, please provide a list of services other than audit provided to the <i>regulated institution</i>, as well as an indication of the extent of such services, and whether such services are carried out independently of the responsible partner.</p> <p>.....</p> <p>.....</p> <p>(Actions such as being engaged in the preparation of the financial statements and statutory returns, involvement in the valuation of assets or liabilities for purpose of recording them in the financial statements, acting for the <i>regulated institution</i> in the resolution of litigation that may have a material impact on the financial statements, or performance of services having a direct impact upon senior management, such as their recruitment, could indicate involvement in the management of the <i>regulated institution</i>).</p>
9.3	<p>Do you, as responsible partner, have (or intend to have) a direct line of communication and a working relationship with the board of directors/trustees and audit committee when required by the <i>regulated institution</i>?</p> <p>.....</p> <p>.....</p>
9.4	<p>Is there anything known to you that will prevent the audit relationship from continuing to exist? (Please provide details)</p> <p>.....</p> <p>.....</p> <p>.....</p>
III General objective: Professional proficiency of the lead partner	
10.	<p>What relevant qualifications, if any, in the industry of the <i>regulated institution</i> do you possess (if not covered in question 12 of Part A)?</p> <p>.....</p>
11.	<p>Do you, in your capacity of lead partner, have access to the following resources:</p>
11.1	<p>▪ Technical department, as contemplated in question 13 of Part A?</p> <p>.....</p>
11.2	<p>▪ International links with the auditors of similar institutions, as contemplated in question 14 of Part A?</p> <p>.....</p>
11.3	<p>▪ A library, as contemplated in question 16 of Part A?</p> <p>.....</p>
11.4	<p>▪ A specialised unit, as contemplated in question 17 of Part A?</p> <p>.....</p>
12.	<p>Are you, as lead partner of the engagement, subject to external practice reviews?</p> <p>.....</p> <p>.....</p>
13.	<p>Are you, or will you be, able to show how all problems addressed in the most recent practice reviews report have subsequently been resolved?</p> <p>.....</p> <p>.....</p> <p>.....</p>
14.	<p>Are you, as lead partner of the engagement, subject to internal peer review from time to time by your partners with appropriate industry experience? (Please provide details)</p> <p>.....</p> <p>.....</p> <p>.....</p>

IV	General objective: Disqualification of the lead partner
15.	Are you qualified to act as auditor, specifically keeping in mind the disqualification criteria covered in section 275 of the Companies Act, 1973?
16.	Are there any pending or current lawsuits or professional liability suits pending against you of which the regulator should be aware? (Please provide details)
17.	Have you ever been a lead partner engaged by a regulatory authority to perform a special investigation on its behalf that failed to reveal a problem that was subsequently shown to exist? (Please provide details)
18.	Have you ever been removed as responsible partner of a regulated institution by a <i>regulatory authority</i> ? (Please provide details)

DECLARATION

I, the undersigned, the designated auditor of (regulated institution) , certify that, to the best of my knowledge, the information given in answer to the above questions in Part A and Part B (indicate as applicable) is complete and accurate and not untrue or misleading in any respect.

I undertake, as long as I continue to be the person responsible for the audit of the *regulated institution*, to notify the Registrar of Banks of the *regulated institution* of any material changes, affecting the completeness or accuracy of, to the answers to the questions above, inclusive of any disciplinary action instituted against me by not later than 21 days as from the day that such changes come to my attention.

Name

Name of firm or partnership

Signed:

Date:

BA 007

APPLICATION FOR PERMISSION TO ACQUIRE SHARES IN A BANK/CONTROLLING COMPANY*

(To be submitted in duplicate)

The Registrar of Banks
PRETORIA

1. I, the undersigned, a natural person/the duly authorised representative* of

.....
(hereinafter referred to as the applicant), hereby apply in terms of section 37(2)(b) of the Banks Act, 1990, for the permission of the Registrar of Banks/Minister of Finance* for the acquisition by the applicant of shares in

.....
a bank/controlling company* registered as such in terms of the said Act (hereinafter referred to as the COMPANY), of which shares-

- (a) the total nominal value*, or exercisable voting right*;
- (b) the total nominal value together with the total nominal value of such shares already held by the applicant*, or exercisable voting right together with the exercisable voting rights of such shares already held by the applicant*;
- (c) the total nominal value together with the total nominal value of such shares already held by the applicant and his/her/its associate or associates*, or exercisable voting right together with the exercisable voting rights of such shares already held by the applicant and his/her/its associate or associates*,

amounts to -

- (i) more than 15 per cent but not exceeding 24 per cent;*
- (ii) more than 24 per cent but not exceeding 49 per cent;*
- (iii) more than 49 per cent but not exceeding 74 per cent;*
- (iv) more than 74 per cent,*

of the total nominal value of a specified class of shares or all the issued shares, or exercisable voting right of a specified class of shares or all the issued shares, as the case may be, of the COMPANY.

2. The total nominal value of or exercisable voting right attached to shares in the COMPANY currently held by the applicant and his associate/associates* constitutes the following percentage of the total nominal value of a specified class of shares or all the issued shares, or exercisable voting right of a specified class of shares or all the issued shares, as the case may be, of the COMPANY:

- (a) Shares held by the applicant: per cent.
- (b) Shares held by associate/s of the applicant (furnish percentage/s opposite name/s of associate/s):

(i) : per cent
(Add paragraphs as necessary)

3. I submit, with this application, a written statement containing the information prescribed by regulation 55(2) of the Regulations relating to Banks.

..... Date Applicant

Applicant's address

.....
.....

FOR OFFICIAL USE

Permission for acquisition of shares granted/refused.*

..... Registrar of Banks*

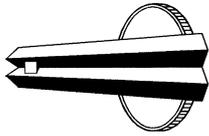
..... Date Minister of Finance*

*Delete whichever is not applicable

55. Application for permission to acquire shares in a bank or controlling company

- (1) An application under section 37(2)(b) of the Act for the permission, in terms of section 37(2)(a) of the Act, of the Registrar or the Minister, as the case may be, for the acquisition of shares in a bank or controlling company, shall be submitted to the Registrar in duplicate, on form BA 007, as prescribed by regulation 53.
- (2) An application under subregulation (1) shall be accompanied by a written statement containing the information specified below.
- (a) Full particulars of the applicant's shareholding in any associate, as defined in section 37(7) of the Act, of the bank or controlling company to which the application relates, specifying the name of each such associate and the percentage that the total nominal value of or exercisable voting right attached to the applicant's shareholding in such associate constitutes of the total nominal value of or exercisable voting right attached to a specified class of share or all the issued shares, as the case may be, of such associate.
 - (b) Full particulars of the applicant's shareholding in any bank or controlling company other than the bank or controlling company to which the application relates, specifying the name of each such other bank or controlling company and the percentage that the total nominal value of or exercisable voting right attached to the applicant's shareholding in such other bank or controlling company constitutes of the total nominal value of or exercisable voting right attached to a specified class of share or all the issued shares, as the case may be, of such other bank or controlling company.
 - (c) In the case of the applicant being a company, the names of the company's directors.
 - (d) Particulars of all other corporate undertakings in which the applicant holds a shareholders' interest of 25 per cent or more.
 - (e) The reason for the applicant's desire to acquire the shares in question in the bank or controlling company concerned.

Certificate No.



SOUTH AFRICAN RESERVE BANK

Republic of South Africa
Banks Act, 1990
Office for Banks, Pretoria

CERTIFICATE OF CHANGE OF NAME

(Section 56(5)(b) of the Banks Act, 1990)

I hereby certify that.....

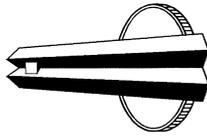
has, with my approval in terms of section 56(5)(b) of the Banks Act, 1990, changed its name to.....

.....

and that I have entered the new name in the register of banks.

DONE at Pretoria this day of

.....
Registrar of Banks
BA 008



SOUTH AFRICAN RESERVE BANK

Republic of South Africa
Banks Act, 1990
Office for Banks, Pretoria

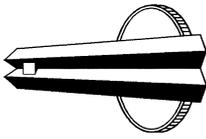
CERTIFICATE OF AUTHORISATION FOR THE CONDUCTING OF THE BUSINESS OF A BANK BY A FOREIGN INSTITUTION BY MEANS OF A BRANCH IN THE REPUBLIC OF SOUTH AFRICA

(Section 18A of the Banks Act, 1990)

Certificate No.

I hereby certify that
being an institution which lawfully conducts the business of a bank and which has been established in (foreign country), has in
terms of section 18A(6) of the Banks Act, 1990, been granted authorisation by me, with effect from, to conduct the business of a bank
by means of a branch in the Republic of South Africa.
DONE at Pretoria this day of

.....
Registrar of Banks
BA 009



SOUTH AFRICAN RESERVE BANK

Republic of South Africa
Banks Act, 1990
Office for Banks, Pretoria

**CERTIFICATE OF AUTHORISATION FOR THE ESTABLISHMENT OF A
REPRESENTATIVE OFFICE**
(Section 34(2C) of the Banks Act, 1990)

Certificate No.

I hereby certify that

has in terms of section 34(2C) of the Banks Act, 1990, been granted consent to establish and maintain a representative office in the Republic of South Africa.

DONE at Pretoria this day of

.....
Registrar of Banks

BA 010

56. Application for permission to acquire or establish subsidiaries, joint ventures, branch offices, divisions, other interests and representative offices of banks or controlling companies

(1) An application under section 52(2) of the Act for the permission, in terms of section 52(1) of the Act, of the Registrar for the acquisition or establishment of subsidiaries, joint ventures, branch offices, divisions, other interests and representative offices of banks or controlling companies shall be submitted to the Registrar.

(2) An application, in writing, under subregulation (1) for the acquisition or establishment of-

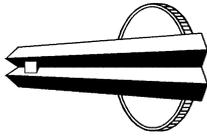
(a) a local subsidiary or local joint venture shall contain the following information:

- (i) name of applicant;
- (ii) name of interest to be acquired or established, together with the name of the said interest's external auditors and its financial year-end;
- (iii) brief reasons for the acquisition or establishment;
- (iv) key features of the transaction, for example, shareholding and control, purchase price, price exposure to loss, acquisition costs as a percentage of capital and reserve funds of applicant, size of the subsidiary in relation to the bank and/or banking group;
- (v) main activities to be conducted;
- (vi) proposed date of disposal if acquired as security for an advance or loan granted;
- (vii) details of the management of the proposed subsidiary or proposed joint venture, including-
 - (A) names and experience of key personnel;
 - (B) impact that management of the subsidiary or joint venture will have on management of the bank and/or banking group, for example, the extent to which current management will be deployed or additional human resources will be required;
- (viii) any other relevant information;
- (ix) undertakings that-
 - (A) the entity will not establish or acquire any other entities without the prior written approval of the Registrar;
 - (B) the Registrar will be advised timeously of the disposal of the entity by the applicant;

-
- (C) a detailed organogram reflecting all interests under the bank or controlling company shall be furnished to the Registrar on 31 March and 30 September of each year, or in the event of any major change in the group structure, shall be furnished to the Registrar within 30 days of the aforementioned dates or such change;
 - (x) whether the transaction will materially influence the financial and risk position of the bank and, if this is the case, a copy of the due diligence report compiled by the external auditors and/or internal staff; or
 - (b) an off-shore interest, including a subsidiary, joint venture, branch office, representative office shall contain the following additional information:
 - (i) advantages to the applicant and South Africa;
 - (ii) details of transaction, such as the ultimate identity of the seller, purchase price, form of payment and effective date;
 - (iii) in the event of an acquisition, a copy of the due diligence report compiled by the external auditors and/or internal staff;
 - (iv) copy of the business plan;
 - (v) whether the Financial Surveillance Department of the Reserve Bank has been approached;
 - (vi) copies of all relevant documentation;
 - (vii) impact of acquisition or formation on bank or controlling company regarding -
 - (A) profitability;
 - (B) capital adequacy;
 - (C) overall risk profile;
 - (D) undertakings required of a local institution by foreign authorities;
 - (E) contagion potential; and
 - (F) worst-case scenario;
 - (viii) particulars of the directors, names, nationalities and *curricula vitae*, together with completed forms BA 020, as prescribed in regulation 42;
 - (ix) name and *curriculum vitae* of chief executive officer, together with a completed form BA 020, as prescribed in regulation 42;

- (x) names, experience and nationalities of top management, together with completed forms BA 020, as prescribed in regulation 42. The impact that management of the subsidiary or joint venture will have on management of the bank and/or banking group, for example, the extent to which current management will be deployed or additional human resources will be required;
- (xi) under a heading 'Group Structure' -
 - (A) direct and indirect shareholding; and
 - (B) detailed organisational chart, also reflecting "front" companies/structures;
- (xii) the following details regarding the host country-
 - (A) whether or not exchange control is applicable;
 - (B) whether approval has been obtained from the host country (supported by relevant documentation);
 - (C) nature of supervisory functions performed by host country; and
 - (D) evaluation of country risk in respect of the host country;
- (xiii) financial analysis, if acquisition, that is-
 - (A) balance sheet;
 - (B) income statement;
 - (C) valuation;
 - (D) relevant ratio analysis;
 - (E) capital adequacy; and
 - (F) other relevant details;
- (xiv) business conducted or proposed to be conducted, including-
 - (A) details of how the business will be funded;
 - (B) nature of the business to be conducted;
 - (C) main sources of income;
 - (D) projections; and
 - (E) classification of the business as principal and/or agent; and
- (xv) an opinion on the ability of the company to submit the required BA returns.

-
- (c) a division shall contain the following information:
- (i) name of applicant;
 - (ii) name of division to be acquired or established;
 - (iii) brief reasons for the acquisition or establishment;
 - (iv) key features of the transaction, for example, shareholding and control, purchase price, price exposure to loss, acquisition costs as a percentage of capital and reserve funds of applicant, size of the division in relation to the bank and/or banking group;
 - (v) main activities to be conducted;
 - (vi) details of the management of the proposed division, including-
 - (A) names and experience of key personnel;
 - (B) impact that management of the division will have on management of the bank and/or banking group, for example, the extent to which current management will be deployed or additional human resources will be required;
 - (vii) any other relevant information;
 - (viii) undertakings that the Registrar will be advised timeously of the disposal of the division by the applicant;
 - (ix) whether the transaction will materially influence the financial and risk position of the bank and, if this is the case, a copy of the due diligence report compiled by the external auditors and/or internal staff.



SOUTH AFRICAN RESERVE BANK

Republic of South Africa
Banks Act, 1990
Office for Banks, Pretoria

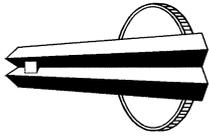
**ANNUAL BUSINESS LICENCE TO CONDUCT THE
BUSINESS OF A REPRESENTATIVE OFFICE**
(Section 35 of the Banks Act, 1990)

Licence certificate No.

I hereby certify that
has in terms of section 35 of the Banks Act, 1990, paid its annual licence fee, amounting to , plus penalty (if applicable)
amounting to for the period ending as indicated below.
Year ending 31 December
DONE at Pretoria this day of

.....
Registrar of Banks
BA 021

Licence certificate No.



SOUTH AFRICAN RESERVE BANK

Republic of South Africa
Banks Act, 1990
Office for Banks, Pretoria

**ANNUAL BUSINESS LICENCE TO CONDUCT
THE BUSINESS OF A BANK**
(Section 35 of the Banks Act, 1990)

I hereby certify that

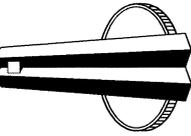
has in terms of section 35 of the Banks Act, 1990, paid its annual licence fee, amounting to, plus penalty (if applicable)

amounting to for the period ending as indicated below.

Year ending 31 December

DONE at Pretoria this day of

..... Registrar of Banks
BA 022



SOUTH AFRICAN RESERVE BANK

Republic of South Africa
Banks Act, 1990
Office for Banks, Pretoria

Licence certificate No.

ANNUAL BUSINESS LICENCE FOR THE CONDUCTING OF THE BUSINESS OF A BANK BY A FOREIGN INSTITUTION BY MEANS OF A BRANCH IN THE REPUBLIC OF SOUTH AFRICA

(Section 35 of the Banks Act, 1990)

I hereby certify that

has in terms of section 35 of the Banks Act, 1990, paid its annual licence fee, amounting to, plus penalty (if applicable)

amounting to for the period ending as indicated below.

Year ending 31 December

DONE at Pretoria this day of

Registrar of Banks

BA 023

57. Application for permission to sell immovable property

(1) An application for the permission of the Registrar, in terms of section 91(2)(b) of the Act, for a director or employee of a bank or controlling company, or any company in which such director or employee has a direct interest, to purchase any immovable property owned by or mortgaged to that bank or the bank in respect of which that controlling company is registered, shall be submitted to the Registrar prior to the property being sold and shall contain the information specified in subregulation (2).

(2) An application in terms of subregulation (1) to sell immovable property shall contain the following information:

- (a) the name of the applicant bank;
- (b) the name of the director or employee who made the offer to purchase;
- (c) full details of the property, including:
 - (i) a detailed valuation of the property by the bank; and/or
 - (ii) a detailed valuation of the property by an independent registered valuer;
- (d) the purchase price offered;
- (e) full name and last known address of the person from whom the property has been repossessed;
- (f) the outstanding balance of the loan at the date of repossession;
- (g) the date on which the property was repossessed;
- (h) an undertaking from the applicant bank that, regardless of the accounting policy adopted by the applicant bank, no enrichment, at the expense of the person from whom the property was repossessed, will take place as a result of the property being sold to a director or employee of the applicant bank; and
- (i) an opinion of the bank on the desirability of accepting the offer received,

but shall not include the deed of sale.

**CHAPTER V
PRESCRIBED FEES**

58. Fees payable

Subject to the provisions of section 86(4) of the Act, the fees, inclusive of value-added tax (VAT), specified in table 1 below, shall be payable in respect of the relevant specified matter.

TABLE 1

	FEE EXCLUDING VAT		VAT		FEE INCLUDING VAT	
	R	R	R	R	R	R
1 Lodging of a review in terms of section 9(1) of the Act	12,000.00	1,680.00	1,680.00	13,680.00		
2 Application for authorisation as an eligible institution	18,000.00	2,520.00	2,520.00	20,520.00		
3 Application for authorisation to establish a bank	18,000.00	2,520.00	2,520.00	20,520.00		
4 Application for authorisation to establish a branch	18,000.00	2,520.00	2,520.00	20,520.00		
5 Application for authorisation to establish a controlling company in respect of a bank	18,000.00	2,520.00	2,520.00	20,520.00		
6 Application for authorisation to establish a representative office	6,000.00	840.00	840.00	6,840.00		
7 Application in terms of section 52 of the Act	6,000.00	840.00	840.00	6,840.00		
8 Registration as a bank	6,000.00	840.00	840.00	6,840.00		
9 Registration as a branch	6,000.00	840.00	840.00	6,840.00		
10 Registration as a controlling company in respect of a bank	6,000.00	840.00	840.00	6,840.00		
11 Registration of a bank created by the amalgamation of two or more banks	40,000.00	5,600.00	5,600.00	45,600.00		
12 Registration or alteration of memorandum of association or articles of association of bank or controlling company	4,800.00	672.00	672.00	5,472.00		
13 Registration of change of name of bank	4,800.00	672.00	672.00	5,472.00		
14 Certification of any document required to be certified by the Registrar and in respect of which document no other fee is payable	600.00	84.00	84.00	684.00		
15 Inspection in terms of section 86(1)(a) of the Act of any document referred to in that section	1,200.00	168.00	168.00	1,368.00		
16 Certificate from the Registrar as to the contents or any part of the contents of any document specified in section 86(2) of the Act	2,400.00	336.00	336.00	2,736.00		
17 Copy of or extract from any document specified in section 86(2) of the Act, if prepared by the Registrar, per sheet or part thereof:						
Photocopied	12.00	1.68	1.68	13.68		
Computer printout	24.00	3.36	3.36	27.36		
Double-spaced typewritten	240.00	33.60	33.60	273.60		
18 Examination of a document not prepared by the Registrar and certification thereof as a true copy of a document in the custody of the Registrar, per sheet or part thereof	1,200.00	168.00	168.00	1,368.00		

	FEE EXCLUDING VAT		VAT		FEE INCLUDING VAT	
	R		R		R	
19 Certified copy of a certificate of -						
(a) registration as a bank;	240.00		33.60		273.60	
(b) alteration of memorandum of association or articles of association of a bank;	240.00		33.60		273.60	
(c) change of name of a bank;	240.00		33.60		273.60	
(d) registration as a controlling company;	240.00		33.60		273.60	
(e) alteration of memorandum of association of a controlling company;	240.00		33.60		273.60	
(f) registration as a branch;	240.00		33.60		273.60	
(g) registration as a representative office	240.00		33.60		273.60	
20 Searching by Registrar for documents for purposes of items 14, 15 or 16:						
Minimum fee for first hour	600.00		84.00		684.00	
Thereafter per hour or part thereof	1,200.00		168.00		1,368.00	
21 Copy of or extract from any circular previously issued by the Registrar, per sheet or part thereof:						
Photocopied	12.00		1.68		13.68	
Computer printout	24.00		3.36		27.36	
Double-spaced typewritten	240.00		33.60		273.60	
22 Searching by Registrar for documents for purposes of item 21:						
Minimum fee for first hour	600.00		84.00		684.00	
Thereafter per hour or part thereof	1,200.00		168.00		1,368.00	
23 Copy of or extract from the list of controlling companies, banks, mutual banks, local bank branches of foreign banks and foreign banks with approved local representative offices, registered in the Republic, per sheet or part thereof:						
Mailed	60.00		8.40		68.40	
Facsimile transmission	80.00		11.20		91.20	

59. Manner of payment of fees

(1) Any fees payable in terms of regulations 58 and 60 shall be paid either by cheque, made payable to the South African Reserve Bank, or directly into the account of the Office for Banks held at the South African Reserve Bank, the details of which account may be obtained from the Office for Banks, at the address set out in regulation 6(1).

(2) Subject to the provisions of section 9(13) of the Act, and except in the case of a refusal of an application under section 16(1) or 43(1) of the Act, fees paid in terms of regulation 58 shall not be repayable.

60. Annual licence

(1) The licence fee contemplated in section 35 of the Act shall be calculated in accordance with the formula specified below-

$$\frac{\text{R 30 million}}{\text{R 2000 billion}} \times \text{total capital and liabilities in rand per item 88 of form BA 100}$$

with a minimum fee of R6 000 and a maximum fee of R300 000 per annum.

The amount of capital and liabilities, as reported in item 88, column 3, of form BA 100 for the month ended December of the year preceding the year in respect of which the licence fee is payable, shall be used in the relevant calculation of the licence fee.

(2) A bank that exists on 1 January of a particular year shall pay the licence fee, prescribed in subregulation (1), before the end of February of each relevant year.

(3) A bank that is registered on a date after 1 January of a particular year shall in respect of such year, and before the end of the month in which it is so registered, pay a licence fee calculated in accordance with the formula-

$$\frac{\text{R 30 million}}{\text{R 2000 billion}} \times \left(\text{total capital and liabilities in rand at the date on which it is so registered} \right) \times \frac{(X)}{(12)}$$

in which formula "X" represents the number of full months remaining in such year after the month in which the bank is so registered, with a minimum fee of R6 000 and a maximum fee of R300 000.

(4) A bank that fails to pay the full amount of the applicable licence fee within the period allowed in terms of subregulation (2) or subregulation (3), respectively, for the payment thereof shall pay, in addition to such licence fee, for each month or part of a month during which the licence fee remains so unpaid a penalty calculated at the rate of 10 per cent of the amount of the licence fee that it has failed to pay as aforesaid, and reckoned from the final date allowed in terms of subregulation (2) or subregulation (3), respectively, for the payment of such licence fee: Provided that the amount of the penalty so payable shall not be more than the amount of the licence fee due.

(5) Any money payable in terms of this regulation is inclusive of VAT, shall be a debt due to the Office for Banks and shall be recoverable by action in any competent court by the Registrar of Banks.

(6) The licence fee and any penalty collected under this regulation shall accrue for the benefit of the Office for Banks.

(7) Representative offices of foreign institutions established in the Republic of South Africa shall annually, not later than 31 January of each year, pay to the South African Reserve Bank a fee of R6 000, irrespective of the initial date and month of registration as a representative office in a particular year.

(8) An institution applying successfully for the first time to be registered as a representative office in terms of section 34 of the Act will not be registered as such until the annual licence fee contemplated in subregulation (7) has been paid to the South African Reserve Bank.

(9) An institution that fails to pay the full amount of the applicable licence fee within the period allowed in terms of subregulation (7) for payment thereof shall pay, in addition to such licence fee, for each month or part of a month during which the licence fee remains so unpaid a penalty calculated at the rate of 10 per cent of the amount of the licence fee that it has failed to pay as aforesaid, and reckoned from the final date allowed in terms of subregulation (7) for the payment of such licence fee: Provided that the amount of the penalty so payable shall not be more than the amount of the licence fee due.

CHAPTER VI

INFORMATION REQUIRED BY THE REGISTRAR AND THE RESEARCH DEPARTMENT OF THE RESERVE BANK

61. List of forms prescribed in respect of returns to be submitted to the Registrar, with indication of institution by which, intervals at which and period within which returns shall be submitted

Form number	Title/ description	Bank in Republic ¹
BA 099	Declaration in respect of statutory returns submitted ² (see chapter II)	Whenever required as control sheet and for purpose of making required declarations
BA 900	Institutional and maturity breakdown of liabilities and assets	Monthly ^{3a}
BA 920	Analysis of instalment sale transactions, leasing transactions and selected assets	Quarterly ^{3b}
BA 930	Interest rates on deposits, loans and advances at month-end	Monthly ^{3b}
BA 940	Selected locational statistics based on residence	Quarterly ^{3c}
BA 950	Selected locational statistics based on nationality of bank	Quarterly ^{3c}

¹ Means the South African operations of a bank incorporated in the Republic.

² Form BA 099 is not a prescribed financial return, but shall be used as a control sheet and to furnish the required declarations regarding the maintenance of prescribed minimum balances.

³ A prescribed statement and return shall be submitted within the periods indicated below, as follows:

- a. Within 15 business days immediately following on the month-end or quarter-end to which the statement or return relates.
- b. Within 20 business days immediately following on the month-end or quarter-end to which the statement or return relates.
- c. Within 25 business days immediately following on the month-end or quarter-end to which the statement or return relates.

INSTITUTIONAL AND MATURITY BREAKDOWN OF LIABILITIES AND ASSETS

	<u>Page no.</u>
1. Form BA 900 - Institutional and maturity breakdown of liabilities and assets	1040
2. Regulation 62 - Directives and interpretations for completion of monthly return concerning institutional and maturity breakdown of liabilities and assets (Form BA 900).....	1062

INSTITUTIONAL AND MATURITY BREAKDOWN OF LIABILITIES AND ASSETS

Name of bank
Month ended (yyyy-mm-dd)

(All amounts to be rounded off to the nearest R'000)

LIABILITIES AT MONTH-END	Line no.	DEPOSITS							
		Cheque ^j	Savings	Other demand Up to 1 day	Other short-term More than 1 day to 1 month	Medium-term More than 1 month to 6 months	Long-term More than 6 months	TOTAL	NCDs/PNs ⁱ (included in col. 7)
		1	2	3	4	5	6	7	8
Table 1	a								
DEPOSITS (total of items 2 and 32)	1								
DEPOSITS DENOMINATED IN RAND (total of items 3, 6, 12, 13 and 29)	2								
SA banks ^b (total of items 4 and 5)	3								
NCDs/PNs ⁱ	4								
Other deposits	5								
Central and provincial government sector deposits ^c (total of items 7, 10 and 11)	6								
Central government of the Republic (total of items 8 and 9)	7								
Tax and loan account	8								
Other	9								
Provincial governments	10								
Social security funds	11								
Other monetary institutions ⁿ	12								
Other domestic parties (total of items 14 to 20, 25, 26, 27 and 28)	13								
Local government	14								
Public financial corporate sector ^o (such as IDC, DBSA)	15								
Public Investment Corporation (PIC)	16								
Public non-financial corporate sector (such as Transnet, Eskom and Telkom)	17								
Insurers ^r	18								
Pension funds	19								
Other private financial corporate sector ^o (total of items 21 to 24)	20								
Money-market unit trusts	21								
Other unit trusts	22								
Fund managers	23								
Other ^q	24								
Private non-financial corporate sector	25								
Unincorporated business enterprises	26								
Households	27								
Non-profit organisations serving households and other	28								

a) For official use only. * indicates where relevant.
 b) Including interbank and intragroup funding.
 c) Excluding local governments.
 d) Excluding SA Reserve Bank, CPD, Land Bank, Postbank, PIC, public sector insurers and public sector pension funds.
 e) Excluding banks, private sector insurers and private sector pension funds.
 f) Excluding medical schemes.
 g) Including medical schemes.
 h) Including SA Reserve Bank, CPD, Land Bank and Postbank.
 i) Including all other similar acknowledgements of debt.
 j) Including cash managed and transmission deposits.

(All amounts to be rounded off to the nearest R'000)

LIABILITIES AT MONTH-END	Line no.	DEPOSITS							TOTAL	NCDs/PNS ^e (included in col. 7)		
		Cheque ^f	Savings	Other demand Up to 1 day	Other short-term More than 1 day to 1 month	Medium-term More than 1 month to 6 months	Long-term More than 6 months	TOTAL				
											1	2
	a											
Table 2												
Foreign sector (total of items 30 and 31)	29											
Banks - including foreign group funding	30											
Other non-residents	31											
DEPOSITS DENOMINATED IN FOREIGN CURRENCY (total of items 33 to 38)												
SA banks ^b	32											
Central and provincial government	33											
Household sector	34											
Financial corporate sector ^c	35											
Non-financial corporate sector and other ^d	36											
Foreign sector (total of items 39 and 40)	37											
Banks	38											
Other non-residents	39											
	40											

a) For official use only.

b) Including interbank and intragroup funding.

c) Excluding banks.

d) Including local governments.

e) Including all other similar acknowledgements of debt.

f) Including cash managed and transmission deposits.

(All amounts to be rounded off to the nearest R'000)

LIABILITIES AT MONTH-END	Line no.		Short-term	Medium-term	Long-term	TOTAL	of which: foreign currency
	Table 3	a					
OTHER BORROWED FUNDS (total of items 42, 51 and 57)							
Loans received under repurchase transactions (total of items 43 to 50)	41	036*					
SA Reserve Bank and Corporation for Public Deposits	42	039					
SA banks ^b	43	040					
Insurers ^g	44	041					
Pension funds	45	042					
Other financial corporate sector ^c	46						
Non-financial corporate sector	47	043*					
Foreign sector	48						
Other	49	044					
Collateralised borrowing (total of items 52 to 56)	50	043*					
SA banks ^b	51	061*					
Financial corporate sector ^e	52						
Non-financial corporate sector	53	056*					
Foreign sector	54	056*					
Other	55	057					
Other ^f	56	056*					
Other ^f	57	061*					
FOREIGN CURRENCY FUNDING (total of items 59 to 63, and 66)	58	045					
SA Reserve Bank and Corporation for Public Deposits	59	046					
SA banks ^b	60	047					
Financial corporate sector ^d	61	048*					
Non-financial corporate sector	62						
Foreign sector: Other foreign funding (total of items 64 and 65)	63	051, 049					
Original maturity of one year and less	64						
Original maturity of more than one year	65	050, 052					
Other	66	048*					

a) For official use only. * Indicates where relevant.

b) Including interbank and intragroup funding.

c) Excluding SA Reserve Bank, CPD, banks, insurers and pension funds, including medical schemes.

d) Excluding SA Reserve Bank, CPD and banks.

e) Excluding banks.

f) Excluding repurchase transactions and collateralised borrowing already included in items 42 and 51.

g) Excluding medical schemes.

(All amounts to be rounded off to the nearest R'000)

LIABILITIES AT MONTH-END	Table 4	Line no.				of which: foreign currency
		1	2	3	4	
		a			5	
OTHER LIABILITIES TO THE PUBLIC (total of items 68, 73, 74 and 77)						
Debt securities (total of items 69 to 72)		058*				
SA banks ^b		061*,078,080				
Financial corporate sector ^c						
Non-financial corporate sector and other						
Foreign sector						
Credits in transit						
Other (total of items 75 and 76)		059				
Financial corporate sector		061*				
Non-financial corporate sector and other						
Foreign sector						
TOTAL LIABILITIES TO THE PUBLIC (total of items 1, 41, 58 and 67)		062				
OUTSTANDING LIABILITIES ON BEHALF OF CLIENTS, per contra item 268		063				
OTHER LIABILITIES (total of items 81, 85, 86, 90, 91 and 94)		064				
Liabilities i.r.o derivative instruments: to domestic sector (total of items 82 to 84)		065				
SA banks ^b and other monetary institutions ^d		067				
Financial corporate sector ^c						
Non-financial corporate sector and other						
Liabilities i.r.o derivative instruments : to foreign sector						
Other trading liabilities (excluding derivatives): to domestic sector (total of items 87 to 89)		068				
SA banks ^b		069*				
Financial corporate sector ^c						
Non-financial corporate sector and other						
Other trading liabilities (excluding derivatives): to foreign sector						
Other liabilities: to domestic sector (total of items 92 and 93)		070*				
Tax (current and deferred)		069*,066				
Other						
Other liabilities: to foreign sector						
TOTAL LIABILITIES (total of items 78 to 80)		070*				

a) For official use only. * Indicates where relevant.

b) Including interbank and intragroup funding.

c) Excluding banks.

d) Including SA Reserve Bank, CPD, Land Bank and Postbank.

(All amounts to be rounded off to the nearest R'000)

EQUITY AT MONTH-END	Line no.	TOTAL	Of which: liabilities to the foreign sector	of which: foreign currency, included in col. 1
Table 5				
TOTAL EQUITY (total of items 97 and 101)	96			
Share capital (total of items 98 to 100)	97			
Banks ^b	071*			
Financial corporate sector ^c	072-075,077			
Non-financial corporate sector and other	072			
Other reserves	073			
	100			
	101			
TOTAL EQUITY AND LIABILITIES (total of items 95 and 96)				
	085			
	102			

a) For official use only. * Indicates where relevant.
 b) Including interbank and intragroup funding. Column 1 includes all banks whereas column 2 includes only that portion held by foreign banks.
 c) Excluding banks.

(All amounts to be rounded off to the nearest R'000)

Line no.	Domestic assets ^e		Foreign assets ^f		TOTAL ASSETS (col 1 plus col. 3)	Of which: under repurchase agreements
	Total	of which: foreign currency	Total	of which: foreign currency		
	1	2	3	4		
	a					
ASSETS AT MONTH-END						
Table 7						
117	Deposits with and loans and advances to foreign banks, denominated in rand					
118	Loans granted under resale agreements to: (total of items 119 to 125)					
119	SA Reserve Bank					
120	Banks ^d					
121	Insurers					
122	Pension funds					
123	Other financial corporate sector ^b					
124	Non-financial corporate sector					
125	Other					
126	Foreign currency loans and advances (total of items 127 to 130, 133 and 134)					
127	Foreign currency notes and coin					
128	Deposits with and advances to SA Reserve Bank					
129	Deposits with and advances to SA banks ^d					
130	Other advances to: (total of items 131 and 132)					
131	Financial corporate sector ^c					
132	Non-financial corporate sector and other					
133	Deposits with and advances to foreign banks					
134	Other advances to foreign sector					
135	Redeemable preference shares issued by: (total items 136 to 138)					
136	Banks ^d					
137	Financial corporate sector ^c					
138	Non-financial corporate sector and other					

a) For official use only. * indicates where relevant.

b) Excluding SA Reserve Bank, banks, insurers and pension funds.

c) Excluding banks.

d) Including interbank and intragroup funding. Column 1 shall include amounts relating to SA banks whilst column 2 shall include amounts relating to foreign banks.

e) Domestic assets mean claims against residents of South Africa or, in the case of non-financial assets, assets situated in South Africa.

f) Foreign assets mean claims against non-residents or, in the case of non-financial assets, assets situated in other countries. Botswana, Lesotho, Swaziland and Namibia are foreign countries.

(All amounts to be rounded off to the nearest R'000)

ASSETS AT MONTH-END	Line no.	Domestic assets ^c		Foreign assets ^d		TOTAL ASSETS (col 1 plus col. 3)	Of which: under repurchase agreements
		Total	of which: foreign currency	Total	of which: foreign currency		
	a					5	6
Table 8							
Instalment debtors, suspensive sales and leases (total of items 140 and 145)	139						
Instalment sales (total of items 141 to 144)	140						
Financial corporate sector	141						
Non-financial corporate sector	142						
Household sector	143						
Other ^b	144						
Leasing transactions (total of items 146 to 149)	145						
Financial corporate sector	146						
Non-financial corporate sector	147						
Household sector	148						
Other ^b	149						
Mortgage advances (total of items 151, 155 and 159)	150						
Farm mortgages: (total of items 152 to 154)	151						
Corporate sector	152						
Household sector	153						
Other ^b	154						
Residential mortgages: (total of items 156 to 158)	155						
Corporate sector	156						
Household sector	157						
Other ^b	158						
Commercial and other mortgage advances: (total of items 160 to 165)	159						
Public financial corporate sector	160						
Public non-financial corporate sector	161						
Private financial corporate sector	162						
Private non-financial corporate sector	163						
Household sector	164						
Other ^b	165						

a) For official use only. * Indicates where relevant.

b) Including the General Government Sector, that is, Central Government, Provincial Government and Local Government.

c) Domestic assets mean claims against residents of South Africa or, in the case of non-financial assets, assets situated in South Africa.

d) Foreign assets mean claims against non-residents or, in the case of non-financial assets, assets situated in other countries. Botswana, Lesotho, Swaziland and Namibia are foreign countries.

(All amounts to be rounded off to the nearest R'000)

ASSETS AT MONTH-END	Line no.	Domestic assets ^d		Foreign assets ^e		TOTAL ASSETS (col 1 plus col. 3)	Of which: under repurchase agreements
		Total	of which: foreign currency	Total	of which: foreign currency		
	a						
Table 9							
Credit-card debtors (total of items 167 to 170)	166						
Financial corporate sector	167						
Non-financial corporate sector	168						
Household sector	169						
Other ^b	170						
Overdrafts, loans and advances: public sector (total of items 172 to 179)	171						
Central government of the Republic (excluding social security funds)	172						
Social security funds	173						
Provincial governments	174						
Local government	175						
Land Bank	176						
Other public financial corporate sector (such as IDC) ^c	177						
Public non-financial corporate sector (such as Transnet, Eskom and Telkom)	178						
Foreign public sector	179						
Overdrafts, loans and advances: private sector (total of items 181, 187 and 188)	180						
Overdrafts, including overdrafts under cash-management schemes: (total of items 182 to 186)	181						
Financial corporate sector	182						
Non-financial corporate sector	183						
Unincorporated business enterprises of households	184						
Households	185						
Non-profit organisations serving households	186						
Factoring debtors	187						
Other loans and advances: (total of items 189 to 193)	188						
Financial corporate sector	189						
Non-financial corporate sector	190						
Unincorporated business enterprises of households	191						
Households	192						
Non-profit organisations serving households	193						
Less: credit impairments in respect of loans and advances	194						
	195						
	175						

a) For official use only. * Indicates where relevant.

b) Including the General Government Sector, that is, Central Government, Provincial Government and Local Government.

c) Excluding Land bank.

d) Domestic assets mean claims against residents of South Africa or, in the case of non-financial assets, assets situated in South Africa.

e) Foreign assets mean claims against non-residents or, in the case of non-financial assets, assets situated in other countries. Botswana, Lesotho, Swaziland and Namibia are foreign countries.

(All amounts to be rounded off to the nearest R'000)

Line no.	Domestic assets ^f		Foreign assets ^g		TOTAL ASSETS (col 1 plus col. 3)	Of which: under repurchase agreements
	Total	of which: foreign currency	Total	of which: foreign currency		
a						6
195						
196						
197						
198						
199						
200						
201						
202						
203						
204						
205						
206						
207						
208						
209						
210						
211						
212						
213						
214						
215						
216						

ASSETS AT MONTH-END

Table 10
INVESTMENTS AND BILLS, including trading portfolio assets (total of items 196, 207, 213, 217, 221, 225, 229, 233, 237, 241 and 246, less item 245)
 Interest-bearing central or provincial government securities (total of items 197, 198 and 203 to 206)
 Non-marketable government stock
 Marketable government stock (total of item 199 and 201)
 Unexpired maturity of up to 3 years
Memo: Nominal value of such stock
 Unexpired maturity of more than 3 years
Memo: Nominal value of such stock
 Government loan levies
 Securities of provincial governments
 Securities of social security funds
 Securities of other central government institutions^e
 Other public-sector interest-bearing securities (total of items 208 to 212)
 SA Reserve Bank debentures
 Securities (including debentures) issued by the Land Bank
 Securities issued by other public financial corporate sector^p (such as IDC, DBSA)
 Securities issued by public non-financial corporate sector (such as Transnet and Eskom)
 Securities of local authorities
 Debentures and other interest bearing security investments of private sector (total of items 214 to 216)
 Banks^d
 Financial corporate sector^c
 Non-financial corporate sector and other

a) For official use only. * Indicates where relevant.
 b) Excluding SA Reserve Bank and Land Bank.
 c) Excluding banks.
 d) Including interbank and intragroup funding. Column 1 shall include amounts relating to SA banks whilst column 2 shall include amounts relating to foreign banks.
 e) Including extra-budgetary institutions, universities, universities of technology and technicians.
 f) Domestic assets mean claims against residents of South Africa or, in the case of non-financial assets, assets situated in South Africa.
 g) Foreign assets mean claims against non-residents or, in the case of non-financial assets, assets situated in other countries. Botswana, Lesotho, Swaziland and Namibia are foreign countries.

(All amounts to be rounded off to the nearest R'000)

ASSETS AT MONTH-END	Line no.	Domestic assets ^a		Foreign assets ^e		TOTAL ASSETS (col 1 plus col. 3)	Of which: under repurchase agreements
		Total	of which: foreign currency	Total	of which: foreign currency		
		a					
Table 11	217	197*					
Equity holdings in subsidiaries (total of items 218 to 220)	218	198*					
Banks ^c	219	199*					
Financial corporate sector ^b	220	199*					
Non-financial corporate sector	221	197*					
Equity holdings in associates including joint ventures (total of items 222 to 224)	222	198*					
Banks ^c	223	199*					
Financial corporate sector ^b	224	199*					
Non-financial corporate sector	225	200					
Listed equities (total of items 226 to 228)	226	201					
Banks ^c	227	202					
Financial corporate sector ^b	228	206*					
Non-financial corporate sector	229	207*					
Unlisted equities (total of items 230 to 232)	230	208*					
Banks ^c	231	206*					
Financial corporate sector ^b	232	207*					
Non-financial corporate sector	233	208*					
Securitisation/ asset-backed securities: (total of items 234 to 236)	234	208*					
Banks ^c	235	203					
Financial corporate sector ^b	236	204					
Non-financial corporate sector	237	205					
Derivative instruments issued by: (total of items 238 to 240)	238	206*					
Banks ^c and other monetary institutions ^f	239	207*					
Financial corporate sector ^b	240	208*					
Non-financial corporate sector and other	241	209					
Other investments (total of items 242 to 244)	242	209					
Banks ^c	243	209					
Financial corporate sector ^b	244	209					
Non-financial corporate sector	245	209					
Less: Allowances for impairments i.r.o investments							

a) For official use only. * Indicates where relevant.

b) Excluding banks.

c) Including interbank and intragroup funding. Column 1 shall include amounts relating to SA banks whilst column 2 shall include amounts relating to foreign banks.

d) Domestic assets mean claims against residents of South Africa or, in the case of non-financial assets, assets situated in South Africa.

e) Foreign assets mean claims against non-residents or, in the case of non-financial assets, assets situated in other countries. Botswana, Lesotho, Swaziland and Namibia are foreign countries.

f) Including SA Reserve Bank, CPD, Land Bank and Postbank.

(All amounts to be rounded off to the nearest R'000)

ASSETS AT MONTH-END	Line no.	Domestic assets ^b		Foreign assets ^c		TOTAL ASSETS (col 1 plus col. 3)	Of which: under repurchase agreements
		Total	of which: foreign currency	Total	of which: foreign currency		
	a						6
Table 12							
Acceptances, commercial paper, bills, promissory notes and similar acknowledgements of debt discounted or purchased (total of items 247, 250 to 254 and 257)	246						
Bankers' acceptances (total of items 248 and 249)	247						
Own bankers' acceptances	248						
Other bankers' acceptances	249						
Treasury bills	250						
SA Reserve Bank bills	251						
Promissory notes	252						
Commercial paper	253						
Land Bank bills (total of items 255 and 256)	254						
Liquid	255						
Non-liquid	256						
Other	257						

a) For official use only. * Indicates where relevant.

b) Domestic assets mean claims against residents of South Africa or, in the case of non-financial assets, assets situated in South Africa.

c) Foreign assets mean claims against non-residents or, in the case of non-financial assets, assets situated in other countries. Botswana, Lesotho, Swaziland and Namibia are foreign countries.

(All amounts to be rounded off to the nearest R'000)

ASSETS AT MONTH-END	Line no.	Domestic assets ^b		Foreign assets ^c		TOTAL ASSETS (col 1 plus col. 3)	Of which: under repurchase agreements
		Total	of which: foreign currency	Total	of which: foreign currency		
		1	2	3	4		
Table 13							
NON-FINANCIAL ASSETS (total of items 259 and 264)		a					
Tangible assets (total of items 260 to 263)		258					
Premises of the bank		259					
Other fixed property		260					
Computer equipment, including peripherals		261					
Other tangible assets, including vehicles, equipment, furniture and fittings		262					
Intangible assets (total of items 265 and 266)		263					
Computer software		264					
Other intangible assets including purchased goodwill		265					
OTHER ASSETS (total of items 268 to 272 and 276)		266					
Clients' liabilities per contra (total of items 280 to 283)		267					
Remittances in transit		268					
Current income tax receivables and deferred income tax assets		269					
Retirement benefit assets		270					
Assets acquired or bought in to protect an advance or investment (total of items 273 to 275)		271					
Fixed property		272					
Shares		273					
Vehicles and other assets		274					
Other		275					
TOTAL ASSETS (total of items 103, 110, 195, 258 and 267)		276					
		277					

a) For official use only. * Indicates where relevant.

b) Domestic assets mean claims against residents of South Africa or, in the case of non-financial assets, assets situated in South Africa.

c) Foreign assets mean claims against non-residents or, in the case of non-financial assets, assets situated in other countries. Botswana, Lesotho, Swaziland and Namibia are foreign countries.

NUMBER OF ACCOUNTS AND AMOUNTS IN RESPECT OF SELECTED ITEMS (This table 16 is confidential and not available for inspection by the public)		Line no.	Amount R '000	Number: of accounts/ applications/ transactions (where applicable) ^b
		a	1	2
Table 16				
Instalment sale transactions^{c, d}				
Applied for				
Granted				
Paid out				
Leasing finance transactions^{c, d}				
Applied for				
Granted				
Paid out				
Mortgage advances^c				
Applied for				
Granted (total of items 307 to 309)				
On vacant land				
For construction of buildings				
On existing buildings				
Residential mortgages (home loans): new advances				
Granted				
Paid out (total of items 313, 316 and 319)				
Owner-occupied (total of items 314 and 315)				
Fixed rate				
Variable rate				
Buy-to-let (total of items 317 and 318)				
Fixed rate				
Variable rate				
Second mortgage and other (total of items 320 and 321)				
Fixed rate				
Variable rate				
Residential mortgages (home loans): re-advances				
Granted				
Paid out				
Farm mortgages				
Granted				
Paid out				
Commercial and other mortgage advances				
Granted				
Paid out				
Overdraft facilities loaded on bank's computer system: Total limit (item 332 and 333)				
Drawn				
Undrawn				
Credit card straight accounts: Total limit (item 335 and 336)				
Drawn				
Undrawn				
Credit card budget accounts: Total limit (item 338 and 339)				
Drawn				
Undrawn				
Debit card: debit transactions ^c				
Travellers cheques ^c : Rand				
Other currency				

a) For official use only.

b) Actual number, not thousands.

c) During the reporting month.

d) New facilities or further facilities, excluding routine renewal of existing facilities.

(All amounts to be rounded off to the nearest R'000)

SECURITISATION ACTIVITY: As originator ^b	Line no.	New securitisation during the month ^b	Outstanding balance i.r.o. securitisation ^c
Table 17			
Private sector: total (of item 344 to 348)	343		
Mortgages	344		
Instalment sales and leasing transactions	345		
Foreign currency loans	346		
Credit cards and overdrafts	347		
Other	348		
Public sector: total (item 350)	349		
Loans and advances ^d	350		

a) For official use only.

b) Relates only to securitised assets in respect of which the reporting bank acted as an originator, and achieved derecognition, that is, table 17 shall not contain any assets securitised by third parties or assets in respect of which the bank has not met the requirements for derecognition and as such the assets are still included in the balance sheet of the bank.

c) Relates to the outstanding balances of securitised assets in respect of which the reporting bank acted as an originator, the revenue streams of which assets are currently administered by the reporting bank.

d) Include all types of public sector loans and advances, including any mortgage advances, instalment sale and leasing, foreign currency loans, credit cards, overdrafts or other loans.

REVERSE TRANSACTION ASSETS: ASSETS TEMPORARILY ACQUIRED		Line no.	Total acquired (total of col. 2 to 6)	of which:					
				Sold outright	Sold under repo	On-lent ^b	Pledged as security	Other (in hand)	
Table 18		a	1	2	3	4	5	6	
Total assets temporarily acquired (total of items 352 and 369)		351							
Under loans granted under resale agreements (total of items 353, 356, 359 and 366)		352							
Listed equity instruments (total of items 354 and 355)		353							
Domestic (SA residents)		354							
Foreign (non-residents)		355							
Unlisted equity instruments (total of items 357 and 358)		356							
Domestic (SA residents)		357							
Foreign (non-residents)		358							
Debt securities (total of items 360 and 365)		359							
Domestic (SA residents) - (total of items 361 to 364)		360							
Banks		361							
RSA government		362							
Public financial and non-financial corporate sector		363							
Other		364							
Foreign (non-residents)		365							
Other securities (total of items 367 and 368)		366							
Domestic (SA residents)		367							
Foreign (non-residents)		368							
Under securities-borrowing agreements (total of items 370, 373 and 374)		369							
Equity instruments (total of items 371 and 372)		370							
Domestic (SA residents)		371							
Foreign (non-residents)		372							
RSA government securities		373							
Other securities (total of items 375 and 376)		374							
Domestic (SA residents)		375							
Foreign (non-residents)		376							

a) For official use only.

b) Means assets lent to other parties, which assets previously were temporarily acquired. Item 351, column 4, shall be equal to item 377, column 2.

(All amounts to be rounded off to the nearest R'000)

REVERSE TRANSACTION ASSETS: ASSETS LENT TO OTHER PARTIES IN TERMS OF A SECURITIES-LENDING AGREEMENT	Line no.		Total lent to other parties	of which: on-lent ^b
		a		
Table 19			1	2
Total assets lent (total of items 378, 381 and 382)	377	253		
Equity instruments (total of items 379 and 380)	378	254		
Domestic sector (SA residents)	379			
Foreign sector (non-residents)	380			
RSA government securities	381	255		
Other securities (total of items 383 and 384)	382	256		
Domestic sector (SA residents)	383			
Foreign sector (non-residents)	384			

a) For official use only.

b) Means assets lent to other parties, which assets previously were temporarily acquired. Item 377, column 2, shall be equal to item 351, column 4.

(All amounts to be rounded off to the nearest R'000)

Line no.	Opening stock (balance)	Plus/minus transactions	Plus/minus valuation changes	Plus/minus other	Closing stock (balance)
1	2	3	4	5	5
FINANCIAL STOCKS (BALANCES) AT MONTH-END AND FLOWS DURING MONTH					
LIABILITIES AND EQUITY					
(This table 20 is confidential and not available for inspection by the public)					
Table 20					
DEPOSITS DENOMINATED IN RAND (item 2)					
385					
386					
387					
388					
389					
390					
391					
DEPOSITS DENOMINATED IN FOREIGN CURRENCY (item 32)					
392					
393					
394					
395					
396					
397					
398					
399					
400					
401					
402					
403					
404					
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410					
411					
412					
413					
414					
415					
416					
417					
418					
419					
420					
421					
OTHER BORROWED FUNDS (item 41)					
SA banks and other monetary institutions (items 43, 44 and 52)					
Financial corporate sector (items 45, 46, 47 and 53)					
Non-financial corporate sector and other (items 48, 50, 54, 56 and 57)					
Foreign sector (items 49 and 55)					
FOREIGN CURRENCY FUNDING (item 58)					
SA banks and other monetary institutions (items 59 and 60)					
Financial corporate sector (item 61)					
Non-financial corporate sector and other (items 62 and 66)					
Foreign sector (item 63)					
DEBT SECURITIES (item 68)					
SA banks and other monetary institutions (item 69)					
Financial corporate sector (item 70)					
Non-financial corporate sector and other (item 71)					
Foreign sector (item 72)					
OTHER LIABILITIES (total of items 73, 74, 77, 79, 86, 90, 91 and 94)					
LIABILITIES I.R.O DERIVATIVE INSTRUMENTS (items 81 and 85)					
SA banks and other monetary institutions (item 82)					
Financial corporate sector (item 83)					
Non-financial corporate sector and other (item 84)					
Foreign sector (item 85)					
EQUITY (item 96)					
TOTAL EQUITY AND LIABILITIES (item 102)					

1. Where applicable.

(All amounts to be rounded off to the nearest R'000)

Line no.	Opening stock (balance)	Plus/minus transactions	Plus/minus valuation changes	Plus/minus other	Closing stock (balance)
FINANCIAL STOCKS (BALANCES) AT MONTH-END AND FLOWS DURING MONTH					
ASSETS					
(This table 21 is confidential and not available for inspection by the public)					
TABLE 21					
CENTRAL BANK MONEY AND GOLD (item 103, column 5)					
422					
423					
Domestic sector (item 103, column 1)					
424					
Foreign sector (item 103, column 3)					
DEPOSITS AND LOANS DENOMINATED IN RAND (item 111, column 5, and item 117, column 5)					
425					
SA banks (item 111, column 5)					
426					
Foreign sector (item 117, column 5)					
427					
LOANS RECEIVED UNDER RESALE AGREEMENTS (item 118, column 5)					
428					
SA banks and other monetary institutions (items 119 and 120, column 1)					
429					
Financial corporate sector (total of items 121 to 123, column 1)					
430					
Non-financial corporate sector and other (item 124, column 1, and item 125, column 1)					
431					
Foreign sector (item 118, column 3)					
432					
FOREIGN CURRENCY LOANS AND ADVANCES (item 126, column 5)					
433					
SA banks and other monetary institutions (items 128 and 129, column 1)					
434					
Financial corporate sector (item 131, column 1)					
435					
Non-financial corporate sector and other (item 132, column 1)					
436					
Foreign sector (item 127, column 3, item 133, column 3, and item 134, column 3)					
437					
REDEEMABLE PREFERENCE SHARES (item 135, column 5)					
438					
Banks (item 136, column 1)					
439					
Financial corporate sector (item 137, column 1)					
440					
Non-financial corporate sector and other (item 138, column 1)					
441					
Foreign sector (item 135, column 3)					
442					
INSTALLMENT SALES (item 140, column 5)					
443					
Financial corporate sector (item 141, column 1)					
444					
Non-financial corporate sector (item 142, column 1)					
445					
Household sector (item 143, column 1)					
446					
Foreign sector (item 140, column 3)					
447					
Other sectors (item 144, column 1)					
448					
LEASING FINANCE (item 145, column 5)					
449					
Financial corporate sector (item 146, column 1)					
450					
Non-financial corporate sector (item 147, column 1)					
451					
Household sector (item 148, column 1)					
452					
Foreign sector (item 145, column 3)					
453					
Other sectors (item 149, column 1)					
454					
MORTGAGE ADVANCES (item 150, column 5)					
455					
Corporate sector (item 152, column 1, item 156, column 1, and items 160 to 163, column 1)					
456					
Household sector (item 153, column 1, item 157, column 1, and item 164, column 1)					
457					
Foreign sector (item 150, column 3)					
458					
Other sectors (item 154, column 1, item 158, column 1, and item 165, column 1)					
459					

Line no.	Opening stock (balance)	Plus/minus transactions	Plus/minus valuation changes	Plus/minus other	Closing stock (balance)
(All amounts to be rounded off to the nearest R'000)					
FINANCIAL STOCKS (BALANCES) AT MONTH-END AND FLOWS DURING MONTH					
ASSETS					
(This table 21 is confidential and not available for inspection by the public)					
TABLE 21 continue					
460					
461					
462					
463					
464					
465					
466					
467					
468					
469					
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471					
472					
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474					
475					
476					
477					
478					
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497					
498					
CREDIT CARD DEBTORS (item 166, column 5) Corporate sector (item 167, column 1, and item 168, column 1) Household sector (item 169, column 1) Foreign sector (item 166, column 3) Other sectors (item 170, column 1) OVERDRAFTS, LOANS AND ADVANCES: PUBLIC SECTOR (item 171, column 5) General government sector (items 172 to 175, column 1) Financial corporate sector (items 176 and 177, column 1) Non-financial corporate sector (item 178, column 1) Foreign sector (item 179, column 3) OVERDRAFTS, LOANS AND ADVANCES: PRIVATE SECTOR (item 180, column 5) Financial corporate sector (item 182, column 1, item 187, column 1, and item 189, column 1) Non-financial corporate sector (item 183, column 1, item 187, column 1, and item 190, column 1) Household sector (items 184 to 186, column 1, and items 191 to 193, column 1) Foreign sector (item 180, column 3) LESS: IMPAIRMENTS (item 194, column 5, and item 245, column 5) DEBT SECURITIES (item 196, column 5, item 207, column 5, item 213, column 5, and item 246, column 5) General government sector (item 196, column 1, item 212, column 1, and item 250, column 1) Banks and other monetary institutions (items 208, 209, 214, column 1, item 247, column 1, item 252, column 1, and item 253, column 1) Public financial corporate sector (item 210, column 1, items 251 to 254, column 1, and item 257, column 1) Private non-financial corporate sector (item 211, column 1) Private financial corporate sector (item 215, column 1, item 252, column 1, item 253, column 1, and item 257, column 1) Private non-financial corporate sector (item 216, column 1) Foreign sector (item 196, column 3, item 207, column 3, item 213, column 3, and item 246, column 3) EQUITY (item 217, column 5, item 221, column 5, item 225, column 5, and item 229, column 5) Banks (item 218, column 1, item 222, column 1, item 226, column 1, and item 230, column 1) Financial corporate sector (item 219, column 1, item 223, column 1, item 227, column 1, and item 231, column 1) Non-financial corporate sector (item 220, column 1, item 224, column 1, item 228, column 1, and item 232, column 1) Foreign sector (item 217, column 3, item 221, column 3, item 225, column 3, and item 229, column 3) DERIVATIVE INSTRUMENTS (item 237, column 5) Banks and other monetary institutions (item 238, column 1) Financial corporate sector (item 239, column 1) Non-financial corporate sector (item 240, column 1) Foreign sector (item 237, column 3) SECURITISATION AND OTHER INVESTMENTS (items 233 and 241, column 5) Banks (items 234 and 242, column 1) Financial corporate sector (items 235 and 243, column 1) Non-financial corporate sector (items 236 and 244, column 1) Foreign sector (items 233 and 241, column 3)					

(All amounts to be rounded off to the nearest R'000)

FINANCIAL STOCKS (BALANCES) AT MONTH-END AND FLOWS DURING MONTH ASSETS (This table 21 is confidential and not available for inspection by the public)		TABLE 21 continue					
Line no.	Opening stock (balance)	Plus/minus transactions	Plus/minus valuation changes	Plus/minus other	Closing stock (balance)		
1	2	3	4	5			
499							
500							
501							
502							
503							
504							
505							

NON-FINANCIAL ASSETS (item 258, column 5)
 Domestic sector (item 258, column 1)
 Foreign sector (item 258, column 3)
OTHER ASSETS (item 267, column 5)
 Domestic sector (item 267, column 1)
 Foreign sector (item 267, column 3)
TOTAL ASSETS (item 277, column 5)
 1. Where applicable.

(All amounts to be rounded off to the nearest R'000)

BALANCES AT MONTH-END AND FLOWS DURING MONTH		TABLE 22						
Line no.	Balance, end of previous month per BA 900	Plus: New business payout during month	Plus: Finance charges earned and other debits during month	Minus: Instalments received during month	Minus: Amounts written off and other credits during month	Equals: Balance, end of current month per BA 900		
a	1	2	3	4	5	6		
506	910(20)							
507	910(21)							
508								

INSTALLMENT SALES AND LEASING TRANSACTIONS
 (This table 22 is confidential and not available for inspection by the public)
INSTALLMENT SALES (item 140, column 5)
LEASING TRANSACTIONS (item 145, column 5)
 Hash total

a) For official use only.

62. Institutional and maturity breakdown of liabilities and assets - Directives and interpretations for completion of monthly return concerning institutional and maturity breakdown of liabilities and assets (Form BA 900)

(1) The content of tables 1 to 15 and 17 to 19 of the form BA 900 is public information, that is, information available for inspection by the public, which information is published on a monthly basis on the Reserve Bank Website address <http://www.reservebank.co.za>, under statistical and economic information, whilst the content of tables 16 and 20 to 22 of the form BA 900 is confidential information not available for inspection by the public.

(2) The purpose of the form BA 900 primarily is-

- (a) to obtain selected balance sheet information of banks for economic statistics purposes;
- (b) to calculate a range of key financial indicators, including indicators in respect of money supply, credit extension and net foreign assets of the banking system, in accordance with international standards, which indicators-
 - (i) are used by local and international economists and analysts for analytical purposes;
 - (ii) are published on a monthly basis on the Reserve Bank Website;
- (c) to obtain selected data required for the compilation of flow statistics relating to the monetary and credit aggregates and the flow-of-funds accounts;
- (d) to obtain selected data required to analyse flows in respect of mortgage advances, credit card debtors and instalment sale transactions;
- (e) to obtain selected data in respect of the scale of banking activity in South Africa.

(3) Unless otherwise specified in this regulation 62, the detailed directives and interpretations for the completion of the monthly balance sheet on form BA 100 and the statement of off-balance sheet activities on form BA 110, respectively contained in regulations 18 and 19, shall *mutatis mutandis* apply for the completion of the form BA 900.

(4) The institutional breakdown of liabilities and assets shall be made in accordance with the information contained in the *Institutional Sector Classification Guide* for South Africa.¹

(5) In identifying the institutional sector of counterparties, the legal counterparty to each asset or liability shall be established and used as the basis for classification. When a person is the agent of a principal and discloses such information to the reporting bank when opening an account for the principal, the account shall be classified as that of the principal and not of the agent.

¹ Copies of this guide can be obtained from the Research Department, S A Reserve Bank, P O Box 7433, Pretoria, 0001. The guide can also be accessed on the Website address www.resbank.co.za, under statistical and economic information, other publications.

- (6) For the purposes of this regulation, unless specifically otherwise provided or stated-
- (a) items reported on the form BA 900 shall be valued in accordance with financial reporting standards published from time to time;
 - (b) the maturity classification of a liability or an asset item shall be determined with reference to the remaining period to maturity of that item;
 - (c) in the case of capital and reserve funds-
 - (i) a branch of a foreign bank conducting business in the Republic shall be regarded as a resident of South Africa whilst other branches and the head office of the branch shall be regarded as non-residents of South Africa;
 - (ii) any shares held in the reporting bank by a controlling company shall be reported as shares held by the financial corporate sector;
 - (iii) any amount in respect of reserve funds to be allocated to the foreign sector (non-residents) shall be based on the relevant proportion of share capital held by non-residents;
 - (d) in the case of financial assets-
 - (i) domestic assets mean claims on South African residents;
 - (ii) foreign assets mean claims on non-residents, for example, claims on residents of countries such as Botswana, Lesotho, Swaziland and Namibia;
 - (e) in the case of non-financial assets-
 - (i) domestic assets mean assets located in the Republic of South Africa;
 - (ii) foreign assets mean assets located in countries other than the Republic of South Africa, such as buildings and vehicles owned by the reporting bank in countries other than the Republic of South Africa;
 - (f) Botswana, Lesotho, Swaziland and Namibia shall be regarded as foreign countries and any financial claim on a resident of one of the said countries shall be regarded as a claim on the foreign sector or a non-resident;
 - (g) when repayment of an advance to a specific person is guaranteed by another person, the advance shall be reported opposite the institutional grouping of the original obligor and not opposite the institutional grouping of the person guaranteeing repayment. For example, a loan to a non-financial public corporation that is guaranteed by the central government of the Republic shall be reported in the line item allocated for non-financial corporations and not in the line item allocated for the central government of the Republic;

- (h) when an advance is secured by a specific asset type the classification of that advance shall be based on the asset type securing the advance even when the proceeds of the credit granted is utilised for purposes other than the purposes normally associated with the specific type of asset. For example, when a particular advance is secured by mortgage registered over fixed property and the borrower utilises the proceeds of the advance for general purposes, the advance shall be classified as a mortgage advance provided that when more than one asset type secure a particular advance that advance shall be classified under "other loans and advances";
- (i) SA bank means any bank or mutual bank registered to respectively conduct business in terms of the Banks Act, 1990, and the Mutual Banks Act, 1993, as amended from time to time;
- (j) central government includes all national government departments and ministries and institutional units not classified as quasi-corporations owned by central government, which central government institutional units were established in terms of the Constitution of the Republic of South Africa Act, 1996 (Act No 108 of 1996), and the Public Finance Management Act, 1999 (Act No 1 of 1999), as amended;
- (k) provincial government means functions of government at a level just below that of central government, including the provincial governments of the Eastern Cape, Free State, Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga, Northern Cape, North West and the Western Cape;
- (l) local government means any third-tier government unit that provides various services to resident institutional units, such as metropolitan councils, district councils and municipalities;
- (m) foreign bank means any bank situated outside the borders of the Republic of South Africa;
- (n) other monetary institutions such as the Reserve Bank, the Corporation for Public Deposits (CPD), the Land Bank and the Postbank, shall be classified as part of "banks" or "SA banks", as the case may be;
- (o) reverse transaction assets shall for purposes of the completion of tables 18 and 19 of the form BA 900 be classified according to the issuer of the underlying instrument.

(7) Instructions relating to the completion of the monthly return concerning institutional and maturity breakdown of liabilities and assets, and other related or relevant matters, are furnished with reference to the headings and item descriptions of certain columns and line item numbers appearing on the form BA 900, as follows:

Columns relating to liabilities, tables 1 and 2

Column number	Description
1	<p>Cheque deposits, including transmission deposits and cash managed</p> <p>This column shall reflect any relevant credit balance in respect of cheque or transmission deposits, including-</p> <p>(a) any relevant credit balance in respect of a current account deposit.</p> <p>Cheque accounts include accounts with unlimited cheque writing privileges in terms of which payments by means of cash withdrawals, cheque, direct debit/stop orders or electronic fund transfers are facilitated, irrespective whether or not interest is paid in respect of the said credit balance, which cheque accounts may also make provision for an overdraft facility.</p> <p>(b) any relevant credit balance in a transmission account, which accounts normally have very low transactional costs but do not offer access to credit or an overdraft facility or a cheque book facility;</p> <p>(c) any relevant credit balance arising under a cash management scheme.</p>
2	<p>Savings deposits</p> <p>This column shall reflect any credit balances in respect of savings deposits, that is, accounts primarily used for savings purposes.</p> <p>Typically, savings accounts-</p> <p>(a) are deposit accounts with credit balances;</p> <p>(b) are accounts in respect of which restrictions apply. For example, cheque privileges are absent or limits apply regarding the withdrawals or payments which may be made from the account;</p> <p>(c) are accounts in respect of which the word "savings" appears in the name or description of the account whenever it is presented or marketed to customers;</p> <p>(d) include "pure" savings accounts as well as savings accounts with transactional capabilities;</p>

Column number	Description
	(e) make provision for the payment of interest on credit balances at tiered interest rates, that is, higher balances qualify for higher interest rates; and (f) include the so-called Mzansi accounts.
3	Other demand deposits This column shall reflect any credit balances in respect of deposits other than cheque or savings deposits, which deposits are payable on demand, that is, payable with notice or unexpired maturity of 1 day or less. Credit balances held in credit card accounts as well as money market accounts shall be included in this category.
4	More than 1 day to 1 month This column shall reflect any credit balance in respect of deposits with an unexpired fixed or notice period ranging from more than 1 day up to 1 month, which deposits normally cannot be withdrawn or renewed before the said term or period has expired.

Columns relating to liabilities, tables 1 and 2

Column number	Description
5	<p>More than 1 month to 6 months</p> <p>This column shall reflect any credit balance in respect of deposits with an unexpired fixed or notice period ranging from more than 1 month to 6 months, which deposits normally cannot be withdrawn or renewed before the said term or period has expired.</p>
6	<p>More than 6 months</p> <p>This column shall reflect any credit balance in respect of deposits with an unexpired fixed or notice period of more than 6 months.</p>
8	<p>Negotiable certificates of deposit (NCDs) and promissory notes (PNs)</p> <p>This column shall reflect any credit balance in respect of any negotiable certificate of deposit ("NCD"), negotiable promissory note ("PN"), or other acknowledgement of debt with similar characteristics, included in columns 3 to 7.</p>

Columns relating to liabilities, tables 3 and 4

Column number	Description
1	<p>Short-term</p> <p>This column shall reflect all relevant liability items with an <i>unexpired</i> maturity of up to 1 month.</p>
2	<p>Medium-term</p> <p>This column shall reflect all relevant liability items with an <i>unexpired</i> maturity of more than 1 month to 6 months.</p>
3	<p>Long-term</p> <p>This column shall reflect all relevant liability items with an <i>unexpired</i> maturity of more than 6 months.</p>

Column relating to equity, table 5

2	<p>Of which liabilities to foreign sector</p> <p>This column shall reflect any relevant amount included in column 1, which amount relates to the foreign or non-resident sector.</p>
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Line items relating to liabilities and equity, tables 1 to 5

Line item	Description
1	<p>Deposits</p> <p>This item is the total of amounts included in items 2 and 32 and shall include all amounts relating to deposits, NCDs, PNs or other acknowledgements of debt irrespective of the currency in which the deposit or instrument is denominated, or the maturity of the instrument or deposit.</p>
2	<p>Deposits denominated in rand</p> <p>This item is the total of amounts included in items 3, 6, 12, 13 and 29 and shall include all amounts relating to deposits, NCDs, PNs and other acknowledgements of debt, denominated in the domestic currency, that is, denominated in rand, irrespective of the maturity of the deposit or instrument.</p>
3, 33, 44, 52, 60, 69, 82 and 87	<p>SA banks</p> <p>These items shall include any amount relating to intragroup bank and interbank funding. Intragroup bank funding shall include any funds received by the reporting bank from other banks within the same group as the reporting bank whereas interbank funding shall include any funds received by the reporting bank from other banks situated within the Republic.</p>
6 and 34	<p>Central and provincial government</p> <p>This item shall include any amount received from the central government, provincial government or social security funds.</p>
8	<p>Tax and loan account</p> <p>This item shall include any credit amount held by the central government with the reporting bank in the tax and loan account, which amount normally constitutes operating cash for the business use of the National Treasury.</p>
9	<p>Other</p> <p>This item shall include any credit amount held by the central government with the reporting bank in an account other than the tax and loan account.</p>

Line items relating to liabilities and equity, tables 1 to 5

Line item	Description
12	<p>Other monetary institutions</p> <p>This item shall include any relevant amount relating to deposits received by the reporting bank from institutions such as the Reserve Bank, the Corporation for Public Deposits, the Land Bank or the Post Bank, including any relevant credit balance due to the Reserve Bank in terms of the SAMOS penalty facility, provided that any asset pledged as security in respect of the Reserve Bank's SAMOS penalty facility, such as Treasury Bills or Government stock, shall be retained as an asset, and appropriately reported in columns 1 to 3 on the asset side of the bank's balance sheet, but shall not be reported in column 4, assets sold under repurchase agreement.</p>
15	<p>Public financial corporate sector</p> <p>This item shall include any amount relating to deposits received by the reporting bank from institutions such as the Development Bank of Southern Africa and the Industrial Development Corporation of SA Limited but not any amount relating to a deposit received from the Reserve Bank, the Corporation for Public Deposits, public sector insurers, public sector pension funds or the Public Investment Corporation.</p>
20	<p>Private financial corporate sector</p> <p>This item shall include any amount relating to deposits received by the reporting bank from a medical scheme, a financial intermediary or financial auxiliary, unit trusts, participation bond schemes, fund managers or brokers but not any amount relating to a deposit received from any private sector pension fund or private sector insurer.</p>
21	<p>Money-market unit trusts</p> <p>This item shall include any amount relating to deposits received by the reporting bank from money-market unit trusts operating in terms of the Collective Investment Schemes Control Act, Act no. 45 of 2002, as amended.</p>
22	<p>Other unit trusts</p> <p>This item shall include any amount relating to deposits received by the reporting bank from unit trusts other than money-market unit trusts, operating in terms of the Collective Investment Schemes Control Act, Act no. 45 of 2002, as amended.</p>

Line items relating to liabilities and equity, tables 1 to 5

Line item	Description
23	<p>Fund managers</p> <p>This item shall reflect only the fund managers' own funds, including any amount received by the reporting bank from institutions approved under the Financial Advisory and Intermediary Services Act, Act no. 37 of 2002, as amended, to carry on the business of managing funds on behalf of others, which institutions may be referred to as fund managers, portfolio managers or asset managers.</p> <p>Fund managers shall disclose to the reporting bank the identity, including the institutional sector, of the principal on behalf of whom funds are managed, and the relevant amount shall be shown as a deposit of the sectoral grouping whose funds are managed.</p>
24	<p>Other</p> <p>This item shall include any amount relating to deposits received by the reporting bank from any private sector financial institution, other than amounts included in items 21 to 23, which institutions may include institutions such as medical schemes, finance companies or financial auxiliaries, including trust companies, but not any fund manager.</p>
28	<p>Non-profit institutions serving households and other</p> <p>This item shall include any amount relating to deposits received by the reporting bank from non-profit organisations serving households, such as private trusts or friendly societies.</p>
32	<p>Deposits denominated in foreign currency</p> <p>Irrespective of the maturity of a deposit or instrument, this item shall reflect the aggregate amount of the relevant items specified in line items 33 to 38, including the relevant amounts related to deposits, customer foreign currency account deposits, NCDs, PNs or other acknowledgements of debt, denominated in foreign currency.</p>
36, 47, 53, 61, 70, 75, 83, 88 and 99	<p>Financial corporate sector</p> <p>These items shall include any relevant amount received by the reporting bank from the public financial corporate sector and the private financial corporate sector.</p>
37, 48, 54, 62, 71, 76, 84, 89 and 100	<p>Non-financial corporate sector and other</p> <p>These items shall include any relevant amount received by the reporting bank from the public non-financial corporate sector and the private non-financial corporate sector.</p>

Line items relating to liabilities and equity, tables 1 to 5

Line item	Description
42	<p>Loans received under repurchase transactions</p> <p>This item shall include any relevant amount relating to a loan received in terms of a repurchase agreement or transaction.</p> <p>The underlying asset(s) (temporarily sold)-</p> <p>(a) shall be retained on the asset side of the balance sheet, as part of assets to be reported in column 1 and 3 of the form BA 900;</p> <p>(b) shall also be reported in column 4 on the asset side of the form BA 900.</p>
51	<p>Collateralised borrowing</p> <p>This item shall include any relevant amount relating to the borrowing of funds in respect of which the reporting bank provided collateral provided that any funds obtained in terms of collateralised borrowing and denominated in foreign currency shall be included in item 63.</p>
57	<p>Other borrowing</p> <p>This item shall include any relevant amount obtained in respect of borrowed funds, other than an amount already included in item 42 or 51.</p>
68	<p>Debt securities</p> <p>This item shall include the aggregate amount relating to financial instruments issued in order to obtain capital or funding, which financial instruments may include commercial paper, medium term notes, bonds, floating rate notes, etc.</p>
73	<p>Credits in transit</p> <p>This item shall include amounts relating to any credit in transit, including amounts held against certified or initialled cheques, outstanding travellers cheques issued, outstanding drafts issued, stop orders or other credits in transit in respect of mail or telegraphic transfers.</p>
74	<p>Other</p> <p>This item shall include all amounts obtained in respect of financial instruments issued not reported elsewhere.</p>
79	<p>Outstanding liabilities on behalf of clients per contra item</p> <p>This item shall include all amounts relating to outstanding liabilities on behalf of clients in respect of acknowledgement of debt endorsed and rediscounted, which item constitutes the contra item to item 268.</p>

Line items relating to liabilities and equity, tables 1 to 5

Line item	Description
81 and 85	<p>Liabilities in respect of derivative instruments</p> <p>These items shall include any liability of the reporting bank in respect of derivative instruments, which liability shall be reported at market value. The value of any derivative instrument not traded on an exchange or which cannot be interpolated from instruments traded on exchanges, may be based on the value derived from an internal model of the reporting bank.</p>
86 and 90	<p>Other trading liabilities excluding derivatives</p> <p>These items shall include any trading related liability of the reporting bank other than liabilities arising from derivative instruments or liabilities reported elsewhere on the form BA 900.</p>
92	<p>Current and deferred tax liabilities</p> <p>This item shall include any liability of the reporting bank in respect of current tax or deferred tax arising from temporary differences at the end of the reporting period.</p>
93 and 94	<p>Other</p> <p>This item shall include any amount relating to a suspense account, any provision not included elsewhere in the form BA900, any relevant short position in instruments such as equity or bonds or commitment in respect of a short position but not any amount relating to unearned finance charges, accrued interest or rebates.</p>
97	<p>Share capital</p> <p>This item shall include any amount obtained in respect of equity instruments issued by the reporting bank.</p>
101	<p>Other reserves</p> <p>This item shall include any amount relating to the reserves of the reporting bank, including any amount in respect of retained earnings.</p>

Columns relating to assets, tables 6 to 14

Column number	Description
1	Domestic assets This column shall reflect all relevant amounts in respect of domestic assets.
2	Foreign assets This column shall reflect all relevant amounts in respect of foreign assets.

Line items relating to assets, tables 6 to 14

Line item	Description
105	Gold coin and bullion This item shall include any amount relating to gold coin and bullion held by the reporting bank.
107	Cash reserve deposits, interest bearing This item shall include any credit balance held in an interest bearing account maintained with the Reserve Bank in terms of section 10A of the South African Reserve Bank Act, 1989.
108	Cash reserve deposits, non-interest bearing This item shall include any credit balance held in a non-interest bearing account maintained with the Reserve Bank in terms of section 10A of the South African Reserve Bank Act, 1989.
109	Other deposits This item shall include any credit balance held in a clearing account or any other account maintained with the Reserve Bank, other than a credit balance held in an interest bearing account or non-interest bearing account maintained with the Reserve Bank in terms of section 10A of the South African Reserve Bank Act, 1989.
112	NCDs and PNs issued by banks This item shall include any relevant amount in respect of negotiable certificates of deposit or negotiable promissory notes held by the reporting bank, which instruments have been issued by any other bank, including a bank within the same group as the reporting bank.
113	Up to 1 month (unexpired maturity) This item shall include any relevant amount in respect of negotiable certificates of deposit or promissory notes with a remaining period to maturity of up to 1 month, held by the reporting bank, which instruments have been issued by any other bank, including a bank within the same group as the reporting bank.

Line items relating to assets, tables 6 to 14

Line item	Description
114	<p>More than 1 month up to 6 months (unexpired maturity)</p> <p>This item shall include any relevant amount in respect of negotiable certificates of deposit or promissory notes with a remaining period to maturity of more than one month but not exceeding six months, held by the reporting bank, which instruments have been issued by any other bank, including a bank within the same group as the reporting bank.</p>
115	<p>More than 6 months (unexpired maturity)</p> <p>This item shall include any relevant amount in respect of negotiable certificates of deposit or promissory notes with a remaining period to maturity of more than six months, held by the reporting bank, which instruments have been issued by any other bank, including a bank within the same group as the reporting bank.</p>
116	<p>Other deposits with and loans and advances to SA banks</p> <p>This item shall include any relevant amount in respect of deposits, excluding negotiable certificates of deposit or promissory notes already reported in item 112, placed with or loans and advances granted to any other bank in the Republic, including a bank within the same group as the reporting bank.</p>
117	<p>Deposits with and loans and advances to foreign banks, denominated in rand</p> <p>This item shall include any relevant amount in respect of deposits placed with or loans and advances granted to the foreign sector or any foreign bank, which deposits, loans or advances are denominated in rand.</p>
118	<p>Loans granted under resale agreements</p> <p>This item shall include any relevant amount in respect of loans granted by the reporting bank in terms of any resale agreement or transaction.</p>
126	<p>Foreign currency loans and advances</p> <p>This item shall include the aggregate amount of loans or advances granted by the reporting bank to or deposits made with any other bank or non-bank institution, which loans, advances or deposits are denominated in foreign currency.</p>
135	<p>Redeemable preference shares</p> <p>This item shall include the aggregate amount relating to preference shares held by the reporting bank and in respect of which the issuer has the right to redeem the said shares, irrespective whether or not the said shares have a specified redemption date.</p>

Line items relating to assets, tables 6 to 14

Line item	Description
140	<p>Instalment sales</p> <p>This item shall include any relevant amount due to the reporting bank in respect of an instalment sale transaction, excluding any amount in respect of unearned finance charges.</p>
145	<p>Leasing transactions</p> <p>This item shall include any relevant instalment or rental amount due and payable to the reporting bank in respect of a leasing transaction, excluding any amount in respect of unearned finance charges.</p>
150	<p>Mortgage advances</p> <p>This item shall include the aggregate amount in respect of loans, advances or re-advances secured by mortgage, reported in items 151, 155 and 159.</p>
151	<p>Farm mortgages</p> <p>This item shall include the aggregate amount in respect of farm mortgaged loans, advances or re-advances.</p>
152	<p>Farm mortgages: corporate sector</p> <p>This item shall include any relevant amount in respect of loans, advances or re-advances fully secured by farm mortgage extended to the private or public financial corporate sector, or non-financial corporate sector.</p>
153	<p>Farm mortgages: household sector</p> <p>This item shall include any relevant amount in respect of loans, advances or re-advances fully secured by farm mortgage extended to the household sector.</p>
154	<p>Farm mortgages: other</p> <p>This item shall include any relevant amount in respect of loans, advances or re-advances fully secured by farm mortgage extended to sectors other than the corporate sector or household sector, such as the general government sector.</p>
155	<p>Residential mortgage loans (home loans/ housing advances)</p> <p>This item shall include the aggregate amount in respect of loans or advances fully secured by mortgage on residential property or individual sectional title dwellings that is or will be occupied by the borrower or is rented with the consent of the borrower.</p>
156	<p>Residential mortgages: corporate sector</p> <p>This item shall include the aggregate amount in respect of home loans or housing advances to the public or private financial corporate sector, or non-financial corporate sector.</p>

Line items relating to assets, tables 6 to 14

Line item	Description
157	<p>Residential mortgages: household sector</p> <p>This item shall include the aggregate amount in respect of home loans or housing advances to the household sector.</p>
158	<p>Residential mortgages: other</p> <p>This item shall include the aggregate amount in respect of home loans or housing advances to sectors other than the corporate sector or household sector, such as the general government sector.</p>
159	<p>Commercial and other mortgage advances</p> <p>This item shall include the aggregate amount in respect of loans or advances fully secured by mortgage in respect of commercial property, including any relevant amount related to-</p> <ul style="list-style-type: none"> (a) properties used for industrial, commercial, retail, office, medical or educational purposes; (b) residential property used for commercial purposes, such as offices and other business purposes; (c) mortgage advances granted for purposes of residential development.
160	<p>Commercial and other mortgage advances: public financial corporate sector</p> <p>This item shall include the aggregate amount in respect of loans or advances fully secured by mortgage in respect of commercial property to the public financial corporate sector, such as the IDC, the DBSA, etc.</p>
161	<p>Commercial and other mortgage advances: public non-financial corporate sector</p> <p>This item shall include the aggregate amount in respect of loans or advances fully secured by mortgage in respect of commercial property to the public non-financial corporate sector, such as Transnet, Eskom, Telkom, etc.</p>
162	<p>Commercial and other mortgage advances: private financial corporate sector</p> <p>This item shall include the aggregate amount in respect of loans or advances fully secured by mortgage in respect of commercial property to the private financial corporate sector, such as private insurers and pension funds, stock brokers, etc.</p>

Line items relating to assets, tables 6 to 14

Line item	Description
163	<p>Commercial and other mortgage advances: private non-financial corporate sector</p> <p>This item shall include the aggregate amount in respect of loans or advances fully secured by mortgage in respect of commercial property to the private non-financial corporate sector, such as private non-financial companies and close corporations.</p>
164	<p>Commercial and other mortgage advances: household sector</p> <p>This item shall include the aggregate amount in respect of loans or advances fully secured by mortgage in respect of commercial property to households, unincorporated business enterprises of households and non-profit organisations serving households.</p>
165	<p>Commercial and other mortgage advances: other</p> <p>This item shall include the aggregate amount in respect of loans or advances fully secured by mortgage in respect of commercial property to sectors other than the household sector or corporate sector, such as the general government sector.</p>
166	<p>Credit-card debtors</p> <p>This item shall include the aggregate outstanding amount in respect of credit card debtors.</p>
187	<p>Factoring debtors</p> <p>This item shall include any relevant amount in respect of the purchasing of receivables from unrelated third party sellers.</p>
188	<p>Other loans and advances</p> <p>This item shall include any relevant amount in respect of a personal loan, a term loan, a structured agreement in terms of which an obligor borrowed money from the reporting bank and is obliged to repay such borrowed funds with interest over a specified period, or any other loan or advance not reported elsewhere in this return.</p>
194	<p>Credit impairments in respect of loans and advances</p> <p>This item shall include any relevant amount in respect of any specific or portfolio impairment related to any reported loan or advance.</p>
196	<p>Interest-bearing central/ provincial government securities</p> <p>This item shall include the aggregate amount relating to investments by the reporting bank in interest bearing debt instruments issued by the central or provincial government.</p>

Line items relating to assets, tables 6 to 14

Line item	Description
197	<p>Non-marketable government stock</p> <p>This item shall include any relevant amount relating to an investment by the reporting bank in government stock that is not marketable, the proceeds of which is payable only to the reporting bank at redemption.</p>
198	<p>Marketable government stock</p> <p>This item shall include the aggregate amount relating to investments by the reporting bank in government stock that may be traded in the secondary market.</p>
199	<p>Marketable government stock with unexpired maturity of up to 3 years</p> <p>This item shall include the aggregate amount relating to investments by the reporting bank in government stock that may be traded in the secondary market, which government stock has an unexpired maturity of up to 3 years.</p>
201	<p>Marketable government stock with unexpired maturity of more than 3 years</p> <p>This item shall include the aggregate amount relating to investments by the reporting bank in government stock that may be traded in the secondary market, which government stock has an unexpired maturity of more than 3 years.</p>
200 and 202	<p>Nominal value of stock</p> <p>These items shall include the aggregate nominal value relating to investments by the reporting bank in government stock respectively reported in items 199 and 201.</p>
207	<p>Other public-sector interest-bearing securities</p> <p>This item shall include the aggregate amount relating to investments by the reporting bank in interest bearing debt instruments issued by other public-sector institutions.</p>
213	<p>Debentures and other interest bearing security investments of the private corporate sector</p> <p>This item shall include the aggregate amount relating to investments by the reporting bank in interest bearing debt instruments issued by any private corporate sector institution.</p>
217	<p>Equity holdings in subsidiaries</p> <p>This item shall include the aggregate amount relating to investments by the reporting bank in shares issued by banks and other companies that are subsidiaries of the reporting bank.</p>

Line items relating to assets, tables 6 to 14

Line item	Description
221	<p>Equity holdings in associates, including joint ventures</p> <p>This item shall include the aggregate amount relating to investments by the reporting bank in shares issued by banks and other companies that are associates of the reporting bank, and shares held in joint ventures.</p>
225	<p>Listed equities</p> <p>This item shall include the aggregate amount relating to investments by the reporting bank in listed shares issued by banks or other companies, other than amounts reported elsewhere in this return.</p>
229	<p>Unlisted equities</p> <p>This item shall include the aggregate amount relating to investments by the reporting bank in unlisted shares issued by banks or other companies, other than amounts reported elsewhere in this return.</p>
233	<p>Securitisation or asset-backed securities</p> <p>This item shall include the aggregate amount relating to investments by the reporting bank in instruments issued in respect of a securitisation scheme, such as investments in asset-backed securities or mortgage backed securities.</p>
237	<p>Derivative instruments</p> <p>This item shall include the aggregate asset position of the reporting bank arising from positions in derivative instruments, which asset position shall be reported at market value.</p>
241	<p>Other investments</p> <p>This item shall include the aggregate amount in respect of investments not reported elsewhere in this return.</p>
245	<p>Allowance for impairments i.r.o. investments</p> <p>This item shall include the aggregate amount in respect of any impairment relating to a diminution in value of or impairment to the carrying value of an investment, bill or trading security not carried at fair value.</p>
246	<p>Acceptances, commercial paper, bills, promissory notes and similar acknowledgements of debt discounted or purchased</p> <p>This item shall include the aggregate amount in respect of bills, promissory notes, acceptances or similar acknowledgement of debt discounted or purchased by the reporting bank in order to provide credit, or for trading or investment purposes.</p>

Line items relating to assets, tables 6 to 14

Line item	Description
247	<p>Bankers' acceptances</p> <p>This item shall include the aggregate amount in respect of own or other bankers' acceptances.</p>
248	<p>Own bankers' acceptances</p> <p>This item shall include any relevant amount in respect of a bankers' acceptance created and endorsed by the reporting bank.</p>
249	<p>Other bankers' acceptances</p> <p>This item shall include any relevant amount in respect of a bankers' acceptance created or endorsed by any other bank.</p>
250	<p>Treasury bills</p> <p>This item shall include any relevant amount in respect of Treasury bills, that is, any amount relating to a short-term government debt obligation, which debt obligation typically has an original maturity of 91-days, 182-days or 273-days.</p>
251	<p>Reserve Bank bills</p> <p>This item shall include any relevant amount in respect of bills issued by the Reserve Bank but not an amount relating to a debenture issued by the Reserve Bank, which amount shall be included in item 208.</p>
252	<p>Promissory notes</p> <p>This item shall include any relevant amounts in respect of promissory notes purchased by the reporting bank, other than promissory notes issued by other banks and already included in item 112.</p>
253	<p>Commercial paper</p> <p>This item shall include any relevant amount in respect of commercial paper purchased by the reporting bank, other than an amount included in item 252, which commercial paper instrument was issued to acquire capital.</p>
255	<p>Land Bank bills, liquid</p> <p>This item shall include any relevant amount in respect of bills issued by the Land Bank of South Africa, which bills qualify as liquid assets.</p>
256	<p>Land Bank bills, non-liquid</p> <p>This item shall include any relevant amount in respect of bills issued by the Land Bank of South Africa, other than bills qualifying as liquid assets.</p>

Line items relating to assets, tables 6 to 14

Line item	Description
257	<p>Other</p> <p>This item shall include any relevant amount in respect of other debt instruments discounted or purchased by the reporting bank, and not reported elsewhere in this return.</p>
260	<p>Premises of the bank</p> <p>This item shall include any relevant amount in respect of land or buildings owned by the reporting bank and used or intended to be used mainly for the purpose of conducting its business as a bank, including any relevant amount in respect of an official residence or capital cost of a leasehold premise.</p>
261	<p>Other fixed property</p> <p>This item shall include any relevant amount in respect of an investment by the reporting bank in fixed property not used or intended to be used mainly for the purpose of conducting its business as a bank, including any relevant amount in respect of shares acquired in companies of which the main objective is the acquisition and holding or development of immovable property other than business premises of the reporting bank, and amounts owing to the reporting bank in respect of immovable property sold by the bank under deed of sale.</p>
262	<p>Computer equipment, including peripherals</p> <p>This item shall include any relevant amount in respect of computer hardware, radio, television or communication equipment but not an amount in respect of computer software, which amount shall be reported in item 265.</p>
263	<p>Other tangible assets</p> <p>This item shall include any relevant amount in respect of other tangible assets, including amounts relating to vehicles, equipment, furniture or fittings.</p>
265	<p>Computer software</p> <p>This item shall include any relevant amount in respect of computer software, including amounts in respect of programmes or associated data capable of generating a display on a computer monitor, television screen, liquid crystal display or similar medium that makes provision for interactive use.</p>
266	<p>Other intangible assets</p> <p>This item shall include any relevant amount in respect of other intangible assets, such as purchased goodwill or patents.</p>

Line items relating to assets, tables 6 to 14

Line item	Description
268	<p>Clients' liabilities per contra</p> <p>This item shall include any relevant amount in respect of liabilities of clients relating to any outstanding instrument specified in items 280 to 283, which instruments have not been included under item 246 as having been discounted by the reporting bank, but which have been discounted or rediscounted by any other bank or have been sold, which aggregate amount shall be the contra item to item 79.</p>
269	<p>Remittances in transit</p> <p>This item shall include any relevant amount in respect of-</p> <p>(a) cheques or other orders to pay, drawn on one of the branches of a bank in the Republic or another bank in the Republic or the Reserve Bank, and with which another such branch or bank in the Republic has credited a client or which it has paid out but with which the first-mentioned branch or bank or the Reserve Bank has not yet debited a client; or</p> <p>(b) a warrant voucher that the reporting bank has paid out but for which it has not yet received repayment from the Secretary to the Treasury.</p>
270	<p>Current income tax receivables and deferred income tax assets</p> <p>This item shall include any relevant amount in respect of a debit item relating to a current or deferred tax account.</p>
272	<p>Assets acquired or bought in</p> <p>This item shall include the aggregate amount in respect of assets bought in to protect an advance or investment and not yet disposed of, such as movable assets, immovable property, companies or investments in shares of companies, which assets shall be valued at the lower of cost or estimated net realisable value.</p>
276	<p>Other</p> <p>This item shall include any relevant amount in respect of postal or money orders, stamps or assets not specifically required to be reported elsewhere in this return.</p>

Line items relating to contingent liabilities and other risk exposure, table 15

Line item	Description
285	<p>Guarantees on behalf of clients</p> <p>This item shall include any relevant amount in respect of lending or performance related guarantees issued by the bank on behalf of clients in terms of which the bank will be liable to a third party in the event that a client fails to fulfil its obligation.</p>
286	<p>Letters of credit</p> <p>This item shall include any relevant amount in respect of unutilised letters of credit facilities granted by the reporting bank for domestic or foreign transactions, including all relevant amounts relating to-</p> <ul style="list-style-type: none"> (a) confirmed letters of credit in respect of banks; (b) documentary credit outwards for domestic and foreign transactions (sight and usance), confirmed and/or accepted; (c) documentary credit inwards (sight and usance), confirmed and/or accepted, <p>provided that any letter of credit serving as a financial guarantee shall be regarded as a lending-related guarantee, and be reported under guarantees, in item 285.</p>
287	<p>Bankers' acceptances</p> <p>This item shall include any relevant amount in respect of bankers' acceptances issued and subsequently on-sold by the bank, that is, the bank shall report its undertaking to fulfil an obligation of the person subject to the bankers' acceptance in the event that the said person fails to fulfil its obligation on the due date.</p>

Line items relating to contingent liabilities and other risk exposure, table 15

Line item	Description
288	<p>Irrevocable undrawn facilities, including unutilised draw-down facilities</p> <p>This item shall include any relevant amount in respect of irrevocable unutilised (undrawn) facilities, including all relevant amounts in respect of-</p> <ul style="list-style-type: none"> (a) loans and other credit facilities granted (whether for fixed or varying amounts) but not yet paid out to or used by clients; (b) unutilised overdraft facilities on current accounts; (c) unutilised acceptance facilities and unutilised revolving credit facilities; (d) unutilised draw-down facilities, that is, facilities, regardless of their maturity, granted in terms of a written agreement whereby the said facilities will be drawn in agreed amounts during pre-arranged periods.
289	<p>Underwriting exposures</p> <p>This item shall include any relevant amount in respect of quantifiable underwriting commitments, irrespective whether the commitment is made in writing or verbally, including-</p> <ul style="list-style-type: none"> (a) all relevant note-issuance facilities; and (b) revolving underwriting facilities in respect of which the contingent risk arises from the bank's role as underwriter of such issues, guaranteeing to provide a known amount of funds when other parties fail to pay.
290	<p>Credit derivative instruments</p> <p>This item shall include any relevant amount in respect of the bank's potential credit exposure arising from a credit derivative contract in respect of which the bank acts as a protection provider/seller.</p>
293	<p>Other contingent liabilities</p> <p>This item shall include the aggregate amount of all relevant contingent liabilities other than the amounts reported in items 285 to 292 in respect of which an outflow of economic benefits is possible, even when it may not be probable, including any relevant amount related to a revocable undrawn facility.</p>

Line items relating to contingent liabilities and other risk exposure, table 15

Line item	Description
295	<p>Portfolios managed: for others where financing is provided</p> <p>This item shall include the aggregate amount of financing provided for the purpose of acquiring a portfolio of investments, managed by the reporting bank, which financing has been reported on forms BA 100 and BA 900.</p>

Columns relating to selected items, table 16

Column number	Description
1	<p>Amount</p> <p>In respect of the required items this column shall reflect the relevant aggregate amount.</p>
2	<p>Number</p> <p>In respect of the required items this column shall reflect the relevant number of accounts, applications or transactions.</p>

Line item relating to selected items, table 16

Line item	Description
297	<p>Instalment sale balances - applied for</p> <p>This item shall reflect the aggregate amount in respect of instalment sale applications received during the reporting month, irrespective whether or not the applications were granted, declined or processed at a later stage.</p>
298	<p>Instalment sale balances - granted</p> <p>This item shall reflect the aggregate amount in respect of instalment sale applications approved during the reporting month.</p>
299	<p>Instalment sale balances - paid out</p> <p>This item shall reflect the aggregate amount in respect of instalment sale advances paid out during the reporting month, including amounts transferred from a client's instalment sale account to the client's savings, cheque or other account.</p>
301	<p>Leasing finance balances - applied for</p> <p>This item shall reflect the aggregate amount in respect of leasing finance applications received during the reporting month, irrespective whether or not the applications were granted, declined or processed at a later stage.</p>

Line item relating to selected items, table 16

Line item	Description
302	<p>Leasing finance balances - granted</p> <p>This item shall reflect the aggregate amount in respect of leasing finance applications approved during the reporting month.</p>
303	<p>Leasing finance balances - paid out</p> <p>This item shall reflect the aggregate amount in respect of leasing finance advances paid out during the reporting month, including amounts transferred from a client's leasing finance account to the client's savings, cheque or other account.</p>
305	<p>Mortgage advances - applied for</p> <p>This item shall reflect the aggregate amount in respect of mortgage advance applications received during the reporting month, irrespective whether or not the applications were granted, declined or processed at a later stage.</p>
306	<p>Mortgage advances - granted</p> <p>This item shall reflect the aggregate amount in respect of mortgage advances granted during the reporting month.</p>
307	<p>Mortgage advances - granted on vacant land</p> <p>This item shall reflect the aggregate amount in respect of mortgage advances granted on vacant land during the reporting month.</p>
308	<p>Mortgage advances - granted for construction on buildings</p> <p>This item shall reflect the aggregate amount in respect of mortgage advances granted during the reporting month for the construction of buildings.</p>
309	<p>Mortgage advances - granted on existing buildings</p> <p>This item shall reflect the aggregate amount in respect of mortgage advances granted on existing buildings during the reporting month.</p>
311	<p>Residential mortgages - new advances granted</p> <p>This item shall reflect the aggregate amount in respect of new residential mortgage advances granted during the reporting month.</p>
312	<p>Residential mortgages - new advances paid out</p> <p>This item shall reflect the aggregate amount in respect of new residential mortgage advances paid out during the reporting month, including any insurance premium or amount transferred from a client's mortgage account with the reporting bank to the client's savings, cheque or other account.</p>

Line item relating to selected items, table 16

Line item	Description
313	<p>Residential mortgages - new advances paid out i.r.o owner occupied</p> <p>This item shall reflect the aggregate amount in respect of new residential mortgage advances paid out during the reporting month, which mortgage advances relate to an owner occupied residence, including any insurance premium or amount transferred from a client's mortgage account with the reporting bank to the client's savings, cheque or other account.</p>
314, 317 and 320	<p>Residential mortgages - new advances paid out i.r.o owner occupied, buy-to-let, second mortgage and other, fixed rate</p> <p>These items shall reflect the relevant required aggregate amounts in respect of new residential mortgage advances paid out during the reporting month, which residential mortgage advances are subject to contractually agreed fixed rates of interest, including any insurance premium or amount transferred from a client's mortgage account with the reporting bank to the client's savings, cheque or other account.</p>
315, 318 and 321	<p>Residential mortgages - new advances paid out i.r.o owner occupied, buy-to-let, second mortgage and other, flexible rate</p> <p>These items shall reflect the relevant required aggregate amounts in respect of new residential mortgage advances paid out during the reporting month, which residential mortgage advances are subject to contractually agreed variable or flexible rates of interest, including any insurance premium or amount transferred from a client's mortgage account with the reporting bank to the client's savings, cheque or other account.</p>
316	<p>Residential mortgages - new advances paid out i.r.o buy-to-let</p> <p>This item shall reflect the aggregate amount in respect of new residential mortgage advances paid out during the reporting month, which mortgage advances relate to buy-to-let residences, including any insurance premium or amount transferred from a client's mortgage account with the reporting bank to the client's savings, cheque or other account, but not an amount in respect of any residence mainly used for purpose of vacation or holiday.</p>

Line item relating to selected items, table 16

Line item	Description
319	<p data-bbox="549 329 1340 389">Residential mortgages – new advances paid out i.r.o second mortgage and other</p> <p data-bbox="549 427 1340 613">This item shall reflect the aggregate amount in respect of new residential mortgage advances paid out during the reporting month, which mortgage advances relate to second mortgages, that is, a second mortgage registered over a property in respect of which previously a first mortgage already has been registered, and other disbursements, including-</p> <ul style="list-style-type: none"> <li data-bbox="549 651 1340 748">(a) any insurance premium or amount transferred from a client's mortgage account with the reporting bank to the client's savings, cheque or other account; <li data-bbox="549 779 1340 837">(b) an amount relating to a residence mainly used for vacation or holiday.
323	<p data-bbox="549 844 1142 873">Residential mortgages - re-advances granted</p> <p data-bbox="549 909 1251 938">This item shall reflect the aggregate amount in respect of</p> <ul style="list-style-type: none"> <li data-bbox="549 974 1340 1099">(a) re-advances on residential mortgages granted during the reporting month, that is, the aggregate amount in respect of facilities granted to redraw amounts previously repaid on existing residential mortgage advances; and <li data-bbox="549 1135 1340 1189">(b) re-advances granted on existing loans where an administrative action is required.

Line item relating to selected items, table 16

Line item	Description
324	<p>Residential mortgages - re-advances paid out</p> <p>This item shall reflect the aggregate amount in respect of re-advances paid out on residential mortgages during the reporting month, that is,</p> <p>(a) this item shall include-</p> <ul style="list-style-type: none"> (i) any insurance premium or amount transferred from a client's mortgage account with the reporting bank to the client's savings, cheque or other account; (ii) any debit related to an amount paid out or a re-advance made on an existing mortgage loan during the reporting month; (iii) any payout made on an account when a client is able to access paid-up values on the relevant mortgage account, such as a flexible bond account; <p>(b) but this item shall exclude-</p> <ul style="list-style-type: none"> (i) accrued interest; and (ii) the initial lump sum of a new mortgage paid out during the reporting month, which amount shall be included under the relevant category of residential mortgages – new advances paid out.
326	<p>Farm mortgages – granted</p> <p>This item shall reflect the aggregate amount in respect of all advances granted for farming purposes but not yet paid out during the reporting month.</p>
327	<p>Farm mortgages – paid out</p> <p>This item shall reflect the aggregate amount in respect of all relevant advances paid out for farming purposes, including insurance premiums and amounts transferred from a client's mortgage account with the reporting bank to the client's savings, cheque or other account.</p>
329	<p>Commercial and other mortgage advances – granted</p> <p>This item shall reflect the aggregate amount in respect of all mortgage advances other than residential home or farm mortgages granted but not yet paid out during the month.</p>

Line item relating to selected items, table 16

Line item	Description
330	<p>Commercial and other mortgage advances – paid out</p> <p>This item shall reflect the aggregate amount in respect of commercial and other advances, excluding residential or farm mortgages, paid out during the reporting period, including any insurance premium or amount transferred from a client's advance account with the reporting bank to the client's savings, cheque or other account</p>
332	<p>Overdraft facilities – drawn</p> <p>This item shall reflect the aggregate amount in respect of all utilised overdraft facilities.</p>
333	<p>Overdraft facilities – undrawn</p> <p>This item shall reflect the aggregate amount in respect of all committed and uncommitted undrawn or unutilised overdraft facilities.</p>
335	<p>Credit card, straight accounts – drawn</p> <p>This item shall reflect the aggregate amount in respect of all utilised facilities on credit card straight accounts.</p>
336	<p>Credit card, straight accounts – undrawn</p> <p>This item shall reflect the aggregate amount in respect of all committed and uncommitted undrawn or unutilised credit card straight facilities.</p>
338	<p>Credit card, budget accounts – drawn</p> <p>This item shall reflect the aggregate amount in respect of all utilised facilities on credit card budget accounts.</p>
339	<p>Credit card, budget accounts – undrawn</p> <p>This item shall reflect the aggregate amount in respect of all committed and uncommitted undrawn or unutilised facilities on credit card budget accounts.</p>
340	<p>Debit card transactions</p> <p>This item shall reflect the aggregate amount in respect of all debit transactions on debit cards issued by the reporting bank in terms of which the client may access the account to withdraw money or pay for goods or services.</p>
341	<p>Travellers' cheques: Rand</p> <p>This item shall reflect the aggregate amount in respect of all travellers' cheques denominated in rand issued by the reporting bank during the reporting month.</p>

Line item relating to selected items, table 16

Line item	Description
342	<p>Travellers' cheques: other currency</p> <p>This item shall reflect the aggregated amount in respect of all travellers' cheques denominated in currencies other than rand issued by the reporting bank during the reporting month.</p>

Columns relating to securitisation activity, table 17

Column number	Description
1	<p>New securitisation during the month</p> <p>This column shall reflect the relevant required aggregate amounts in respect of all <i>new</i> traditional securitisation of assets during the month in respect of which the bank acted as an originator, that is, this column shall reflect the relevant required aggregate amounts in respect of assets securitised the relevant amounts of which are no longer reflected on the bank's balance sheet, but not an amount related to third party securitisation or assets temporarily acquired or purchased for warehousing or book building.</p>
2	<p>Outstanding balance in respect of securitisation</p> <p>This column shall reflect the relevant required outstanding balances of securitised assets in respect of which the reporting bank acted as an originator, the relevant amounts of which are no longer reflected on the bank's balance sheet but the revenue streams of which currently are administered by the reporting bank.</p>

Line item relating to securitisation activity, table 17

Line item	Description
350	<p>Public sector: loans and advances</p> <p>This item shall reflect the required aggregate amounts in respect of all relevant public sector loans or advances securitised, such as mortgage loans, instalment sale and leasing transactions, foreign currency loans and advances, credit cards, overdrafts and other.</p>

Columns relating to assets temporarily acquired, table 18

Column number	Description
1	<p>Total acquired</p> <p>This column shall reflect the relevant required aggregate amounts of assets temporarily acquired. Column 1 shall be the total of column 2 to 6 for the respective line items.</p>
2	<p>Sold outright</p> <p>This column shall reflect the relevant required aggregate amounts of assets sold outright that previously were temporarily acquired.</p>
3	<p>Sold under repo</p> <p>This column shall reflect the relevant required aggregate amounts of assets sold in terms of a repurchase agreement that previously were temporarily acquired.</p>
4	<p>On-lent</p> <p>This column shall reflect the relevant required aggregate amounts of assets lent to other parties that previously were temporarily acquired.</p>
5	<p>Pledged as security</p> <p>This column shall reflect the relevant required aggregate amounts of assets pledged as security that previously were temporarily acquired.</p>
6	<p>Other</p> <p>This column shall reflect the relevant required aggregate amounts of assets in hand that previously were temporarily acquired.</p>

Line items relating to assets temporarily acquired, table 18

Line item	Description
351	<p>Total assets temporarily acquired</p> <p>This item shall reflect the relevant required aggregate amounts in respect of assets temporarily acquired, including all relevant assets acquired in terms of a resale agreement or securities-borrowing agreement or arrangement.</p>
352	<p>Under loans granted under resale agreements</p> <p>Based on the relevant specified instruments and sectors this item shall reflect the relevant required aggregate amounts in respect of assets temporarily acquired under resale agreement.</p>
366	<p>Other securities</p> <p>This item shall reflect the relevant required aggregate amounts in respect of securities other than certain specified equity or debt securities, such as redeemable preference shares, derivative instruments and hybrid instruments.</p>
369	<p>Under securities-borrowing agreement</p> <p>Based on the relevant specified instruments and sectors this item shall reflect the relevant required aggregate amounts in respect of assets temporarily acquired under securities-borrowing agreement.</p>

Columns relating to assets lent to other parties, table 19

Column number	Description
1	<p>Total lent to other parties</p> <p>This column shall reflect the relevant required aggregate amounts of assets lent to other parties in terms of a securities-lending agreement or arrangement.</p>
2	<p>Of which: on lent</p> <p>This column shall reflect the relevant required aggregate amounts of assets lent to other parties in terms of a securities-lending agreement or arrangement that previously were acquired under a resale agreement.</p>

Line item relating to assets lent to other parties, table 19

Line item	Description
377	Total assets lent Based on the relevant specified instruments and sectors this item shall reflect the relevant required aggregate amounts in respect of assets lent to other parties in terms of a securities-lending agreement or arrangement.

Columns relating to flows in respect of selected liability and asset items, tables 20 and 21

Column number	Description
1	Opening stock (balance) This column shall reflect the outstanding balance of selected liability and asset items at the beginning of the reporting period, which amounts shall be equal to the relevant values included in the balance sheet of the reporting bank in respect of the preceding reporting period.

Columns relating to flows in respect of selected liability and asset items, tables 20 and 21

Column number	Description
2	<p>Transactions at transaction value</p> <p>This column shall reflect the relevant required net amounts of assets and liabilities at transaction value, including any relevant amount in respect of accrued interest, which-</p> <p>(a) transactions in the specified liability and asset items, for example, may arise from a mutual agreement between institutional units for the creation, liquidation or change in ownership of the relevant specified item;</p> <p>(b) change in ownership may occur through the sale, transfer or discharge of all the relevant rights, obligations and risks associated with the said liability or asset item,</p> <p>provided that-</p> <p>(i) any relevant amount of <i>accrued interest</i> on deposits, loans or securities other than shares, shall within the relevant reporting period be included as part of the outstanding amount of the relevant underlying asset or liability item;</p> <p>(ii) any relevant amount of interest accrued in each relevant reporting period shall be recorded as a transaction as if it was a further acquisition of an asset and/or a further incurrence of a liability;</p> <p>(iii) any relevant <i>debit amount</i> shall represent either a purchase or acquisition of an asset or a reduction in a liability;</p> <p>(iv) any relevant <i>credit amount</i> shall represent either a sale or disposal of an asset or an increase in a liability;</p> <p>(v) any relevant decrease in the value of an item shall be reported as a negative amount whilst any relevant increase in the value of an item shall be reported as a positive amount.</p>

Columns relating to flows in respect of selected liability and asset items, tables 20 and 21

Column number	Description
3	<p>Valuation changes</p> <p>This column shall reflect the relevant required amounts related to gains or losses in the values of the specified asset and liability items, which gains or losses may arise from changes in the prices of the said asset and liability items, as reflected in the market values, fair values and/or changes in exchange rates of the said items, provided that any relevant decrease in the value of an item shall be reported as a negative amount whilst any relevant increase in the value of an item shall be reported as a positive amount.</p>
4	<p>Other changes</p> <p>This column shall reflect the relevant required aggregate amounts relating to changes between the opening and closing balances of the specified asset and liability items that are neither due to transactions nor revaluations, such as amounts written off, reclassifications due to changes in legal status and other miscellaneous changes arising from exceptional or unanticipated events, provided that any relevant decrease in the value of an item shall be reported as a negative amount whilst any relevant increase in the value of an item shall be reported as a positive amount.</p>
5	<p>Closing stock</p> <p>This column shall reflect the outstanding balance of selected liability and asset items at the end of the reporting period, which amounts shall be equal to the relevant values at the beginning of the reporting period plus or minus the relevant values included in columns 2 to 4.</p> <p>Note: The values of liability and asset items included in column 5 shall be equal to the relevant amounts reported in the balance sheet of the reporting bank at the end of the relevant reporting month.</p>

(8) Instructions relating to the completion of the form BA 900 are furnished with reference to the corresponding liability, capital and reserve funds, or asset item appearing in the balance sheet, in form BA 100, and, in respect of a contingent liability or other relevant risk exposure, with reference to the corresponding item appearing in the statement of off-balance-sheet activities, in the form BA 110, as follows:

Assets

Form BA 100			Form BA 900		
Line	Col	Description	Line	Col	Description
1	3	Cash and balances with central bank	103 Plus 127	5 5	Central Bank money and gold (total) Foreign currency notes and coin
3	3	Gold coin and bullion	105	5	Gold coin and bullion
4	3	Local currency and foreign currency	104 Plus 127	5 5	South African bank notes and subsidiary coin Foreign currency notes and coin
5	3	Mandatory reserve deposits with central bank	107 Plus 108	5 5	Domestic cash reserve deposits with SARB : interest bearing Domestic cash reserve deposits with SARB : non-interest bearing
6	3	Other balances with central bank	109	5	Other deposits at SARB
13 Plus 14	3 3	Homeloans Commercial mortgages	150	5	Mortgage advances (total of farm, residential, commercial)
15	3	Credit cards	166	5	Credit card debtors
17 Plus 20 Plus 21 Plus 23	3 3 3 3	Overdrafts Term loans Factoring accounts Other loans to clients	126 Plus 116 Plus 117 Plus 171 Plus 180 Less 127	5 5 5 5 5 5	Foreign currency loans and advances (total) Other deposits with and loans and advances to SA banks Deposits and loans and advances to foreign banks in rand Overdrafts, loans and advances : Public sector Overdrafts, loans and advances : Private sector (factoring included) Foreign currency notes and coin
16	3	Lease and instalment debtors	139	5	Instalment debtors, suspensive sales and leases (total)

Assets continue ...

Form BA 100			Form BA 900		
Line	Col	Description	Line	Col	Description
19	3	Trade, other bills, and bankers' acceptances	247 Plus 254 Plus 257	5 5 5	Bankers' acceptances Land Bank bills Other (short term debt instruments)
22	3	Deposits placed under resale agreements	118	5	Loans granted under resale agreements
25	3	Less: Credit impairments	194	5	Less: Credit impairments
32	3	Impairment	245	5	Impairments i.r.o investments
33	3	Derivative financial instruments	237	5	Derivative instruments issued
39	3	Investment in subsidiary companies	217	5	Equity holdings in subsidiaries
40 Plus 41	3	Investment in associate companies Investments in joint ventures	221	5	Equity holdings in associates, including joint ventures
43	3	Intangible assets	264	5	Intangible assets
48 Plus 49	3	Investment property Property and equipment	259	5	Tangible assets
50 Plus 51	3	Current income tax receivables Deferred income tax assets	270	5	Current income tax receivables and deferred income tax assets
52	3	Post-employment assets	271	5	Retirement benefit assets
			277	5	TOTAL ASSETS
54	3	TOTAL ASSETS	Less		
			268	5	Clients' liabilities per contra

Liabilities

Form BA 100			Form BA 900		
Line	Col	Description	Line	Col	Description
56	3	Current accounts	1	1	Deposits (cheque accounts, rand and foreign currency)
57	3	Savings deposits	1	2	Deposits (savings accounts, rand and foreign currency)
62	3	Deposits received under repurchase agreements	42	4	Loans received under repurchase transactions
67	3	Derivative financial instruments	81	4	Liabilities i.r.o financial derivative instruments: domestic sector
			Plus		Liabilities i.r.o financial derivative instruments: foreign sector
			85	4	
68	3	Other trading liabilities	86	4	Other trading liabilities (excluding derivatives) - domestic sector
			Plus 90	4	Other trading liabilities (excluding derivatives) - foreign sector
73	3	Current income tax liabilities			
Plus			92	4	Tax (current and deferred)
74	3	Deferred income tax liabilities			
79	3	TOTAL LIABILITIES	95	4	TOTAL LIABILITIES
			Less		Outstanding liabilities on behalf of clients
			79	4	

Equity

Form BA 100			Form BA 900		
Line	Col	Description	Line	Col	Description
81		Share capital			
Plus	3	Preference shareholders and minority shareholders equity	97	1	Share capital
84					

Contingent liabilities and other risk exposure

Form BA 110		Form BA 900	
Line no	Column no	Line no	Column no
1	3	285	1
2	3	286	1
3	3	287	1
4	3	288	1
5	3	289	1
6	3	290	1
7	3	291	1
8	3	292	1
9	3	293	1
10	3	294	1
13	3	295	1

**ANALYSIS OF INSTALMENT SALE TRANSACTIONS, LEASING TRANSACTIONS AND
SELECTED ASSETS****Page no.**

1. Form BA 920 - Analysis of instalment sale transactions, leasing transactions and selected assets1102
2. Regulation 63 - Directives and interpretations for completion of the quarterly return concerning analysis of instalment sale transactions, leasing transactions and selected assets (Form BA 920)1106

ANALYSIS OF INSTALMENT SALE TRANSACTIONS, LEASING TRANSACTIONS AND SELECTED ASSETS

(Confidential and not available for inspection by the public)

Name of bank.....

Quarter ended.....(yyyy-mm-dd)

BA920
Quarterly

(All amounts to be rounded off to the nearest R'000)

TYPE OF ASSET AND AGREEMENT	Line no.	Asset item 139 of form BA 900				Total number of units ^b
		Instalment sales	Financial leases	Operating leases		
Outstanding balance at end of quarter	a	1	2	3	4	
Table 1						
Passenger cars:						
- new	1					
- used	2					
Commercial vehicles ^c - light:						
- new	3					
- used	4					
Commercial vehicles - medium and heavy:						
- new	5					
- used	6					
Commercial vehicles - minibuses:						
- new	7					
- used	8					
Other land transport equipment	9					
Total vehicles (total of items 1 to 9)	10					
Air transport equipment	11					
Sea and water transport equipment	12					
Agricultural machinery and equipment	13					
All household appliances	14					
Industrial machinery and equipment	15					
Commercial equipment	16					
Computer, IT and other office equipment	17					
Other goods	18					
Total: all goods (total of items 10 to 18)	19					

a) For official use only.

b) Actual number, not thousands.

c) Excluding minibuses.

(All amounts to be rounded off to the nearest R'000)

TYPE OF CLIENT	Line no.	Household sector	General government sector	Financial corporate sector	Non-financial corporate sector	Foreign sector	Total
Outstanding balance at end of quarter	a						
	20						
Table 2	11						
Instalment sale transactions (BA 900 item 140) (total of items 21 to 29)							
Vehicles							
Air transport equipment							
Sea and water transport equipment							
Agricultural machinery and equipment							
All household appliances							
Industrial machinery and equipment							
Commercial equipment							
Computer, IT and other office equipment							
Other goods							
Leasing transactions (BA 900 item 145) (total of items 31 and 41)	12						
Financial leases (total of items 32 to 40)							
Vehicles							
Air transport equipment							
Sea and water transport equipment							
Agricultural machinery and equipment							
All household appliances							
Industrial machinery and equipment							
Commercial equipment							
Computer, IT and other office equipment							
Other goods							
Operating leases (total of items 42 to 50)							
Vehicles							
Air transport equipment							
Sea and water transport equipment							
Agricultural machinery and equipment							
All household appliances							
Industrial machinery and equipment							
Commercial equipment							
Computer, IT and other office equipment							
Other goods							

a) For official use only.

(All amounts to be rounded off to the nearest R'000)

NON-FINANCIAL ASSETS	Line no.	Balance at end of previous quarter (BA 900)	Transactions during the quarter at transaction value				Plus/ minus: valuation changes	Plus/ minus: other changes	Equals: balance at end of quarter (BA 900)
			1	2	3	4			
Table 3									
Total premises/ buildings (BA 900 item 260) (total of items 52 and 53)	a								
Improvements to leasehold bank premises/ buildings	51								
Bank premises/ buildings	52								
Total other fixed property (BA 900 item 261) (total of items 55 and 56)	53								
Other non-residential premises/ buildings	54								
Residential premises/ buildings	55								
Total computer equipment (BA 900 item 262) (total of items 58 and 59)	56								
Computers, peripherals and IT equipment	57								
ATM's	58								
Total other tangible assets (BA 900 item 263) (total of items 61 to 63)	59								
Passenger cars	60								
Other vehicles/ transport equipment	61								
Other machinery and equipment, furniture and fittings	62								
Computer software (BA 900 item 265)	63								
Other intangible assets, including purchased goodwill (BA 900 item 266)	64								
Total (of items 51, 54, 57, 60, 64 and 65)	65								
	66								

a) For official use only.

b) Including additions, alterations and improvements to existing assets.

Personnel and infrastructure of the reporting bank	Table 4	Line no.	Number ^b
		a	1
Number of individual contractors rendering services to the bank		910(98)	
Number of personnel in employ			
Number of cash-dispensing automated teller machines operated by the reporting bank		910(99)	
Number of branches and sub-branches in the Republic		910(100)	
Number of agencies in the Republic		910(101)	
Number of branches and agencies in foreign countries		910(102)	
Number of current accounts, including accounts under cash-management schemes		910(103)	
Number of deposit accounts, excluding current accounts		910(105)	
Number of reporting bank's electronic data transfer (card swipe) machines at point of sale		910(106)	
Number of motor vehicles repossessed by the reporting bank ^c :			
- Passenger cars			
- Commercial vehicles and other ^c			
Number of properties repossessed by the reporting bank ^d :			
- Residential properties			
- Commercial properties			
Number of loan accounts			
Number of customers			
Hash total			

a) For official use only.

b) Actual number, not thousands.

c) Including minibuses.

d) During the reporting quarter.

63. Analysis of instalment sale transactions, leasing transactions and selected assets - Directives and interpretations for completion of quarterly return concerning analysis of instalment sale transactions, leasing transactions and selected assets (Form BA 920)

- (1) The content of the relevant return is confidential and not available for inspection by the public.
- (2) The purpose of the return primarily is-
- (a) to obtain selected data required for the analysis of instalment sale transactions, leasing transactions and other selected assets;
 - (b) to obtain selected information in respect of household and corporate debt;
 - (c) to analyse by asset type trends in lending, fixed investment and durable consumption expenditure;
 - (d) to obtain selected data required for the compilation of South Africa's national accounts; and
 - (e) to obtain selected data relating to the scale of banking activity in South Africa.
- (3) The institutional breakdown of liabilities and assets shall be made in accordance with the information contained in the *Institutional Sector Classification Guide* for South Africa.¹
- (4) Instructions relating to the completion of tables 1 to 4 of the form BA 920 are furnished with reference to the headings and item descriptions of certain columns and line item numbers appearing on form BA 920, as follows:

Columns relating to table 1

Column number	Description
1	<p>Instalment sales</p> <p>Based on the specified asset types this column shall reflect the relevant required amounts due and payable to the reporting bank in respect of all relevant instalment sale transactions, excluding any amounts in respect of unearned finance charges.</p>
2	<p>Financial leases</p> <p>Based on the specified asset types this column shall reflect the relevant required amounts due and payable to the reporting bank in respect of all relevant financial leasing transactions, excluding any amounts in respect of unearned finance charges.</p>

¹

Copies of this guide can be obtained from the Research Department, S A Reserve Bank, P O Box 7433, Pretoria, 0001. The guide can also be accessed on the Website address www.resbank.co.za, under statistical and economic information, other publications

Columns relating to table 1

Column number	Description
3	<p>Operating leases</p> <p>Based on the specified asset types this column shall reflect the relevant required amounts due and payable to the reporting bank in respect of all relevant operating leasing transactions, excluding any amounts in respect of unearned finance charges.</p>

Line items relating to tables 1 and 2

Line item number	Description
1 and 2	<p>Passenger cars</p> <p>These items shall reflect the relevant required aggregate amounts relating to motor vehicles primarily used for the transport of passengers, such as convertible vehicles, sedans, station wagons, sport utility vehicles (SUVs), multi-purpose vehicles (MPVs), luxury 4x4 vehicles, and similar vehicles.</p>
3, 4, 5 and 6	<p>Commercial vehicles</p> <p>These items shall reflect the relevant required aggregate amounts relating to vehicles other than passenger vehicles or trailers towed by passenger vehicles, and shall include-</p> <p>(a) all relevant amounts relating to vehicles designed, used or maintained for the transportation of persons or property for hire, compensation, profit, or in the furtherance of a commercial enterprise;</p> <p>(b) all bakkies, double cabs or extended cabs, trucks, vans, minibuses, buses or lorries even when some of the specified vehicles are privately owned or used for purposes other than commercial purpose,</p> <p>provided that for purposes of the form BA 920-</p> <p>(i) minibuses shall be classified separately;</p> <p>(ii) light commercial vehicles mean vehicles with a gross weight of up to 3500 kg;</p> <p>(iii) medium and heavy commercial vehicles mean vehicles with a gross weight of more than 3500 kg.</p>
7 and 8	<p>Minibuses</p> <p>These items shall reflect the relevant required aggregate amounts relating to small bus-type vehicles, typically capable of transporting 20 passengers or less.</p>

Line items relating to tables 1 and 2

Line item number	Description
9	<p>Other land transport equipment</p> <p>This item shall reflect the relevant required aggregate amounts relating to all vehicles or equipment other than the vehicles included in items 1 to 8, which vehicles are used for the transportation of people or objects on land, including all relevant amounts relating to trailers, caravans or motorcycles.</p>
10, 21, 32 and 42	<p>Total vehicles</p> <p>Item 10, column 1, shall be equal to item 21, column 6. Item 10, column 2, shall be equal to item 32, column 6. Item 10, column 3, shall be equal to item 42, column 6.</p>
11, 22, 33 and 43	<p>Air transport equipment</p> <p>These items shall reflect the relevant required aggregate amounts relating to all equipment used for air transport, such as aircraft and helicopters.</p> <p>Item 11, column 1, shall be equal to item 22, column 6. Item 11, column 2, shall be equal to item 33, column 6. Item 11, column 3, shall be equal to item 43, column 6.</p>
12, 23, 34 and 44	<p>Sea/water transport equipment</p> <p>These items shall reflect the relevant required aggregate amounts relating to all equipment used for sea and water transport, such as boats, yachts and jet skis.</p> <p>Item 12, column 1, shall be equal to item 23, column 6. Item 12, column 2, shall be equal to item 34, column 6. Item 12, column 3, shall be equal to item 44, column 6.</p>
13, 24, 35 and 45	<p>Agricultural machinery and equipment</p> <p>These items shall reflect the relevant required aggregate amounts relating to all machines and equipment used for agricultural purposes, such as tractors, ploughs, mowers and balers.</p> <p>Item 13, column 1, shall be equal to item 24, column 6. Item 13, column 2, shall be equal to item 35, column 6. Item 13, column 3, shall be equal to item 45, column 6.</p>
14, 25, 36 and 46	<p>Household appliances</p> <p>These items shall reflect the relevant required aggregate amounts relating to all items intended for normal household use, such as televisions, furniture, video recorders, refrigerators and other household electrical equipment.</p> <p>Item 14, column 1, shall be equal to item 25, column 6. Item 14, column 2, shall be equal to item 36, column 6. Item 14, column 3, shall be equal to item 46, column 6.</p>

Line items relating to tables 1 and 2

Line item number	Description
15, 26, 37 and 47	<p>Industrial machinery and equipment</p> <p>These items shall reflect the relevant required aggregate amounts relating to all equipment used in industrial production; manufacturing or construction, such as forklifts and furnaces, or any other similar machinery.</p> <p>Item 15, column 1, shall be equal to item 26, column 6. Item 15, column 2, shall be equal to item 37, column 6. Item 15, column 3, shall be equal to item 47, column 6.</p>
16, 27, 38 and 48	<p>Commercial equipment</p> <p>These items shall reflect the relevant required aggregate amounts relating to all equipment used within business frameworks and applications, or in the furtherance of a commercial enterprise.</p> <p>Item 16, column 1, shall be equal to item 27, column 6. Item 16, column 2, shall be equal to item 38, column 6. Item 16, column 3, shall be equal to item 48, column 6.</p>
17, 28, 39 and 49	<p>Computer, IT and other office equipment</p> <p>These items shall reflect the relevant required aggregate amounts relating to all computer related equipment, hardware and software, and/or any other office equipment such as furniture.</p> <p>Item 17, column 1, shall be equal to item 28, column 6. Item 17, column 2, shall be equal to item 39, column 6. Item 17, column 3, shall be equal to item 49, column 6.</p>
18, 29, 40 and 50	<p>Other goods</p> <p>These items shall reflect the relevant required aggregate amounts relating to all goods or items other than the goods or items respectively reported in items 10 to 17, 21 to 28, 32 to 39 and 42 to 49.</p> <p>Item 18, column 1, shall be equal to item 29, column 6. Item 18, column 2, shall be equal to item 40, column 6. Item 18, column 3, shall be equal to item 50, column 6.</p>
19, 20, 31 and 41	<p>All goods</p> <p>Item 19, column 1, shall be equal to item 20, column 6. Item 19, column 2, shall be equal to item 31, column 6. Item 19, column 3, shall be equal to item 41, column 6. The sum of the amounts reported in item 19, columns 1 to 3, shall be equal to item 139, column 3, of the form BA900 for the relevant quarter-end.</p>

Columns relating to table 2

Column number	Description
1	<p>Household sector</p> <p>This column shall reflect the relevant required aggregate amounts in respect of instalment sale and leasing transactions with the household sector.</p> <p>The household sector includes all households (individuals), unincorporated business enterprises of households, non-profit institutions serving households, private trusts and friendly societies.</p>
2	<p>General government sector</p> <p>This column shall reflect the relevant required aggregate amounts in respect of instalment sale and leasing transactions with the general government sector.</p> <p>The general government sector includes the central government, provincial government, social security funds and local governments.</p>
3	<p>Financial corporate sector</p> <p>This column shall reflect the relevant required aggregate amounts in respect of instalment sale and leasing transactions with the financial corporate sector.</p> <p>The financial corporate sector includes the Reserve Bank, the Corporation for Public Deposits, banks, insurers and pension funds, other financial intermediaries and financial auxiliaries.</p>
4	<p>Non-financial corporate sector</p> <p>This column shall reflect the relevant required aggregate amounts in respect of instalment sale and leasing transactions with the non-financial corporate sector.</p> <p>The non-financial corporate sector includes both private non-financial companies and public non-financial companies.</p>
5	<p>Foreign sector</p> <p>This column shall reflect the relevant required aggregate amounts in respect of instalment sale and leasing transactions with the foreign sector.</p>

Columns relating to table 3

Column number	Description
2	<p>Capital expenditure on new assets</p> <p>This column shall reflect the relevant required positive amounts relating to capital expenditure in respect of-</p> <ul style="list-style-type: none"> (a) construction (erection) of new buildings; (b) additions, alterations and improvements to existing buildings; (c) new plant and machinery; (d) used plant and machinery if imported, <p>and all relevant progress payments to outside contractors, interest and other relevant capitalised costs.</p>
3	<p>Other purchases (used / existing assets)</p> <p>This column shall reflect the relevant required positive amounts relating to the acquisition of land and the acquisition of existing buildings and used plant, machinery and vehicles.</p>
4	<p>Sales or disposal</p> <p>This column shall reflect the relevant required amounts in respect of sales or disposal of the respective assets.</p>
5	<p>Valuation changes</p> <p>This column shall reflect the relevant required amounts relating to changes in the value of non-financial assets due to revaluation, that is, a negative change or decrease in the value of an asset shall be reported as a negative amount whilst an increase in the value of an asset shall be reported as a positive amount.</p>
6	<p>Other changes</p> <p>This column shall reflect the relevant required amounts relating to changes in the balances of non-financial assets for reasons other than specific transactions or revaluations, such as amounts written off, depreciation, amortization or any other change in the relevant balance between the end of the previous reporting quarter and the end of the current reporting quarter, provided that any negative change or decrease in the relevant balance of an asset shall be reported as a negative amount whilst an increase in the relevant balance of an asset shall be reported as a positive amount.</p>

Line items relating to table 3

Line item number	Description
52	<p>Improvements to leasehold bank premises/ buildings</p> <p>This item shall reflect the relevant required amounts in respect of improvements, additions, renovations or alterations to bank premises and/or buildings leased by the reporting bank.</p>
53	<p>Bank premises/ buildings</p> <p>This item shall reflect the relevant required amounts in respect of premises/ buildings held or registered in the bank's own name for conducting banking business.</p>
54	<p>Other fixed property</p> <p>This item shall reflect the relevant required amounts in respect of any other fixed property, such as buildings and/or premises owned by the reporting bank, including all relevant amounts in respect of residential or non-residential property.</p>
58	<p>Computers, peripherals and IT equipment</p> <p>This item shall reflect the relevant required amounts in respect of computer hardware, printers, scanners or other IT related equipment but not any amounts related to computer software.</p>
59	<p>ATM's</p> <p>This item shall reflect the relevant required amounts in respect of all cash-dispensing automated teller machines owned by the reporting bank.</p>
60	<p>Total other tangible assets</p> <p>This item shall reflect the relevant required aggregate amounts in respect of all other tangible assets such as passenger cars; other vehicles or transport equipment, machinery; furniture and other equipment provided that all relevant amounts in respect of commercial vehicles, including minibuses and bakkies, other vehicles and transport equipment for transportation by land, sea and air shall be reported in item 62.</p>
64	<p>Computer software</p> <p>This item shall reflect the relevant required amounts in respect of all purchases or development costs of computer software capitalised by the reporting bank.</p>
65	<p>Other intangible assets</p> <p>This item shall reflect the relevant required amounts in respect of expenditure incurred by the reporting bank in respect of the acquisition of intangible assets.</p>

Line items relating to table 4

Line item number	Description
67	<p>Number of individual contractors rendering services to the bank</p> <p>This item shall reflect only the relevant number of individual contractors rendering services to the bank but not any number related to legal persons such as close corporations or companies.</p>
68	<p>Number of personnel in employ</p> <p>This item shall reflect the relevant number of employees employed by the reporting bank or controlling company.</p>
69	<p>Number of cash-dispensing automated teller machines operated by the reporting bank</p> <p>This item shall reflect the relevant number of automated teller machines owned or leased by the reporting bank but not any number related to automated teller machines of other banks that may be accessed by clients of the reporting bank via a linking system or arrangement, which automated teller machines dispense cash or combine the dispensing of cash with other functions.</p>
70	<p>Number of branches and sub-branches in the Republic</p> <p>This item shall include the head office, sub-branches and mobile-branches, if applicable, of the reporting bank.</p>
71	<p>Number of agencies in the Republic</p> <p>This item shall reflect the relevant number of agencies in the Republic staffed by personnel of the reporting bank or other organisations acting on behalf of the reporting bank, including the relevant number related to all relevant mobile agencies, when applicable, but not any number related to unstaffed points such as unstaffed automatic teller machine centres.</p>
72	<p>Number of branches and agencies in foreign countries</p> <p>This item shall reflect the relevant number of branches and agencies in foreign countries staffed by personnel of the reporting bank or other organisations acting on behalf of the reporting bank, including the relevant number related to all relevant mobile agencies, when applicable, but not any number related to unstaffed points such as unstaffed automatic teller machine centres.</p>

Line items relating to table 4

Line item number	Description
73	<p>Number of current accounts, including those under cash-management schemes</p> <p>This item shall reflect the reporting bank's relevant number of current accounts irrespective whether the accounts have debit or credit balances, provided that any account forming part of a cash-management scheme or arrangement shall be counted once, and the central group account shall also be counted.</p>
74	<p>Number of deposit accounts, excluding current accounts</p> <p>This item shall reflect the reporting bank's relevant number of deposit accounts, including savings accounts, fixed deposit accounts, notice deposit accounts and any other type of deposit account or product offered by the reporting bank, such as NCDs and PNs, but not any number related to a current account.</p>
76 and 77	<p>Number of motor vehicles repossessed</p> <p>These items shall respectively reflect the relevant number of passenger vehicles and commercial and other vehicles repossessed or taken back by the reporting bank due to any failure in payment.</p>
78 and 79	<p>Number of properties repossessed</p> <p>These items shall respectively reflect the relevant number of residential properties and commercial and other properties repossessed or taken back by the reporting bank due to any failure in payment.</p>
80	<p>Number of loan accounts</p> <p>This item shall reflect the reporting bank's relevant number of loan accounts, including accounts related to-</p> <ul style="list-style-type: none"> a) mortgages; b) instalment and leasing; c) overdrafts; d) other loans and advances; e) credit cards; and f) any other type of loan account or product offered by the reporting bank, <p>which aforementioned accounts shall also include relevant rand and foreign currency denominated loans to the foreign sector, but shall not include any account related to an interbank loan, NCD, PN, loan granted in terms of a resale agreement or redeemable preference shares.</p>

Line items relating to table 4

Line item number	Description
81	Number of customers This item shall reflect the aggregate number of all relevant retail customers, wholesale customers, corporate customers and legal entities that hold deposit and/or loan accounts with the relevant bank, provided that any relevant customer with multiple accounts shall be counted only once.

INTEREST RATES ON DEPOSITS, LOANS AND ADVANCES

		<u>Page no.</u>
1.	Form BA 930 - Interest rates on deposits, loans and advances	1117
2.	Regulation 64 - Directives and interpretations for completion of monthly return concerning interest rates on deposits, loans and advances (Form BA 930)	1122

BA930
Monthly

INTEREST RATES ON DEPOSITS, LOANS AND ADVANCES

(Confidential and not available for inspection by the public)

Name of bank:

Month ended:(yyyy-mm-dd)

DEPOSIT RATES	Line no.	All deposits	
		Outstanding balance at month end R'000	Weighted average rate ² (%)
		1	2
Table 1			
Corporate sector³ (total of items 2 to 11)	1		
Cheque accounts	2		
Call deposits	3		
Notice deposits: 1 day to 32 days	4		
More than 32 days to 91 days	5		
More than 91 days to 185 days	6		
Fixed deposits: Up to 1 year	7		
More than 1 year but less than 3 years	8		
3 years and more but less than 5 years	9		
5 years and more	10		
Other	11		
Household sector⁴ (total of items 13 to 23)	12		
Cheque accounts	13		
Call deposits	14		
Savings deposits	15		
Notice deposits: 1 day to 32 days	16		
More than 32 days to 91 days	17		
More than 91 days to 185 days	18		
Fixed deposits: Up to 1 year	19		
More than 1 year but less than 3 years	20		
3 years and more but less than 5 years	21		
5 years and more	22		
Other	23		

1. Include all relevant existing deposits and all relevant new deposits.
 2. A weighted average rate shall be calculated and reported for each relevant specified type of account, calculated across all relevant accounts maintained in the ordinary course of arms-length banking business, and weighted based on the outstanding balances at month-end.
 3. Corporate sector (often being referred to as the wholesale sector) shall include all relevant public and private financial and non-financial sectors, but shall exclude banks and the government sector.
 4. Household sector (often being referred to as the retail sector) shall include unincorporated businesses, individuals and non-profit seeking organisations.
 5. Outstanding balances at month-end reported on the form BA 930 may not exactly match the relevant balances reported on the form BA 900 due to the omission of amounts relating to non arms-length banking business from the form BA 930.

DEPOSIT RATES		All deposits ¹	
Table 1	Line no.	Outstanding balance at month end R'000	Weighted average rate ² (%)
		1	2
Foreign sector – rand denominated (total of items 25 to 34)			
Cheque accounts			
Call deposits			
Notice deposits: 1 day to 32 days			
More than 32 days to 91 days			
More than 91 days to 185 days			
Fixed deposits: Up to 1 year			
More than 1 year but less than 3 years			
3 years and more but less than 5 years			
5 years and more			
Other			
All domestic private sectors³ (total of items 36 to 45)			
Cheque accounts			
Call deposits			
Notice deposits: 1 day to 32 days			
More than 32 days to 91 days			
More than 91 days to 185 days			
Fixed deposits: Up to 1 year			
More than 1 year but less than 3 years			
3 years and more but less than 5 years			
5 years and more			
Other			
Interbank deposit rate			

1. Include all relevant existing deposits and all relevant new deposits.
 2. A weighted average rate shall be calculated and reported for each relevant specified type of account, calculated across all relevant accounts maintained in the ordinary course of arms-length banking business, and weighted based on the outstanding balances at month-end.
 3. Include corporate and household sectors but exclude banks and the government sector.
 4. Outstanding balances at month-end reported on the form BA 930 may not exactly match the relevant balances reported on the form BA 900 due to the omission of amounts relating to non arms-length banking business from the form BA 930.

LENDING RATES	Line no.	All loans ¹	
		Outstanding balance at month end ³ R'000	Weighted average rate ² (%)
		1	2
Corporate sector³ (total of items 48 to 56)	47		
Overdrafts	48		
Instalment sale agreements: flexible rate	49		
fixed rate	50		
Leasing transactions : flexible rate	51		
fixed rate	52		
Mortgage advances: flexible rate	53		
fixed rate	54		
Credit cards	55		
Other	56		
Household sector⁴ (total of items – 58 to 66)	57		
Overdrafts	58		
Instalment sale agreements: flexible rate	59		
fixed rate	60		
Leasing transactions : flexible rate	61		
fixed rate	62		
Mortgage advances: flexible rate	63		
fixed rate	64		
Credit cards	65		
Other	66		

Table 2

1. Include all relevant existing loans and all relevant new loans.
 2. A weighted average rate shall be calculated and reported for each relevant specified type of account, calculated across all relevant accounts maintained in the ordinary course of arms-length banking business, and weighted based on the outstanding balances at month-end.
 3. Corporate sector (often being referred to as the wholesale sector) shall include all relevant public and private financial and non-financial sectors, but shall exclude banks and the government sector.
 4. Household sector (often being referred to as the retail sector) shall include unincorporated businesses, individuals and non-profit seeking organisations.
 5. Outstanding balances at month-end reported on the form BA 930 may not exactly match the relevant balances reported on the form BA 900 due to the omission of amounts relating to non arms-length banking business from the form BA 930.

LENDING RATES	Line no.	All loans	
		Outstanding balance at month end ¹ R'000	Weighted average rate ² (%)
		1	2
Table 2			
Foreign sector – rand denominated (total of items 68 to 73)			
Overdrafts	67		
Instalment sale agreements	68		
Leasing transactions	69		
Mortgage advances	70		
Credit cards	71		
Other	72		
	73		
All domestic private sector³ (total of items 75 to 83)			
Overdrafts	74		
Instalment sale agreements: flexible rate	75		
fixed rate	76		
Leasing transactions: flexible rate	77		
fixed rate	78		
Mortgage advances: flexible rate	79		
fixed rate	80		
Credit cards	81		
Other	82		
Micro loans	83		
Interbank lending rate	84		
Hash total	85		
	86		

1. Include all relevant existing loans and all relevant new loans.
 2. A weighted average rate shall be calculated and reported for each relevant specified type of account, calculated across all relevant accounts maintained in the ordinary course of arms-length banking business, and weighted based on the outstanding balances at month-end.
 3. Include corporate and household sectors but exclude banks and the government sector.
 4. Outstanding balances at month-end reported on the form BA 930 may not exactly match the relevant balances reported on the form BA 900 due to the omission of amounts relating to non arms-length banking business from the form BA 930.

CONTINUES ON PAGE 1122—PART 8



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PART 8 OF 8

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64. Interest rates on deposits, loans and advances - Directives and interpretations for completion of monthly return concerning interest rates on deposits, loans and advances (Form BA 930)

- (1) The content of the relevant return is confidential and not available for inspection by the public.
- (2) The purpose of the return primarily is-
 - (a) to establish the ranges within which banks set selected key interest rates;
 - (b) to assess the impact that changes in the Reserve Bank's repurchase rate has on the main sectors of the economy;
 - (c) to monitor the transmission of changes in the Reserve Bank's repurchase rate through the banking sector to the broader economy, that is, to assess the extent of the pass-through of changes in the repurchase rate to other interest rates, the timing of such changes and the effect or magnitude of the said changes;
 - (d) to obtain selected information related to a bank's cost of funds, yield on assets and related margins, allowing for product mix, term and other considerations.
- (3) The institutional breakdown of liabilities and assets shall be made in accordance with the information contained in the *Institutional Sector Classification Guide* for South Africa¹, and any relevant classification shall be made in accordance with the classification made on the form BA 900.
- (4) The rates to be reported shall be the rates set by the reporting bank in the ordinary course of arms-length business. Special or concessionary rates, such as rates sometimes provided by the reporting bank to its employees as a fringe benefit, outlier rates that may skew the weighted-average-ordinary-course-of-arms-length-business rate or rates set to nil due to exceptional circumstances such as the overdue status of an account, and the related outstanding balance of that account, shall be excluded from the form BA 930.
- (5) Weighted average rates shall be calculated and reported for each relevant type of account, calculated across all accounts maintained in the ordinary course of arms-length banking business and weighted based on the outstanding balances at month-end provided that-
 - (a) any relevant maturity classification shall be determined with reference to the original maturity;
 - (b) when the reporting bank is unable to calculate an average rate as required in this subregulation (5), the reporting bank shall after consultation with the Research Department of the Reserve Bank, and subject to such conditions as may be specified, consistently report a typical rate for the relevant accounts.

1

Copies of this guide can be obtained from the Research Department, S A Reserve Bank, P O Box 7433, Pretoria, 0001. The guide can also be accessed on the Website address www.resbank.co.za, under statistical and economic information, other publications

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- (6) All rates to be reported shall be the rates in effect at the end of the month to which the return relates and shall be reported as rates per annum quoted in the ordinary course of business. This would generally be nominal rates, rather than effective compounded rates.
- (7) Only outstanding balances at month-end and interest rates pertaining to deposits, loans and advances denominated in rand shall be reported on the form BA 930, that is, foreign-currency denominated business shall be excluded.
- (8) For the purposes of this regulation-
- (a) savings deposits of the household sector shall be reported separately in the relevant specified item provided. Relevant savings deposits by other sectors shall be included under call deposits;
 - (b) the category "other" specified in items 55, 65, 72 and 82 includes other loans and advances, loans granted in terms of resale agreements and redeemable preference shares issued, but excludes overdrafts, instalment sales, leasing, mortgages and credit cards;
 - (c) fixed rate means a predefined fixed interest rate, set for either a specified term or the entire period or duration of the relevant loan or advance;
 - (d) flexible rate means any variable interest rate linked to a base rate that may change when the base rate changes, such as, for example, a prime linked loan or advance;
 - (e) micro loans shall include all relevant amounts related to unsecured lending up to a maximum amount of R30 000, which loan amount shall relate to the relevant original exposure and loan agreement in respect of which the maximum NCA rates apply, provided that any relevant loan amount related to a credit card scheme or withdrawn from a cheque account in terms of an overdraft facility, causing a debit balance on that particular account, shall be excluded from this category of micro loans.

SELECTED LOCATIONAL STATISTICS BASED ON RESIDENCE**Page no.**

1. Form BA 940 - Selected locational statistics based on residence1125
2. Regulation 65 - Directives and interpretations for completion of quarterly return concerning selected locational statistics based on residence (Form BA 940).....1149

BA940
Quarterly

SELECTED LOCALATIONAL STATISTICS BASED ON RESIDENCE

(Confidential and not available for inspection by the public)

Name of bank/ controlling company.....

Quarter ended.....(yyyy-mm-dd)

(All amounts to be rounded off to the nearest US\$ millions¹)

Line no.	Vis-à-vis country with ISO code	Total claims: domestic plus foreign currency			Foreign currency													
		Domestic currency			USD		EUR		JPY		GBP		CHF		Residual			
		All	Non-banks	Total	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
		MAAC	MAAD	MAAC	MACD	MACD	MAFC	MAFD	MAXC	MAXD	MAQC	MAQD	MAJC	MAJD	MAKC	MAKD	MAIC	MAID
Table 1 ²																		
Developed countries ³ :																		
1	Andorra - AD																	
to																		
34	United States - US																	
35	Residual developed countries - 2R																	
36	Developed countries - 5R																	
Offshore centres ⁴																		
37	Aruba - AW																	
to																		
57	West Indies UK - 1Z																	
58	Residual former Netherlands Antilles - 2D																	
59	Residual offshore centres - 2N																	
60	Offshore centres - 1N																	
Developing Europe ⁵																		
61	Albania - AL																	
to																		
78	Ukraine - UA																	
79	Residual Former Serbia and Montenegro - 2C																	
80	Residual Europe - 2B																	
81	Developing Europe - 3C																	

1. Without any decimals.
 2. Total international claims: international loans plus international holdings of debt securities plus other international assets.
 3. As specified in table A, in regulation 65(3)(a).
 4. As specified in table B, in regulation 65(3)(b).
 5. As specified in table C, in regulation 65(3)(c).

(All amounts to be rounded off to the nearest US\$ millions ¹)

Vis-à-vis country with ISO code	Line no.	Total claims: domestic plus foreign currency		Domestic currency		Foreign currency													
		All	Non-banks	Total		USD		EUR		JPY		GBP		CHF		Residual			
				MAAC	MAAD	MAAC	MACD	MAAC	MAFD	MAXC	MAXD	MAQC	MAQD	MAJC	MAJD	MAKC	MAKD	MAIC	MAID
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Table 1 ²																			
Developing Latin America and Caribbean																			
Argentina - AR	82																		
to																			
Venezuela - VE	112																		
Residual Latin America and Caribbean - 2H	113																		
Developing Latin America and Caribbean - 4U	114																		
Developing Africa and Middle East																			
Algeria - DZ	115																		
to																			
Zimbabwe - ZW	179																		
Residual Africa (includes Western Sahara) and Middle East - 2W	180																		
Developing Africa and Middle East - 4W	181																		
Developing Asia and Pacific																			
Afghanistan - AF	182																		
to																			
Wallis and Futuna - WF	227																		
Residual Asia and Pacific - 2O	228																		
Developing Asia and Pacific - 4Y	229																		

1. Without any decimals.
 2. Total international claims: international loans plus international holdings of debt securities plus other international assets.
 3. As specified in table D, in regulation 65(3)(d).
 4. As specified in table E, in regulation 65(3)(e).
 5. As specified in table F, in regulation 65(3)(f).

(All amounts to be rounded off to the nearest US\$ millions¹)

Vis-à-vis country with ISO code	Line no.	Total loans: domestic plus foreign currency		Domestic currency		Foreign currency																	
		All	Non-banks	MGAC	MGAD	Total		USD		EUR		JPY		GBP		CHF		Residual					
						All	Non-banks	MGCC	MGCD	All	Non-banks	MGXC	MGXD	All	Non-banks	MGQC	MGQD	All	Non-banks	MGJC	MGJD	All	Non-banks
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18						
Table 2 ²																							
Developed countries ³ :																							
Andorra - AD	236																						
to																							
United States - US	269																						
Residual developed countries - 2R	270																						
Developed countries - 5R	271																						
Offshore centres ⁴ :																							
Aruba - AW	272																						
to																							
West Indies UK - 1Z	292																						
Residual former Netherlands Antilles - 2D	293																						
Residual offshore centres - 2N	294																						
Offshore centres - 1N	295																						
Developing Europe ⁵ :																							
Albania - AL	296																						
to																							
Ukraine - UA	313																						
Residual Former Serbia and Montenegro - 2C	314																						
Residual Europe - 2B	315																						
Developing Europe - 3C	316																						

1. Without any decimals.

2. Total international loans.

3. As specified in table A, in regulation 65(3)(a).

4. As specified in table B, in regulation 65(3)(b).

5. As specified in table C, in regulation 65(3)(c).

(All amounts to be rounded off to the nearest US\$ millions ¹)

Vis-à-vis country with ISO code	Line no.	Total loans: domestic plus foreign currency		Domestic currency						Foreign currency									
		Total		Total		USD		EUR		JPY		GBP		CHF		Residual			
		All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks		
		MGAC	MGAD	MGCC	MGCD	MGDC	MGDD	MGFC	MGFD	MGXC	MGXD	MGQC	MGQD	MGJC	MGJD	MGKC	MGKD	MGIC	MGID
Table 2 ²	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
Developing Latin America and Caribbean	317																		
Argentina - AR	to																		
Venezuela - VE	347																		
Residual Latin America and Caribbean - 2H	348																		
Developing Latin America and Caribbean - 4U	349																		
Developing Africa and Middle East ⁴																			
Algeria - DZ	350																		
to																			
Zimbabwe - ZW	414																		
Residual Africa (includes Western Sahara) and Middle East - 2W	415																		
Developing Africa and Middle East - 4W	416																		
Developing Asia and Pacific ³																			
Afghanistan - AF	417																		
to																			
Wallis and Futuna - WF	462																		
Residual Asia and Pacific - 2O	463																		
Developing Asia and Pacific - 4Y	464																		

1. Without any decimals.
 2. Total international loans.
 3. As specified in table D, in regulation 65(3)(d).
 4. As specified in table E, in regulation 65(3)(e).
 5. As specified in table F, in regulation 65(3)(f).

(All amounts to be rounded off to the nearest US\$ millions ¹)

Vis-à-vis country with ISO code	Line no.	Total securities: domestic plus foreign currency		Foreign currency															
		Total		USD		EUR		JPY		GBP		CHF		Residual					
		All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks				
		MDAC	MDAD	MDFC	MDFD	MDXC	MDXD	MDQC	MDQD	MDJC	MDJD	MDKC	MDKD	MDIC	MDID				
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Table 3 ²																			
Developed countries ³ :																			
	471																		
	to																		
	504																		
	505																		
	506																		
Developed countries - 5R																			
Offshore centres ⁴																			
	507																		
	to																		
	527																		
	528																		
Residual former Netherlands Antilles - 2D																			
Residual offshore centres - 2N																			
	529																		
	530																		
Offshore centres - 1N																			
Developing Europe ⁵																			
	531																		
	to																		
	548																		
	549																		
Residual Former Serbia and Montenegro - 2C																			
	550																		
	551																		
Residual Europe - 2B																			
Developing Europe - 3C																			

1. Without any decimals.
 2. Total international holdings of debt securities.
 3. As specified in table A, in regulation 65(3)(a).
 4. As specified in table B, in regulation 65(3)(b).
 5. As specified in table C, in regulation 65(3)(c).

(All amounts to be rounded off to the nearest US\$ millions¹)

Vis-à-vis country with ISO code	Line no.	Total securities: domestic plus foreign currency										Foreign currency																										
		Domestic currency					USD					EUR					JPY					GBP					CHF					Residual						
		All	Non-banks	Total	All	Non-banks	All	Non-banks	Total	All	Non-banks	All	Non-banks	Total	All	Non-banks	All	Non-banks	Total	All	Non-banks	All	Non-banks	Total	All	Non-banks	All	Non-banks	Total	All	Non-banks							
MDAC	MDAD	MDCC	MDCD	MDCD	MDFC	MDFD	MDFD	MDFC	MDFC	MDXC	MDXD	MDXD	MDXD	MDXD	MDQC	MDQD	MDQD	MDQD	MDJC	MDJD	MDJC	MDJD	MDJC	MDJD	MDJC	MDJD	MDJC	MDJD	MDJC	MDJD	MDJC	MDJD						
Table 3 ²	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18																				
Developing Latin America and Caribbean ³																																						
Argentina - AR	552																																					
to																																						
Venezuela - VE	582																																					
Residual Latin America and Caribbean - 2H	583																																					
Developing Latin America and Caribbean - 4U	584																																					
Developing Africa and Middle East ⁴																																						
Algeria - DZ	585																																					
to																																						
Zimbabwe - ZW	649																																					
Residual Africa (includes Western Sahara) and Middle East - 2W	650																																					
Developing Africa and Middle East - 4W	651																																					
Developing Asia and Pacific ⁵																																						
Afghanistan - AF	652																																					
to																																						
Wallis and Futuna - WF	697																																					
Residual Asia and Pacific - 2O	698																																					
Developing Asia and Pacific - 4Y	699																																					

1. Without any decimals.
 2. Total international holdings of debt securities.
 3. As specified in table D, in regulation 65(3)(d).
 4. As specified in table E, in regulation 65(3)(e).
 5. As specified in table F, in regulation 65(3)(f).

(All amounts to be rounded off to the nearest US\$ millions ¹)

Vis-à-vis country with ISO code	Line no.	Total other assets:		Domestic currency		Foreign currency														
		domestic plus foreign currency		Total		Total		USD		EUR		JPY		GBP		CHF		Residual		
		All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	
MIAC	MIAD	MICC	MICD	MIDC	MIDD	MIFC	MIFD	MIXC	MIXD	MIQC	MIQD	MIJC	MIJD	MIKC	MIKD	MIIC	MIID	MIIC	MIID	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18			
Table 4 ²																				
Developed countries ³ :																				
	706																			
	Andorra - AD																			
	to																			
	739																			
	United States - US																			
	740																			
	Residual developed countries - 2R																			
	741																			
	Developed countries - 5R																			
	Offshore centres ⁴																			
	742																			
	Aruba - AW																			
	to																			
	762																			
	West Indies UK - 1Z																			
	763																			
	Residual former Netherlands Antilles - 2D																			
	764																			
	Residual offshore centres - 2N																			
	765																			
	Offshore centres - 1N																			
	Developing Europe ⁵																			
	766																			
	Albania - AL																			
	to																			
	783																			
	Ukraine - UA																			
	784																			
	Residual Former Serbia and Montenegro - 2C																			
	785																			
	Residual Europe - 2B																			
	786																			
	Developing Europe - 3C																			

1. Without any decimals.
 2. Total other international assets.
 3. As specified in table A, in regulation 65(3)(a).
 4. As specified in table B, in regulation 65(3)(b).
 5. As specified in table C, in regulation 65(3)(c).

(All amounts to be rounded off to the nearest US\$ millions¹)

Vis-à-vis country with ISO code	Line no.	Total other assets: domestic plus foreign currency		Domestic currency		Foreign currency												
		All	Non-banks	Total	All	Non-banks	EUR		JPY		GBP		CHF		Residual			
							All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks
		MIAC	MIAD	MICC	MICD	MICD	MICD	MIXC	MIXD	MIQC	MIQD	MIJC	MIJD	MIKC	MIKD	MIIC	MIID	
Table 4 ²	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Developing Latin America and Caribbean ³																		
Argentina - AR	787																	
to																		
Venezuela - VE	817																	
Residual Latin America and Caribbean - 2H	818																	
Developing Latin America and Caribbean - 4U	819																	
Developing Africa and Middle East ⁴																		
Algeria - DZ	820																	
to																		
Zimbabwe - ZW	884																	
Residual Africa (includes Western Sahara) and Middle East - 2W	885																	
Developing Africa and Middle East - 4W	886																	
Developing Asia and Pacific																		
Afghanistan - AF	887																	
to																		
Wallis and Futuna - WF	932																	
Residual Asia and Pacific - 2O	933																	
Developing Asia and Pacific - 4Y	934																	

1. Without any decimals.
 2. Total other international assets.
 3. As specified in table D, in regulation 65(3)(d).
 4. As specified in table E, in regulation 65(3)(e).
 5. As specified in table F, in regulation 65(3)(f).

(All amounts to be rounded off to the nearest US\$ millions ¹)

Vis-à-vis country with ISO code	Line no.	Total liabilities: domestic plus foreign currency		Foreign currency														
		Domestic currency		Total		USD		EUR		JPY		GBP		CHF		Residual		
		All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	
MAAA	MAAB	MACA	MACB	MADA	MADB	MAFA	MAFB	MAXA	MAXB	MAQA	MAQB	MAJA	MAJB	MAKA	MAKB	MAIA	MAIB	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
Table 5 ²																		
Developed countries ³ :																		
Andorra - AD	941																	
to																		
United States - US	974																	
Residual developed countries - 2R	975																	
Developed countries - 5R	976																	
Offshore centres ⁴																		
Aruba - AW	977																	
to																		
West Indies UK - 1Z	997																	
Residual former Netherlands Antilles - 2D	998																	
Residual offshore centres - 2N	999																	
Offshore centres - 1N	1000																	
Developing Europe ⁵																		
Albania - AL	1001																	
to																		
Ukraine - UA	1018																	
Residual Former Serbia and Montenegro - 2C	1019																	
Residual Europe - 2B	1020																	
Developing Europe - 3C	1021																	

1. Without any decimals.
 2. Total liabilities: International deposits plus international own issues of debt securities plus other international liabilities.
 3. As specified in table A, in regulation 65(3)(a).
 4. As specified in table B, in regulation 65(3)(b).
 5. As specified in table C, in regulation 65(3)(c).

(All amounts to be rounded off to the nearest US\$ millions ¹)

Vis-à-vis country with ISO code	Line no.	Foreign currency										Domestic currency						
		Total liabilities: domestic plus foreign currency		Total		USD		EUR		JPY		GBP		CHF		Residual		
		All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	
MAAA	MAAB	MACA	MACB	MADA	MADB	MAFA	MAFB	MAXA	MAXB	MAQA	MAQB	MAJA	MAJB	MAKA	MAKB	MAIA	MAIB	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
Table 5 ²																		
Developing Latin America and Caribbean																		
Argentina - AR	1022																	
to																		
Venezuela - VE	1052																	
Residual Latin America and Caribbean - 2H	1053																	
Developing Latin America and Caribbean - 4U	1054																	
Developing Africa and Middle East ⁴																		
Algeria - DZ	1055																	
to																		
Zimbabwe - ZW	1119																	
Residual Africa (includes Western Sahara) and Middle East - 2W	1120																	
Developing Africa and Middle East - 4W	1121																	
Developing Asia and Pacific																		
Afghanistan - AF	1122																	
to																		
Wallis and Futuna - WF	1167																	
Residual Asia and Pacific - 2O	1168																	
Developing Asia and Pacific - 4Y	1169																	

1. Without any decimals.

2. Total liabilities: international deposits plus international own issues of debt securities plus other international liabilities.

3. As specified in table D, in regulation 65(3)(d).

4. As specified in table E, in regulation 65(3)(e).

5. As specified in table F, in regulation 65(3)(f).

(All amounts to be rounded off to the nearest US\$ millions ¹)

Vis-à-vis country with ISO code	Line no.	Domestic currency						Foreign currency												Residual
		Total		Non-banks		All	Total	USD		EUR		JPY		GBP		CHF				
		All	Non-banks	All	Non-banks			All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks			
		MAAA	MAAB	MACA	MACB			MADA	MADB	MAFA	MAFB	MAXA	MAXB	MAQA	MAQB	MAJA	MAJB	MAKA	MAKB	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17				
	Table 5 ²																			
International organisations (except the BIS which is included under Switzerland, and the ECB which is included under Germany) - 1C	1170																			
Unallocated - 5M	1171																			
All countries - 3P = (5R+1N+3C+4U+4W+4Y+1C+5M)	1172																			
Residents - 1E	1173																			
All countries plus Residents - 5J = (3P+1E)	1174																			
Memorandum:- Official monetary authorities - 1D	1175																			

1. Without any decimals.
2. Total liabilities: international deposits plus international own issues of debt securities plus other international liabilities.

(All amounts to be rounded off to the nearest US\$ millions ¹)

Vis-à-vis country with ISO code	Line no.	Total deposits: domestic plus foreign currency		Domestic currency		Foreign currency																
		All	Non-banks	MGAA	MGCB	MGCA	MGAB	Total		USD		EUR		JPY		GBP		CHF		Residual		
								All	Non-banks	MGDA	MGDB	All	Non-banks	MGFA	MGFB	MGXA	MGXB	MGQA	MGQB	MGJA	MGJB	MGKA
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18					
Developed countries ³ :																						
Andorra - AD	1176																					
to																						
United States - US	1209																					
Residual developed countries - 2R	1210																					
Developed countries - 5R	1211																					
Offshore centres ⁴ :																						
Aruba - AW	1212																					
to																						
West Indies UK - 1Z	1232																					
Residual former Netherlands Antilles - 2D	1233																					
Residual offshore centres - 2N	1234																					
Offshore centres - 1N	1235																					
Developing Europe ⁵ :																						
Albania - AL	1236																					
to																						
Ukraine - UA	1253																					
Residual Former Serbia and Montenegro - 2C	1254																					
Residual Europe - 2B	1255																					
Developing Europe - 3C	1256																					

1. Without any decimals.
 2. Total international deposits.
 3. As specified in table A, in regulation 65(3)(a).
 4. As specified in table B, in regulation 65(3)(b).
 5. As specified in table C, in regulation 65(3)(c).

(All amounts to be rounded off to the nearest US\$ millions¹)

Vis-à-vis country with ISO code	Line no.	Domestic currency						Foreign currency											
		Total deposits: domestic plus foreign currency		Total		USD		EUR		JPY		GBP		CHF		Residual			
		All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks		
		MGAA	MGAB	MGCA	MGCB	MGDA	MGDB	MGFA	MGFB	MGXA	MGXB	MGQA	MGQB	MGJA	MGJB	MGKA	MGKB	MGIA	MGIB
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
Table 6 ²																			
Developing Latin America and Caribbean ³																			
Argentina - AR	1257																		
to																			
Venezuela - VE	1287																		
Residual Latin America and Caribbean - 2H	1288																		
Developing Latin America and Caribbean - 4U	1289																		
Developing Africa and Middle East ⁴																			
Algeria - DZ	1290																		
to																			
Zimbabwe - ZW	1354																		
Residual Africa (includes Western Sahara) and Middle East - 2W	1355																		
Developing Africa and Middle East - 4W	1356																		
Developing Asia and Pacific																			
Afghanistan - AF	1357																		
to																			
Wallis and Futuna - WF	1402																		
Residual Asia and Pacific - 2O	1403																		
Developing Asia and Pacific - 4Y	1404																		

1. Without any decimals.
 2. Total international deposits.
 3. As specified in table D, in regulation 65(3)(d).
 4. As specified in table E, in regulation 65(3)(e).
 5. As specified in table F, in regulation 65(3)(f).

(All amounts to be rounded off to the nearest US\$ millions¹)

Vis-à-vis country with ISO code	Line no.	Total deposits: domestic plus foreign currency			Foreign currency												Residu	
		Domestic currency			USD		EUR		JPY		GBP		CHF		All	MGIA		
		All	Non-banks	Total	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks				
MGAA	MGAB	MGCA	MGCB	MGDA	MGDB	MGFA	MGFB	MGXA	MGXB	MGQA	MGQB	MGJA	MGJB	MGKA	MGKB	MGIA	M	
Table 6 ²		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
International organisations (except the BIS which is included under Switzerland, and the ECB which is included under Germany) - 1C	1405																	
Unallocated - 5M	1406																	
All countries - 3P = (5R+1N+3C+4U+4W+4Y+1C+5M)	1407																	
Residents - 1E	1408																	
All countries plus Residents - 5J = (3P+1E)	1409																	
Memorandum:-																		
Official monetary authorities - 1D	1410																	

1. Without any decimals.
2. Total international deposits.

(All amounts to be rounded off to the nearest US\$ millions¹)

Vis-à-vis country with ISO code	Line no.	Total securities: domestic plus foreign currency		Domestic currency		Foreign currency																	
		All	Non-banks	Total	All	Non-banks	USD		EUR		JPY		GBP		CHF		Residual						
							MDA	MDAB	MDCB	MDCB	MDCB	MDCB	MDCB	MDCB	MDCB								
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18				
Developed countries ³ :																							
Andorra - AD	1411																						
to	to																						
United States - US	1444																						
Residual developed countries - 2R	1445																						
Developed countries - 5R	1446																						
Offshore centres ⁴																							
Aruba - AW	1447																						
to	to																						
West Indies UK - 1Z	1467																						
Residual former Netherlands Antilles - 2D	1468																						
Residual offshore centres - 2N	1469																						
Offshore centres - 1N	1470																						
Developing Europe ⁵																							
Albania - AL	1471																						
to	to																						
Ukraine - UA	1488																						
Residual Former Serbia and Montenegro - 2C	1489																						
Residual Europe - 2B	1490																						
Developing Europe - 3C	1491																						

1. Without any decimals.
 2. Total international own issues of debt securities.
 3. As specified in table A, in regulation 65(3)(a).
 4. As specified in table B, in regulation 65(3)(b).
 5. As specified in table C, in regulation 65(3)(c).

(All amounts to be rounded off to the nearest US\$ millions¹)

Vis-à-vis country with ISO code	Line no.	Total securities: domestic plus foreign currency						Foreign currency												
		Domestic currency			Total			USD		EUR		JPY		GBP		CHF		Residual		
		All	Non-banks	Total	All	Non-banks	Total	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	
MDA	MDAB	MDC	MDCB	MDD	MDDB	MDF	MDFB	MDE	MDEB	MDE	MDEB	MDE	MDEB	MDE	MDEB	MDE	MDEB	MDE	MDEB	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18			
Developing Latin America and Caribbean ³																				
Argentina - AR	1492																			
to																				
Venezuela - VE	1522																			
Residual Latin America and Caribbean - 2H	1523																			
Developing Latin America and Caribbean - 4U	1524																			
Developing Africa and Middle East ⁴																				
Algeria - DZ	1525																			
to																				
Zimbabwe - ZW	1589																			
Residual Africa (includes Western Sahara) and Middle East - 2W	1590																			
Developing Africa and Middle East - 4W	1591																			
Developing Asia and Pacific																				
Afghanistan - AF	1592																			
to																				
Wallis and Futuna - WF	1637																			
Residual Asia and Pacific - 2O	1638																			
Developing Asia and Pacific - 4Y	1639																			

1. Without any decimals.
 2. Total international own issues of debt securities.
 3. As specified in table D, in regulation 65(3)(d).
 4. As specified in table E, in regulation 65(3)(e).
 5. As specified in table F, in regulation 65(3)(f).

(All amounts to be rounded off to the nearest US\$ millions ¹)

Vis-à-vis country with ISO code	Line no.	Domestic currency						Foreign currency												Residu	
		Total securities: domestic plus foreign currency		Total		USD		EUR		JPY		GBP		CHF		All	Non-banks				
		All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks						
MDAA	MDAB	MDCA	MDCB	MDDA	Mddb	MDFA	MDFB	MDXA	MDXB	MDQA	MDQB	MDJA	MDJB	MDKA	MDKB	MDJA	MDJB				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18			
Table 7 ²																					
International organisations (except the BIS which is included under Switzerland, and the ECB which is included under Germany) - 1C	1640																				
Unallocated - 5M	1641																				
All countries - 3P = (5R+1N+3C+4U+4W+4Y+1C+5M)	1642																				
Residents - 1E	1643																				
All countries plus Residents - 5J = (3P+1E)	1644																				
Memorandum:-																					
Official monetary authorities - 1D	1645																				

1. Without any decimals.
 2. Total international own issues of debt securities.

(All amounts to be rounded off to the nearest US\$ millions¹)

Vis-à-vis country with ISO code	Line no.	Total other liabilities: domestic plus foreign currency		Domestic currency		Foreign currency													
		All	Non-banks	Total	All	Non-banks	USD		EUR		JPY		GBP		CHF		Residual		
							MIAA	MIAB	MICA	MICB	MIDA	MIDB	MIFA	MIFB	MIXA	MIXB	MIQA	MIQB	MIJA
Table 8 ²		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Developed countries ³ :																			
Andorra - AD	1646																		
to																			
United States - US	1679																		
Residual developed countries - 2R	1680																		
Developed countries - 5R	1681																		
Offshore centres ⁴																			
Aruba - AW	1682																		
to																			
West Indies UK - 1Z	1702																		
Residual former Netherlands Antilles - 2D	1703																		
Residual offshore centres - 2N	1704																		
Offshore centres - 1N	1705																		
Developing Europe ⁵																			
Albania - AL	1706																		
to																			
Ukraine - UA	1723																		
Residual Former Serbia and Montenegro - 2C	1724																		
Residual Europe - 2B	1725																		
Developing Europe - 3C	1726																		

1. Without any decimals.

2. Total other international liabilities.

3. As specified in table A, in regulation 65(3)(a).

4. As specified in table B, in regulation 65(3)(b).

5. As specified in table C, in regulation 65(3)(c).

(All amounts to be rounded off to the nearest US\$ millions¹)

Line no.	Vis-à-vis country with ISO code	Total other liabilities: domestic plus foreign currency		Domestic currency		Foreign currency													
		All	Non-banks	Total	All	Non-banks	USD		EUR		JPY		GBP		CHF		Residual		
							MIAA	MIAB	MICA	MICB	MIDA	MIDB	MIFA	MIFB	MIXA	MIXB	MIQA	MICB	MIJA
	Table 8 ²	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
	Developing Latin America and Caribbean																		
	Argentina - AR																		
	to																		
	Venezuela - VE																		
	Residual Latin America and Caribbean - 2H																		
	Developing Latin America and Caribbean - 4U																		
	Developing Africa and Middle East ⁴																		
	Algeria - DZ																		
	to																		
	Zimbabwe - ZW																		
	Residual Africa (includes Western Sahara) and Middle East - 2W																		
	Developing Africa and Middle East - 4W																		
	Developing Asia and Pacific																		
	Afghanistan - AF																		
	to																		
	Wallis and Futuna - WF																		
	Residual Asia and Pacific - 2O																		
	Developing Asia and Pacific - 4Y																		

1. Without any decimals.

2. Total other international liabilities.

3. As specified in table D, in regulation 65(3)(d).

4. As specified in table E, in regulation 65(3)(e).

5. As specified in table F, in regulation 65(3)(f).

(All amounts to be rounded off to the nearest US\$ millions¹)

Vis-à-vis country with ISO code	Line no.	Table 8 ²	Total other liabilities: domestic plus foreign currency		Domestic currency		Foreign currency												Residual
			All	Non-banks	Total	All	Non-banks	USD		EUR		JPY		GBP		CHF			
								MIAA	MIAB	MICA	MICB	MIDA	MIDB	MIFA	MIFB	MIXA	MIXB	MIQA	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
International organisations (except the BIS which is included under Switzerland, and the ECB which is included under Germany) - 1C	1875																		
Unallocated - 5M	1876																		
All countries - 3P = (5R+1N+3C+4U+4W+4Y+1C+5M)	1877																		
Residents - 1E	1878																		
All countries plus Residents - 5J = (3P+1E)	1879																		
Memorandum:- Official monetary authorities - 1D	1880																		
Exchange rate (US\$/R) ⁴	1881																		
Hash total ³	1882																		
Total																			
1																			

1. Without any decimals.
 2. Total other international liabilities.
 3. Report as absolute numbers, not US\$ millions.
 4. Rounded to 4 decimal places.

65. Selected locational statistics based on residence - Directives and interpretations for completion of quarterly return concerning selected locational statistics based on residence (Form BA 940)

- (1) The content of the relevant return is confidential and not available for inspection by the public.
- (2) The purpose of the form BA 940 is to obtain, amongst other things, selected locational information based on residence regarding-
 - (a) a bank's total international claims, including-
 - (i) international loans;
 - (ii) international holdings of debt securities;
 - (iii) other international assets;
 - (b) a bank's total international liabilities, including-
 - (i) international deposits;
 - (ii) international own issues of debt securities;
 - (iii) other international liabilities.
- (3) For the purposes of this regulation 65, unless specifically otherwise stated or directed in writing-
 - (a) developed countries means the 34 countries with the relevant ISO codes specified in table A below:

Table A

1.	Andorra - AD	18.	Malta - MT
2.	Austria – AT	19.	Netherlands – NL
3.	Belgium - BE	20.	Norway (includes Bouvet Islands, Svalbard and Jan Mayen Islands) - NO
4.	Cyprus – CY	21.	Portugal (includes the Azores and Madeira) – PT
5.	Denmark (excludes Faeroe Islands and Greenland) – DK	22.	San Marino – SM
6.	Estonia - EE	23.	Slovakia – SK
7.	Faeroe Islands - FO	24.	Slovenia - SI
8.	Finland (includes Aland Islands) - FI	25.	Spain (includes Balearic Islands, Canary Islands and Ceuta and Melilla) - ES
9.	France (includes French Guiana, French Southern Territories, Guadeloupe, Martinique, Mayotte, Monaco, Reunion and St. Pierre and Miquelon) - FR	26.	Sweden - SE
10.	Germany (includes the European Central Bank) - DE	27.	Switzerland (includes Bank for International Settlements) - CH
11.	Greece - GR	28.	United Kingdom (excludes Guernsey, Isle of Man and Jersey) - GB
12.	Greenland - GL	29.	Vatican - VA
13.	Iceland - IS	30.	Australia (includes Christmas Islands, Cocos Islands, Norfolk Islands, Heard and McDonald Islands, Territory of Ashmore and Cartier Islands and Territory of Coral Sea Islands) - AU
14.	Ireland - IE	31.	Canada - CA
15.	Italy - IT	32.	Japan - JP
16.	Liechtenstein - LI	33.	New Zealand (includes Cook Islands, Minor Islands, Niue, Ross Dependency and Tokelau) - NZ
17.	Luxembourg - LU	34.	United States (includes American Samoa, Guam, Midway Islands, Northern Mariana Islands, Puerto Rico, US Virgin Islands and Wake Islands) - US

- (b) off-shore centres means the 21 countries with the relevant ISO codes specified in table B below:

Table B

1.	Aruba - AW	12.	Jersey - JE
2.	Bahamas - BS	13.	Lebanon - LB
3.	Bahrain - BH	14.	Macao SAR - MO
4.	Barbados - BB	15.	Mauritius - MU
5.	Bermuda - BM	16.	Panama (includes Panama Canal Zone) - PA
6.	Cayman Islands - KY	17.	Samoa - WS
7.	Curacao - CW	18.	Singapore - SG
8.	Gibraltar - GI	19.	St Maarten - SX
9.	Guernsey - GG	20.	Vanuatu - VU
10.	Hong Kong SAR - HK	21.	West Indies UK (includes Anguilla, Antigua and Barbuda, British Virgin Islands, Montserrat and St. Christopher/St. Kitts - Nevis) - 1Z
11.	Isle of Man - IM		

- (c) developing Europe means the 18 countries with the relevant ISO codes specified in table C below:

Table C

1.	Albania - AL	10.	Macedonia (the former Yugoslav Republic of Macedonia) - MK
2.	Belarus - BY	11.	Moldova - MD
3.	Bosnia and Herzegovina - BA	12.	Montenegro - ME
4.	Bulgaria - BG	13.	Poland - PL
5.	Croatia - HR	14.	Romania - RO
6.	Czech Republic - CZ	15.	Russia - RU
7.	Hungary - HU	16.	Serbia - RS
8.	Latvia - LV	17.	Turkey - TR
9.	Lithuania - LT	18.	Ukraine - UA

- (d) developing Latin America and Caribbean means the 31 countries with the relevant ISO codes specified in table D below:

Table D

1.	Argentina - AR	17.	Guyana - GY
2.	Belize - BZ	18.	Haiti - HT
3.	Bolivia - BO	19.	Honduras - HN
4.	Bonaire, St. Eustatius and Saba - BQ	20.	Jamaica - JM
5.	Brazil - BR	21.	Mexico - MX
6.	Chile - CL	22.	Nicaragua - NI
7.	Colombia - CO	23.	Paraguay - PY
8.	Costa Rica - CR	24.	Peru - PE
9.	Cuba - CU	25.	St. Lucia - LC
10.	Dominica - DM	26.	St. Vincent (includes the Grenadines) - VC
11.	Dominican Republic - DO	27.	Suriname - SR
12.	Ecuador - EC	28.	Trinidad and Tobago - TT
13.	El Salvador - SV	29.	Turks and Caicos - TC
14.	Falkland Islands - FK	30.	Uruguay - UY
15.	Grenada - GD	31.	Venezuela - VE
16.	Guatemala - GT		

- (e) developing Africa and Middle East means the 65 countries with the relevant ISO codes specified in table E below:

Table E

1.	Algeria - DZ	34.	Madagascar - MG
2.	Angola - AO	35.	Malawi - MW
3.	Benin - BJ	36.	Mali - ML
4.	Botswana - BW	37.	Mauritania - MR
5.	Burkina Faso (formerly Upper Volta) - BF	38.	Morocco - MA
6.	Burundi - BI	39.	Mozambique - MZ
7.	Cameroon - CM	40.	Namibia - NA
8.	Cape Verde - CV	41.	Niger - NE
9.	Central African Republic - CF	42.	Nigeria - NG
10.	Chad - TD	43.	Oman - OM
11.	Comoros Islands - KM	44.	Palestinian Territory - PS
12.	Congo - CG	45.	Qatar - QA
13.	Congo Democratic Republic (formerly Zaire) - CD	46.	Rwanda - RW
14.	Côte d'Ivoire - CI	47.	Sao Tome and Principe - ST
15.	Djibouti - DJ	48.	Saudi Arabia - SA
16.	Egypt - EG	49.	Senegal - SN
17.	Equatorial Guinea - GQ	50.	Seychelles - SC
18.	Eritrea - ER	51.	Sierra Leone - SL
19.	Ethiopia - ET	52.	Somalia - SO
20.	Gabon - GA	53.	South Africa - ZA
21.	Gambia - GM	54.	St. Helena (includes Ascension, Gough and Tristan Da Cunha) - SH
22.	Ghana - GH	55.	Sudan - SD
23.	Guinea - GN	56.	Swaziland - SZ
24.	Guinea-Bissau - GW	57.	Syria - SY
25.	Iran - IR	58.	Tanzania - TZ
26.	Iraq - IQ	59.	Togo - TG
27.	Israel - IL	60.	Tunisia - TN
28.	Jordan - JO	61.	Uganda - UG
29.	Kenya - KE	62.	United Arab Emirates - AE
30.	Kuwait - KW	63.	Yemen - YE
31.	Lesotho - LS	64.	Zambia - ZM
32.	Liberia - LR	65.	Zimbabwe - ZW
33.	Libya - LY		

- (f) developing Asia and Pacific means the 46 countries with the relevant ISO codes specified in table F below:

Table F

1.	Afghanistan - AF	24.	Mongolia - MN
2.	Armenia - AM	25.	Myanmar (formerly Burma) - MM
3.	Azerbaijan - AZ	26.	Nauru - NR
4.	Bangladesh - BD	27.	Nepal - NP
5.	Bhutan - BT	28.	New Caledonia - NC
6.	British Overseas Territories (includes British Antarctic Territory, British Indian Ocean Territory, Chagos, Pitcairn Islands, South Georgia and South Sandwich Islands) - 1W	29.	North Korea - KP
7.	Brunei - BN	30.	Pakistan - PK
8.	Cambodia (formerly Kampuchea) - KH	31.	Palau - PW
9.	China - CN	32.	Papua New Guinea - PG
10.	Chinese Taipei - TW	33.	Philippines - PH
11.	Fiji - FJ	34.	Solomon Islands - SB
12.	French Polynesia (includes Society Archipelago, Tuamotu-Gambier Islands, Marquesas, Australes Archipelago) - PF	35.	South Korea - KR
13.	Georgia - GE	36.	Sri Lanka - LK
14.	India - IN	37.	Tajikistan - TJ
15.	Indonesia - ID	38.	Thailand - TH
16.	Kazakhstan - KZ	39.	Timor Leste - TL
17.	Kiribati (includes Canton and Enderbury, Gilbert Island, Phoenix Islands, Line Islands) - KI	40.	Tonga - TO
18.	Kyrgyz Republic - KG	41.	Turkmenistan - TM
19.	Laos - LA	42.	Tuvalu (formerly the Ellice Islands) - TV
20.	Malaysia (includes Labuan International Offshore Financial Centre) - MY	43.	US Pacific Islands (includes Carolines, Howland and Baker, Kingman Reef, Palmyra, Jarvis and Jonston) - PU
21.	Maldives - MV	44.	Uzbekistan - UZ
22.	Marshall Islands - MH	45.	Vietnam - VN
23.	Micronesia - FM	46.	Wallis and Futuna - WF

- (g) international organisations that shall be reported as non-banks for the sectoral classification of international claims and liabilities include the organisations with the relevant ISO codes specified in table G below:

Table G

EU organisations	
European Atomic Energy Community (Euratom)	Brussels
European Union (EU)	Brussels
Other European organisations	
Council of Europe (CE)	Strasbourg
European Free Trade Association (EFTA)	Geneva
European Organization for Nuclear Research (CERN)	Geneva
European Space Agency (ESA)	Paris
European Telecommunications Satellite Organization (EUTELSAT)	Paris
Western European Union (WEU)	Brussels
Intergovernmental organisations	
African Union (AU)	Addis Ababa (Ethiopia)
Association of Southeast Asian Nations (ASEAN)	Jakarta
Caribbean Community and Common Market (CARICOM)	Georgetown (Guyana)
Central American Common Market (CACM)	Guatemala City
Colombo Plan	Colombo (Sri Lanka)
Economic Community of West African States (ECOWAS)	Lagos (Nigeria)
Latin American Association of Development Financing Institutions (ALIDE)	Lima
Latin American Economic System (SELA)	Caracas
Latin American Integration Association (LAIA)	Montevideo
League of Arab States (LAS)	Cairo
North Atlantic Treaty Organisation (NATO)	Brussels
Organisation for Economic Co-operation and Development (OECD)	Paris
Organization of American States (OAS)	Washington
Organization of Central American States (OCAS)	San Salvador
Organisation of Eastern Caribbean States (OECS)	Castries (St Lucia)
South Asian Association for Regional Cooperation (SAARC)	Kathmandu (Nepal)
West African Economic Community (WAEC)	Ouagadougou (Burkina Faso)

Table G

United Nations (UN)	New York
Various committees, funds and programmes of the UN including	
United Nations Conference on Trade and Development (UNCTAD)	Geneva
United Nations Children's Fund (UNICEF)	New York
Specialised Agencies of the UN	
Food and Agriculture Organization (FAO)	Rome
International Atomic Energy Agency (IAEA)	Vienna
International Civil Aviation Organization (ICAO)	Montreal
International Fund for Agricultural Development (IFAD)	Rome
International Labour Organization (ILO)	Geneva
International Maritime Organization (IMO)	London
International Telecommunication Union (ITU)	Geneva
United Nations Educational, Scientific and Cultural Organization (UNESCO)	Paris
Universal Postal Union (UPU)	Berne
World Health Organization (WHO)	Geneva
World Intellectual Property Organization (WIPO)	Geneva
World Meteorological Organization (WMO)	Geneva
World Tourism Organization (UN WTO)	Madrid
World Trade Organization (WTO)	Geneva
Commodity organisations	
Intergovernmental Council of Copper Exporting Countries (CIPEC)	Paris
International Cocoa Organization (ICCO)	London
International Coffee Organization (ICO)	London
International Cotton Advisory Committee (ICAC)	Washington
International Jute Study Group (IJSJG)	Dhaka (Bangladesh)
International Lead and Zinc Study Group (ILZSG)	Lisbon
International Olive Oil Council (IOOC)	Madrid
International Rubber Study Group (IRSG)	Wembley
International Sugar Organization (ISO)	London
International Grains Council (IGC)	London
Latin American Energy Organization (OLADE)	Quito (Ecuador)
Organization of Arab Petroleum Exporting Countries (OAPEC)	Safat (Kuwait)
Organization of the Petroleum Exporting Countries (OPEC)	Vienna
Other	
International Committee of the Red Cross (ICRC)	Geneva
World Council of Churches (WCC)	Geneva
International Maritime Satellite Organization (INMARSAT)	London

- (h) international organisations that are multilateral banks and that shall be reported as banks for the sectoral classification of international claims and liabilities include the organisations with the relevant ISO codes specified in table H below:

Table H

EU organisations	
European Investment Bank (EIB)	Luxembourg
Specialised Agencies of the UN	
International Bank for Reconstruction and Development (IBRD)	Washington
International Development Association (IDA)	Washington
International Finance Corporation (IFC)	Washington
International Monetary Fund (IMF)	Washington
Regional aid banks and funds	
African Development Bank Group	Abidjan (Côte d'Ivoire)
Andean Development Corporation (ADC)	Caracas
Arab Bank for Economic Development in Africa (BADEA)	Khartoum
Arab Fund for Economic and Social Development (AFESD)	Kuwait
Arab Monetary Fund (AMF)	Abu Dhabi
Asian Clearing Union (ACU)	Tehran
Asian Development Bank (ADB)	Manila
Caribbean Development Bank (CDB)	St Michael (Barbados)
Central African States Development Bank (CASDB)	Brazzaville (Congo)
Central American Bank for Economic Integration (CABEI)	Tegucigalpa DC (Honduras)
Council of Europe Development Bank	Paris
East African Development Bank (EADB)	Kampala
European Bank for Reconstruction and Development (EBRD)	London
Inter-American Development Bank (IADB)	Washington
Islamic Development Bank (IDB)	Jeddah (Saudi Arabia)
Latin American Reserve Fund (LARF)	Santafé de Bogotá
Nordic Investment Bank (NIB)	Helsinki
OPEC Fund for International Development (OFID)	Vienna
West African Economic and Monetary Union (WAEMU)	Ouagadougou (Burkina Faso)
West African Monetary Agency (WAMA)	Freetown (Sierra Leone)

- (i) official monetary authorities that shall be reported as banks for the sectoral classification of international assets and liabilities include the authorities specified in table I below:

Table I

Developed countries		
<i>Europe</i>		
Austria	Austrian National Bank	Vienna
Belgium	National Bank of Belgium	Brussels
Denmark	National Bank of Denmark	Copenhagen
Finland	Bank of Finland	Helsinki
France	Bank of France	Paris
Germany	European Central Bank	Frankfurt
	Deutsche Bundesbank	Frankfurt
Greece	Bank of Greece	Athens
Iceland	Central Bank of Iceland	Reykjavík
Ireland	Central Bank & Financial Services Authority of Ireland	Dublin
Italy	Bank of Italy	Rome
Luxembourg	Central Bank of Luxembourg	Luxembourg
Netherlands	Netherlands Bank	Amsterdam
Norway	Central Bank of Norway	Oslo
Portugal	Bank of Portugal	Lisbon
San Marino	San Marinese Institute of Credit	San Marino
Spain	Bank of Spain	Madrid
Sweden	Sveriges Riksbank	Stockholm
Switzerland/ Liechtenstein	Swiss National Bank	Zurich
	Bank for International Settlements	
United Kingdom	Bank of England	London
<i>Other developed countries</i>		
Australia	Reserve Bank of Australia	Sydney
Canada	Bank of Canada	Ottawa
Japan	Bank of Japan	Tokyo
	Ministry of Finance	Tokyo
New Zealand	Reserve Bank of New Zealand	Wellington
United States	System (the Federal Reserve Board, the Federal Reserve Bank of New York and the 11 other Federal Reserve Banks)	Various locations

Table I

Offshore centres		
(Describing countries with banking sectors dealing primarily with non-residents and/or in foreign currency on a scale out of proportion to the size of the host economy.)		
Aruba	Central Bank of Aruba	Oranjestad
Bahamas	Central Bank of The Bahamas	Nassau
Bahrain	Central Bank of Bahrain	Manama
Barbados	Central Bank of Barbados	Bridgetown
Bermuda	Bermuda Monetary Authority	Hamilton
Cayman Islands	Cayman Islands Monetary Authority	Georgetown
Hong Kong SAR	Hong Kong Monetary Authority	Hong Kong SAR
Lebanon	Central Bank of Lebanon	Beirut
Macao SAR	Monetary Authority of Macao	Macao SAR
Mauritius	Bank of Mauritius	Port Louis
Netherlands Antilles	Bank of the Netherlands Antilles	Willemstad, Curaçao
Panama	National Bank of Panama	Panama
Samoa	Central Bank of Samoa	Apia
Singapore	Monetary Authority of Singapore	Singapore
Vanuatu	Reserve Bank of Vanuatu	Port Vila
Developing economies		
Africa and Middle East		
Algeria	Bank of Algeria	Algiers
Angola (Republic of)	National Bank of Angola	Luanda
Botswana	Bank of Botswana	Gaborone
Burundi	Bank of the Republic of Burundi	Bujumbura
Cape Verde	Bank of Cape Verde	Praia
Cameroon	Bank of Central African States (Central Africa: Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon)	Yaoundé
Comoros	Central Bank of The Comoros	Moroni
Congo, Democratic Rep.	Central Bank of Congo	Kinshasa
Djibouti	National Bank of Djibouti	Djibouti
Egypt	Central Bank of Egypt	Cairo
Eritrea	National Bank of Eritrea	Asmara
Ethiopia	National Bank of Ethiopia	Addis Ababa
The Gambia	Central Bank of The Gambia	Banjul
Ghana	Bank of Ghana	Accra
Guinea	Central Bank of the Republic of Guinea	Conakry
Iran	The Central Bank of the Islamic Republic of Iran	Tehran
Iraq	Central Bank of Iraq	Baghdad
Israel	Bank of Israel	Jerusalem
Jordan	Central Bank of Jordan	Amman

Table I

Kenya	Central Bank of Kenya	Nairobi
Kuwait	Central Bank of Kuwait	Kuwait
Lesotho	Central Bank of Lesotho	Maseru
Liberia	National Bank of Liberia	Monrovia
Libya	Central Bank of Libya	Tripoli
Madagascar	Central Bank of Madagascar	Antananarivo
Malawi	Reserve Bank of Malawi	Lilongwe
Mauritania	Central Bank of Mauritania	Nouakchott
Morocco	Bank of Morocco	Rabat
Mozambique	Bank of Mozambique	Maputo
Namibia	Bank of Namibia	Windhoek
Nigeria	Central Bank of Nigeria	Abuja
Oman	Central Bank of Oman	Ruwi, Muscat
Qatar	Qatar Central Bank	Doha
Rwanda	National Bank of Rwanda	Kigali
São Tomé and Príncipe	Central Bank of São Tomé and Príncipe	São Tomé
Saudi Arabia	Saudi Arabian Monetary Agency	Riyadh
Senegal	Central Bank of the West African States (West African Economic and Monetary Union: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo)	Dakar
Seychelles	Central Bank of Seychelles	Victoria
Sierra Leone	Bank of Sierra Leone	Freetown
Somalia	Central Bank of Somalia	Mogadishu
South Africa	South African Reserve Bank	Pretoria
Sudan	Bank of Sudan	Khartoum
Swaziland	The Central Bank of Swaziland	Mbabane
Syria	Central Bank of Syria	Damascus
Tanzania	Bank of Tanzania	Dar es Salaam
Tunisia	Central Bank of Tunisia	Tunis
Uganda	Bank of Uganda	Kampala
United Arab Emirates	Abu Dhabi Investment Authority Central Bank of the United Arab Emirates Government of Dubai (Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quaiwain, Ras al Khaimah, Fujairah)	Abu Dhabi
Yemen	Central Bank of Yemen	Sana'a
Zambia	Bank of Zambia	Lusaka
Zimbabwe	Reserve Bank of Zimbabwe	Harare

Table I

Asia and Pacific		
Afghanistan	The Central Bank of Afghanistan	Kabul
Armenia	Central Bank of Armenia	Yerevan
Azerbaijan	National Bank of Azerbaijan	Baku
Bangladesh	Bangladesh Bank	Dhaka
Bhutan	Royal Monetary Authority of Bhutan	Thimphu
Brunei	Brunei Monetary Board	Bandar Seri Begawan
Cambodia	National Bank of Cambodia	Phnom Penh
China	The People's Bank of China State Administration of Foreign Exchange	Beijing Beijing
Chinese Taipei	The Central Bank of China	Taipei
Fiji	Reserve Bank of Fiji	Suva
French Polynesia	Institut d'Emission d'Outre-Mer	Papeete
Georgia	National Bank of Georgia	Tbilisi
India	Reserve Bank of India	Bombay
Indonesia	Bank Indonesia	Jakarta
Kazakhstan	National Bank of the Republic of Kazakhstan	Almaty
Kiribati	Bank of Kiribati	Tarawa
North Korea	Central Bank of Korea	Pyongyang
South Korea	The Bank of Korea	Seoul
Kyrgyz Republic	The National Bank of the Kyrgyz Republic	Bishkek
Laos	Bank of the Lao People's Democratic Republic	Vientiane
Malaysia	Bank Negara Malaysia	Kuala Lumpur
Maldives	Maldives Monetary Authority	Male
Mongolia	The Bank of Mongolia	Ulan Bator
Myanmar	Central Bank of Myanmar	Rangoon
Nauru	Bank of Nauru	Nauru
Nepal	Central Bank of Nepal	Kathmandu
New Caledonia	Institut d'Emission d'Outre-Mer	Nouméa
Pakistan	State Bank of Pakistan	Karachi
Papua New Guinea	Bank of Papua New Guinea	Port Moresby
Philippines	Central Bank of the Philippines	Manila
Solomon Islands	Central Bank of Solomon Islands	Honiara
Sri Lanka	Central Bank of Sri Lanka	Colombo
Tajikistan	National Bank of the Republic of Tajikistan	Dushanbe
Thailand	Bank of Thailand	Bangkok
Tonga	National Reserve Bank of Tonga	Nuku'alofa
Turkmenistan	State Central Bank of Turkmenistan	Ashgabat
Tuvalu	National Bank of Tuvalu	Funafuti
Uzbekistan	Central Bank of the Republic of Uzbekistan	Tashkent
Vietnam	State Bank of Vietnam	Hanoi
Wallis and Futuna Islands	Institut d'Emission d'Outre-Mer	Mata-Utu

Table I

Europe		
Albania	Bank of Albania	Tirana
Belarus	National Bank of the Republic of Belarus	Minsk
Bosnia and Herzegovina	Central Bank of Bosnia and Herzegovina	Sarajevo
Bulgaria	Bulgarian National Bank	Sofia
Croatia	Croatian National Bank	Zagreb
Cyprus	Central Bank of Cyprus	Nicosia
Czech Republic	Czech National Bank	Prague
Estonia	Bank of Estonia	Tallinn
Hungary	Central Bank of Hungary	Budapest
Latvia	Bank of Latvia	Riga
Lithuania	The Bank of Lithuania	Vilnius
Macedonia	National Bank of the Republic of Macedonia	Skopje
Malta	Central Bank of Malta	Valletta
Moldova	National Bank of Moldova	Chisinau
Poland	National Bank of Poland	Warsaw
Romania	National Bank of Romania	Bucharest
Russia	Central Bank of the Russian Federation	Moscow
Serbia	National Bank of Serbia	Belgrade
Slovakia	National Bank of Slovakia	Bratislava
Slovenia	Bank of Slovenia	Ljubljana
Turkey	Central Bank of the Republic of Turkey	Ankara
Ukraine	National Bank of Ukraine	Kiev
Latin America and Caribbean area		
St Kitts and Nevis	Eastern Caribbean Central Bank (Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat , St Kitts and Nevis, St Lucia, St Vincent and the Grenadines)	Basseterre, St Kitts
Argentina	Central Bank of Argentina	Buenos Aires
Belize	Central Bank of Belize	Belize City
Bolivia	Central Bank of Bolivia	La Paz
Brazil	Central Bank of Brazil	Brasília
Chile	Central Bank of Chile	Santiago de Chile
Colombia	Bank of the Republic	Santafé de Bogotá
Costa Rica	Central Bank of Costa Rica	San José
Cuba	Central Bank of Cuba	Havana
Dominican Republic	Central Bank of the Dominican Republic	Santo Domingo
Ecuador	Central Bank of Ecuador	Quito
El Salvador	Central Reserve Bank of El Salvador	San Salvador
Guatemala	Bank of Guatemala	Guatemala City
Guyana	Bank of Guyana	Georgetown
Haiti	Bank of the Republic of Haiti	Port-au-Prince
Honduras	Central Bank of Honduras	Tegucigalpa
Jamaica	Bank of Jamaica	Kingston
Mexico	Bank of Mexico	Mexico City

Table I

Nicaragua	Central Bank of Nicaragua	Managua
Paraguay	Central Bank of Paraguay	Asunción
Peru	Central Reserve Bank of Peru	Lima
Suriname	Central Bank of Suriname	Paramaribo
Trinidad and Tobago	Central Bank of Trinidad and Tobago	Port-of-Spain
Uruguay	Central Bank of Uruguay	Montevideo
Venezuela	Central Bank of Venezuela	Caracas

- (j) in line with international conventions, all positions in currencies other than the US dollar shall be converted into US dollars at the exchange rate prevailing at the end of the relevant quarter;
- (k) a bank shall as part of its relevant liabilities include any relevant amount related to an equity instrument from a non-resident counterparty;
- (l) a bank shall report non-resident positions separately from foreign-currency positions related to residents;
- (m) a bank shall include relevant amounts related to funds received and invested on a trust basis in the bank's own name, even when the funds are booked off-balance sheet;
- (n) a bank shall report own issues of securities in international markets as international banking business, even when the securities are not booked as foreign liabilities;
- (o) a bank shall report positions in relation to foreign official monetary authorities separately from positions in relation to international organisations;
- (p) a bank shall include positions in foreign currency in relation to domestic central banks in total claims and liabilities related to residents;
- (q) all relevant assets and all relevant liabilities shall in accordance with the relevant requirements-
 - (i) specified in regulation 9 of these Regulations be reported on the basis of gross balances;
 - (ii) specified in regulation 3 of these Regulations be valued in accordance with relevant Financial Reporting Standards issued from time to time;

- (r) international loans as part of assets shall comprise those financial assets that are created through the lending of funds by the bank as lender to a debtor or borrower and which are not represented by negotiable securities,
- (i) including-
- (A) loans vis-à-vis non-residents in all currencies and loans vis-à-vis residents in foreign currency;
 - (B) all relevant inter-bank loans and inter-office balance, foreign trade-related credits, loans granted under resale agreements, financial leases, promissory notes and non-negotiable debt securities;
 - (C) funds lent or deposited on a trust basis in the bank's own name but on behalf of third parties, with non-residents in any currency or with residents in foreign currency;
 - (D) all relevant amounts of interest not yet written off,
- provided that-
- (i) lending of securities and gold without cash collateral shall not be reported as international banking business;
 - (ii) loans that have become negotiable de facto as evidenced by secondary market trading shall be classified under debt securities.
- (s) a bank's investment in or holding of international debt securities, that is, assets in all relevant negotiable short- and long-term debt instruments, in domestic and foreign currency issued by non-residents and all such instruments in foreign currency issued by residents-
- (i) shall include all relevant-
- (A) negotiable CDs;
 - (B) debt securities held in the bank's own name and those held on behalf of third parties as part of trustee business;
- (ii) but shall exclude-
- (A) equity shares, investment fund units and warrants;
 - (B) debt securities held on a purely custodial basis for customers and debt securities acquired in the context of securities lending transactions without cash collateral;

- (t) the category "other international assets"
 - (i) shall include all relevant-
 - (A) equity shares, including mutual and investment fund units and holdings of shares in a bank's own name but on behalf of third parties;
 - (B) participations, derivative instruments and working capital supplied by head offices to their branches abroad which is considered permanent capital and hence excluded from banking positions related to loans or deposits;
 - (C) amounts of accrued interest and items in the course of collection;
- (u) international deposits or loans as part of liabilities shall include all claims reflecting evidence of deposit-
 - (i) including all relevant-
 - (A) deposits or loans vis-à-vis non-residents in all currencies and deposits or loans vis-à-vis residents in foreign currency;
 - (B) non-negotiable certificates of deposit (CDs);
 - (C) interbank deposits and inter-office balances, foreign trade-related credits received, sale and repurchase transactions involving the sale of assets such as securities and gold with a commitment to repurchase the same or similar assets, promissory notes, non-negotiable debt securities, endorsement liabilities arising from bills rediscounted abroad, subordinated loans or subordinated non-negotiable debt securities;
 - (D) funds received by the bank from non-residents in any currency or from residents in foreign currency on a trust basis;

provided that borrowing of securities and gold without cash collateral shall not be reported as international banking business;
 - (ii) but shall exclude items or instruments represented by negotiable securities,
- (v) a bank's own issues of international debt securities-
 - (i) shall comprise all liabilities in all negotiable short- and long-term debt securities, including subordinated issues and issues in the bank's own name but on behalf of third parties, in domestic currency issued abroad and all issues in foreign currency;
 - (ii) shall be classified based on the place, currency and method of issue rather than the residence of the issuer as in the case of the bank's holdings of debt securities;

- (iii) shall be reported separately;
- (iv) shall in all relevant cases be included in the bank's relevant geographically allocated international liabilities when the residence of current holders of own issues of securities is known to the issuing bank;
- (w) the category "other international liabilities"
 - (i) shall include all relevant amounts related to-
 - (A) derivative instruments and working capital received by local branches from their head offices abroad;
 - (B) accrued interest and items in the course of collection;
 - (C) retained earnings when such amounts are reported by the banking subsidiary of a foreign bank in the reporting country and shall in all relevant cases be allocated to the country of the relevant parent company;
- (4) Notwithstanding and without derogating from the directives specified in subregulation (3) above, a bank shall comply with such further directives, reporting requirements or provide such further information as may be specified in writing by the Registrar.
- (5) Instructions relating to the completion of the quarterly return concerning selected locational statistics based on residence, and other related or relevant matters, are furnished with reference to the headings and item descriptions of certain columns and line item numbers appearing on the form BA 940, as follows:

Line items relating to international deposits

Line items	Description
1176 to 1410	<p>International deposits</p> <p>These items shall include the relevant amounts related to non-negotiable CD's.</p> <p>However, negotiable CD's and PN's shall be regarded as securities and not as deposits, and as such shall be excluded from these items.</p>

- (6) Instructions relating to the completion of the form BA 940 are furnished with reference to the corresponding asset or liability item appearing in the form BA 900, as follows:

Assets

Form BA 940			Form BA 900		
Line item	Description		Line item	Description	
	Column	Description		Column	Description
467	1	Total international loans: All	117	2	
			120	2	
			121	2	
			122	2	
			123	2	
			124	2	
			125	2	
			127	2	
			133	2	
			134	2	
			141	2	
			142	2	
			143	2	
			144	2	
			146	2	
			147	2	
			148	2	
			149	2	
			152	2	
			153	2	
			154	2	
			156	2	
			157	2	
			158	2	
			160	2	
			161	2	
			162	2	
			163	2	
			164	2	
			165	2	
			167	2	
			168	2	
			169	2	
			170	2	
			179	2	
			182	2	
			183	2	
			184	2	
			185	2	
			186	2	
			187	2	
			189	2	
			190	2	
			191	2	
			192	2	
			193	2	
			248	2	
			249	2	
			257	2	
467	2	Total international non-	121	2	

Form BA 940			Form BA 900		
Line item	Description		Line item	Description	
	Column	Description		Column	Description
		bank loans	122	2	
			123	2	
			124	2	
			125	2	
			134	2	
			141	2	
			142	2	
			143	2	
			144	2	
			146	2	
			147	2	
			148	2	
			149	2	
			152	2	
			153	2	
			154	2	
			156	2	
			157	2	
			158	2	
			160	2	
			161	2	
			162	2	
			163	2	
			164	2	
			165	2	
			167	2	
			168	2	
			169	2	
			170	2	
			179	2	
			182	2	
			183	2	
			184	2	
			185	2	
			186	2	
			187	2	
			189	2	
			190	2	
			191	2	
			192	2	
			193	2	*Non-bank portion
			257*	2*	

Form BA 940			Form BA 900		
Line item	Description		Line item	Description	
	Column	Description		Column	
467	3	All international loans in domestic currency	117	2	
			120	2	
			121	2	
			122	2	
			123	2	
			124	2	
			125	2	
			141	2	
			142	2	
			143	2	
			144	2	
			146	2	
			147	2	
			148	2	
			149	2	
			152	2	
			153	2	
			154	2	
			156	2	
			157	2	
			158	2	
			160	2	
			161	2	
			162	2	
			163	2	
			164	2	
			165	2	
			167	2	
			168	2	
			169	2	
			170	2	
			179	2	
			182	2	
			183	2	
			184	2	
			185	2	
			186	2	
			187	2	
			189	2	
			190	2	
			191	2	
			192	2	
			193	2	
			248	2*	*Domestic currency portion
			249	2*	
			257	2*	

Form BA 940			Form BA 900		
Line item	Description		Line item	Description	
	Column	Description		Column	Description
467	4	Total international non-bank loans in domestic currency	121	2	
			122	2	
			123	2	
			124	2	
			125	2	
			141	2	
			142	2	
			143	2	
			144	2	
			146	2	
			147	2	
			148	2	
			149	2	
			152	2	
			153	2	
			154	2	
			156	2	
			157	2	
			158	2	
			160	2	
			161	2	
			162	2	
			163	2	
			164	2	
			165	2	
			167	2	
			168	2	
			169	2	
			170	2	
			179	2	
182	2				
183	2				
184	2				
185	2				
186	2				
187	2				
189	2				
190	2				
191	2				
192	2				
193	2				
257*	2*				
467	5	Total international loans in foreign currency	127	2	
			133	2	
			134	2	
			248	2*	
			249	2*	
			257	2*	
467	6	Total international loans to non-banks in foreign currency	134	2	
			257*	2*	

Form BA 940			Form BA 900		
Line item	Description		Line item	Description	
	Column	Description		Column	
468	1	Total international loans to residents	128	1	*Foreign-currency portion
			129	1	
			131	1	
			132	1	
			257*	1*	
468	2	Total international loans to non-bank residents	131*	1	*Non-bank portion
			132*	1	**Non-bank foreign-currency portion
			257**	1**	
468	5	Total international loans to residents in foreign currency	128	1	*Foreign-currency portion
			129	1	
			131	1	
			132	1	
			257*	1*	
468	6	Total international loans to non-bank residents in foreign currency	131	1	*Non-bank foreign-currency portion
			132	1	
			257*	1*	
702	1	Total international holdings of debt securities	136	2	*Any debt securities portion
			137	2	
			138	2	
			210	2	
			211	2	
			212	2	
			214	2	
			215	2	
			216	2	
			234	2	
			235	2	
			236	2	
			242*	2	
			243*	2	
			244*	2	
252	2				
253	2				
702	2	Total international holdings of non-bank debt securities	137	2	*Any debt securities portion **Non-bank portion
			138	2	
			210	2	
			211	2	
			212	2	
			215	2	
			216	2	
			235	2	
			236	2	
			243*	2	
244*	2				
252**	2				
253**	2				
702	3	Total international	136	2	

Form BA 940			Form BA 900		
Line item	Description		Line item	Description	
	Column	Description		Column	
		holdings of debt securities in domestic currency	137 138 210 211 212 214 215 216 234 235 236 242* 243* 244* 252 253	2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	*Any debt securities portion
702	4	Total international holdings of non-bank debt securities in domestic currency	137 138 210 211 212 215 216 235 236 243* 244* 252** 253**	2 2 2 2 2 2 2 2 2 2 2 2 2 2	*Any debt securities portion **Non-bank portion
702	5	Total international holdings of debt securities in foreign currency	136 137 138 210 211 212 214 215 216 234 235 236 242* 243* 244* 252 253	2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	*Any debt securities portion

Form BA 940			Form BA 900		
Line item	Description		Line item	Description	
	Column	Description		Column	
702	6	Total international holdings of non-bank debt securities in foreign currency	137	2	
			138	2	
			210	2	
			211	2	
			212	2	
			215	2	
			216	2	
			235	2	
			236	2	
			243*	2	*Any debt securities portion
			244*	2	
			252**	2	**Non-bank portion
253**	2				
703	1 to 18	Based on the relevant required columns specified, this item shall reflect the respective relevant amounts of debt securities held by the bank, issued by residents in foreign currency.			

Form BA 940			Form BA 900		
Line item	Description		Line item	Description	
	Column	Description		Column	Description
937	1	Total other international assets	105	2	*Excluding any debt security portion
			218	2	
			219	2	
			220	2	
			222	2	
			223	2	
			224	2	
			226	2	
			227	2	
			228	2	
			230	2	
			231	2	
			232	2	
			238	2	
			239	2	
			240	2	
			242*	2	
			243*	2	
			244*	2	
			268	2	
			269	2	
270	2				
271	2				
273	2				
274	2				
275	2				
276	2				
937	2	Total other non-bank international assets	105	2	*Excluding any debt security portion
			219	2	
			220	2	
			223	2	
			224	2	
			227	2	
			228	2	
			231	2	
			232	2	
			239	2	
			240	2	
			243*	2	
			244*	2	
			268	2	
			269	2	
			270	2	
			271	2	
273	2				
274	2				
275	2				
276	2				
937	3	Total other international assets in domestic currency	105	2	
			218	2	
			219	2	
			220	2	
			222	2	

Form BA 940			Form BA 900			
Line item	Description		Line item	Description		
	Column	Description		Column	Description	
			223	2		
			224	2		
			226	2		
			227	2		
			228	2		
			230	2		
			231	2		
			232	2		
			238	2		
			239	2		
			240	2		
			242*	2	*Excluding any debt security portion	
			243*	2		
			244*	2		
			268	2		
			269	2		
			270	2		
			271	2		
			273	2		
			274	2		
			275	2		
			276	2		
937	4	Total other non-bank international assets in domestic currency	105	2		*Excluding any debt security portion
			219	2		
			220	2		
			223	2		
			224	2		
			227	2		
			228	2		
			231	2		
			232	2		
			239	2		
			240	2		
			243*	2		
			244*	2		
			268	2		
			269	2		
			270	2		
			271	2		
			273	2		
			274	2		
			275	2		
			276	2		

Form BA 940			Form BA 900			
Line item	Description		Line item	Description		
	Column	Description		Column	Description	
937	5	Total other international assets in foreign currency	105	2		
			218	2		
			219	2		
			220	2		
			222	2		
			223	2		
			224	2		
			226	2		
			227	2		
			228	2		
			230	2		
			231	2		
			232	2		
			238	2		
			239	2		
			240	2		
			242*	2		*Excluding any debt security portion
			243*	2		
			244*	2		
			268	2		
			269	2		
270	2					
271	2					
273	2					
274	2					
275	2					
276	2					
937	6	Total other non-bank international assets in foreign currency	105	2		
			219	2		
			220	2		
			223	2		
			224	2		
			227	2		
			228	2		
			231	2		
			232	2		
			239	2		
			240	2		
			243*	2		*Excluding any debt security portion
			244*	2		
			268	2		
			269	2		
			270	2		
			271	2		
273	2					
274	2					
275	2					
276	2					
938	1 to 18	Based on the relevant required columns specified, this item shall reflect the respective relevant amounts of all other international assets related to residents, in foreign currency.				

Liabilities

Line item	Form BA 940		Form BA 900		
	Column	Description	Line item	Description	
		Description		Column	Less NCD's column
1407	1	Total international deposits: all	30	7	8
			31	7	8
			39	7	8
			40	7	8
			49	4	
			55	4	
			64	4	
			65	4	
1407	2	Total international deposits from non-banks	31	7	8
			40	7	8
			49*	4	
			55*	4	
			64*	4	
			65*	4	
			*Non-bank portion		
1407	3	Total international deposits in domestic currency	30	7	8
			31	7	8
			49	4	
			55	4	
1407	4	Total international deposits from non-banks in domestic currency	31	7	8
			49*	4	
			55*	4	
1407	5	Total international deposits in foreign currency	39	7	8
			40	7	8
			64	4	
			65	4	
1407	6	Total international deposits from non-banks in foreign currency	40	7	8
			64*	4	
			65*	4	
1408	1	Total international deposits from residents: all	33	7	8
			34	7	8
			35	7	8
			36	7	8
			37	7	8
			59	4	
			60	4	
			61	4	
62	4				
66	4				
1408	2	Total international deposits from non-bank residents	34	7	8
			35	7	8
			36	7	8
			37	7	8
			61	4	
			62	4	
66	4				
1408	5	Total international deposits from residents in foreign currency	33	7	8
			34	7	8
			35	7	8
			36	7	8
			37	7	8

Form BA 940			Form BA 900		
Line item	Description		Line item	Description	
	Column	Description		Column	Less NCD's column
			59	4	
			60	4	
			61	4	
			62	4	
			66	4	
1408	6	Total international deposits from non-bank residents in foreign currency	34	7	8
			35	7	8
			36	7	8
			37	7	8
			61	4	
			62	4	
			66	4	
1642	1	Total international own issues of debt securities: all	72	4	Plus all other applicable issues in foreign and/or domestic currency abroad
			Plus:		
			30	8	
			31	8	
			39	8	
			40	8	
1642	2	Total international own issues of debt securities to non-banks	72*	4	Plus all other applicable issues in foreign and/or domestic currency abroad
			Plus:		
			31	8	
			40	8	
			*Non-bank portion		
1642	3	Total international own issues of debt securities in domestic currency	72	4	Plus all other applicable issues in domestic currency abroad
			Plus:		
			30	8	
			31	8	
1642	4	Total international own issues of debt securities to non-banks in domestic currency	72*	4	Plus all other applicable issues in domestic currency abroad
			Plus:		
			31	8	
			*Non-bank portion		
1642	5	Total international own issues of debt securities in foreign currency	72	4	Plus all other applicable issues in foreign currency abroad
			Plus:		
			30	8	
			31	8	
			39	8	
			40	8	
1642	6	Total international own issues of debt securities to non-banks in foreign currency	72*	4	Plus all other applicable issues in foreign currency abroad
			Plus:		
			31	8	
			40	8	
			*Non-bank portion		

Form BA 940			Form BA 900		
Line item	Description		Line item	Description	
	Column	Description		Column	Less NCD's column
1643	1	Total international own issues of debt securities to residents: all	Plus: 33 34 35 36 37	8 8 8 8 8	Plus all other applicable domestic liabilities in foreign currency
1643	2	Total international own issues of debt securities to non-bank residents	Plus: 34 35 36 37	8 8 8 8	Plus all other applicable domestic liabilities in foreign currency (non-bank portion)
1877	1	Total other international liabilities: all	77 85 90 94 98 99 100 101	4 4 4 4 2 2 2 2	
1877	2	Total other international liabilities from non-banks	77* 85* 90* 94* 99 100 101 *Non-bank portion	4 4 4 4 2 2 2	
1877	3	Total other international liabilities in domestic currency	77 85 90 94 98 99 100 101	4 4 4 4 2 2 2 2	
1877	4	Total other international liabilities to non-banks in domestic currency	77* 85* 90* 94* 99 100 101 *Non-bank portion	4 4 4 4 2 2 2	

Form BA 940			Form BA 900		
Line item	Description		Line item	Description	
	Column	Description		Column	Less NCD's column
1877	5	Total other international liabilities in foreign currency	77	4	
			85	4	
			90	4	
			94	4	
			98	2	
			99	2	
			100	2	
		101	2		
1877	6	Total other international liabilities to non-banks in foreign currency	77*	4	
			85*	4	
			90*	4	
			94*	4	
			99	2	
			100	2	
			101	2	
		*Non-bank portion			
1878	1 to 18	Based on the relevant required columns specified, this item shall reflect the respective relevant amounts of all other international liabilities in foreign currency relating to residents.			

- (7) Instructions relating to the completion of the form BA 940 are furnished with reference to the corresponding asset or liability item appearing in the form BA 950, as follows:

Form BA 940			Form BA 950		
Line item	Description		Line item	Description	
	Column	Description		Column	Description
234	1	Total international claims: international loans plus international holdings of debt securities plus other international assets	53	1	All non-residents in domestic currency plus all non-residents in foreign currencies plus all residents in foreign currency
1174	1	Total liabilities: International deposits plus international own issues of debt securities plus other international liabilities.	53	2	All non-residents in domestic currency plus all non-residents in foreign currencies plus all residents in foreign currency

SELECTED LOCATIONAL STATISTICS BASED ON NATIONALITY OF BANK**Page no.**

- | | | | | |
|----|---------------|---|---|------|
| 1. | Form BA 950 | - | Selected locational statistics based on nationality of bank..... | 1182 |
| 2. | Regulation 66 | - | Directives and interpretations for completion of quarterly return concerning selected locational statistics based on nationality of bank (Form BA 950)..... | 1192 |

BA950
Quarterly

SELECTED LOCATIONAL STATISTICS BASED ON NATIONALITY OF BANK

(Confidential and not available for inspection by the public)

Name of bank/ controlling company.....(yyyy-mm-dd)
Quarter ended.....(yyyy-mm-dd)

(All amounts to be rounded off to the nearest US\$ millions ¹)

Parent country of bank with ISO Code	Line no.	Total	Positions vis-à-vis banks				of which:				CDs and other securities
			Assets		Liabilities		Related offices		Official monetary institutions		
			MKAD	MKAH	MKAA	MKAE	MKAB	MKAF	MKAC	MKAG	
	1	2	3	4	5	6	7	8	9		
BIS reporting countries³:											
Australia – AU	1										
to											
United States - US	42										
Unallocated BIS reporting countries - 5H	43										
BIS reporting countries - 5L	44										
Other countries:											
Non-reporting developed countries - 5N =	45										
(AD+EE+FO+GL+IS+LI+MT+S+SK+SM+VA+NZ)											
Non-reporting offshore centres (excluding BH, BS,	46										
BM, KY, GG, HK, IM, JE, MO, PA and SG) - 1Q											
Non-reporting developing Europe (excluding TR) - 3Y	47										
Non-reporting developing Latin America and	48										
Caribbean (excluding BR, CL and MX) - 3Z											
Non-reporting developing Africa and Middle East - 3W	49										
Non-reporting developing Asia and Pacific (excluding	50										
KR, IN, MY and TW) - 3X											
Consortium banks - 1G	51										
Unallocated non-BIS reporting countries - 5M	52										
All countries - 5J	53										

1. Without any decimals.
2. All non-residents in domestic currency plus all non-residents in foreign currencies plus all residents in foreign currency.
3. See table A, in regulation 66(3)(e).

(All amounts to be rounded off to the nearest US\$ millions ¹)

Parent country of bank with ISO Code	Line no.	Total		Positions vis-à-vis banks				of which:				CDs and other securities	
		Liabilities		Assets		Related offices		Official monetary institutions		Assets	Liabilities		
		MKED	MKEH	MKEA	MKEE	MKEB	MKEF	MKEC	MKEG				MKEI
1	2	3	4	5	6	7	8	9					
	Table 2 ²												
BIS reporting countries³:													
Australia – AU	54												
to													
United States - US	95												
Unallocated BIS reporting countries - 5H	96												
BIS reporting countries - 5L	97												
Other countries:													
Non-reporting developed countries - 5N = (AD+EE+FO+GL+IS+LI+MT+SJ+SK+SM+VA+NZ)	98												
Non-reporting offshore centres (excluding BH, BS, BM, KY, GG, HK, IM, JE, MO, PA and SG) - 1Q	99												
Non-reporting developing Europe (excluding TR) - 3Y	100												
Non-reporting developing Latin America and Caribbean (excluding BR, CL and MX) - 3Z	101												
Non-reporting developing Africa and Middle East - 3W	102												
Non-reporting developing Asia and Pacific (excluding KR, IN, MY and TW) - 3X	103												
Consortium banks - 1G	104												
Unallocated non-BIS reporting countries - 5M	105												
All countries - 5J	106												

1. Without any decimals.

2. All non-residents in domestic currency.

3. See table A, in regulation 66(3)(e).

(All amounts to be rounded off to the nearest US\$ millions ¹)

Parent country of bank with ISO Code	Line no.	Positions of which:											
		Total		vis-à-vis banks		Related offices		Official monetary institutions		CDs and other securities			
		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities		
		MKDD	MKDH	MKDA	MKDE	MKDB	MKDF	MKDC	MKDG	MKDI			
Table 3 ²	1		2	3	4	5	6	7	8	9			
BIS reporting countries³:													
Australia – AU	107												
to													
United States - US	148												
Unallocated BIS reporting countries - 5H	149												
BIS reporting countries - 5L	150												
Other countries:													
Non-reporting developed countries - 5N = (AD+EE+FO+GL+IS+LI+MT+SI+SK+SM+VA+NZ)	151												
Non-reporting offshore centres (excluding BH, BS, BM, KY, GG, HK, IM, JE, MO, PA and SG) - 1Q	152												
Non-reporting developing Europe (excluding TR) - 3Y	153												
Non-reporting developing Latin America and Caribbean (excluding BR, CL and MX) - 3Z	154												
Non-reporting developing Africa and Middle East - 3W	155												
Non-reporting developing Asia and Pacific (excluding KR, IN, MY and TW) - 3X	156												
Consortium banks - 1G	157												
Unallocated non-BIS reporting countries - 5M	158												
All countries - 5J	159												

1. Without any decimals.
 2. Total non-residents in foreign currency.
 3. See table A, in regulation 66(3)(e).

(All amounts to be rounded off to the nearest US\$ millions ¹)

Parent country of bank with ISO Code	Line no.	Total		Positions vis-à-vis banks				of which:				CDs and other securities
		Liabilities		Assets		Related offices		Official monetary institutions		MKGI		
		MKGD	MKGGH	MKGA	MKGB	MKGF	MKGC	MKGG	MKGI			
		1	2	3	4	5	6	7	8	9		
	Table 4 ²											
BIS reporting countries ³ :	160											
Australia – AU	to											
United States - US	201											
Unallocated BIS reporting countries - 5H	202											
BIS reporting countries - 5L	203											
Other countries:												
Non-reporting developed countries - 5N =	204											
(AD+EE+FO+GL+IS+LI+MT+SI+SK+SM+VA+NZ)												
Non-reporting offshore centres (excluding BH, BS,	205											
BM, KY, GG, HK, IM, JE, MO, PA and SG) - 1Q												
Non-reporting developing Europe (excluding TR) - 3Y	206											
Non-reporting developing Latin America and	207											
Caribbean (excluding BR, CL and MX) - 3Z												
Non-reporting developing Africa and Middle East - 3W	208											
Non-reporting developing Asia and Pacific (excluding	209											
KR, IN, MY and TW) - 3X												
Consortium banks - 1G	210											
Unallocated non-BIS reporting countries - 5M	211											
All countries - 5J	212											

1. Without any decimals.

2. Total non-residents in US Dollars.

3. See table A, in regulation 66(3)(e).

(All amounts to be rounded off to the nearest US\$ millions ¹)

Parent country of bank with ISO Code	Line no.	Total		Positions vis-à-vis banks				of which:				CDs and other securities	
		Assets		Liabilities		Related offices		Official monetary institutions		MKOI			
		MKOD	MKOH	MKOA	MKOE	Assets	Liabilities	Assets	Liabilities				
		1	2	3	4	5	6	7	8		9		
Table 5 ²													
BIS reporting countries ³:													
Australia – AU	213												
to													
United States - US	254												
Unallocated BIS reporting countries - 5H	255												
BIS reporting countries - 5L	256												
Other countries:													
Non-reporting developed countries - 5N = (AD+EE+FO+GL+IS+LI+MT+SI+SK+SM+VA+NZ)	257												
Non-reporting offshore centres (excluding BH, BS, BM, KY, GG, HK, IM, JE, MO, PA and SG) - 1Q	258												
Non-reporting developing Europe (excluding TR) - 3Y	259												
Non-reporting developing Latin America and Caribbean (excluding BR, CL and MX) - 3Z	260												
Non-reporting developing Africa and Middle East - 3W	261												
Non-reporting developing Asia and Pacific (excluding KR, IN, MY and TW) - 3X	262												
Consortium banks - 1G	263												
Unallocated non-BIS reporting countries - 5M	264												
All countries - 5J	265												

1. Without any decimals.
 2. Total non-residents in Euro.
 3. See table A, in regulation 66(3)(e).

(All amounts to be rounded off to the nearest US\$ millions¹)

Parent country of bank with ISO Code	Line no.	Total		Positions vis-à-vis banks		Related offices		Official monetary institutions		CDs and other securities
		Assets		Liabilities		Assets		Liabilities		
		MKKD	MKKH	MKKA	MKKE	MKKB	MKKF	MKKC	MKKG	
		1	2	3	4	5	6	7	8	9
Table 6 ²										
BIS reporting countries³:										
Australia – AU	266									
to										
United States - US	307									
Unallocated BIS reporting countries - 5H	308									
BIS reporting countries - 5L	309									
Other countries:										
Non-reporting developed countries - 5N = (AD+EE+FO+GL+IS+LI+MT+SI+SK+SM+VA+NZ)	310									
Non-reporting offshore centres (excluding BH, BS, BM, KY, GG, HK, IM, JE, MO, PA and SG) - 1Q	311									
Non-reporting developing Europe (excluding TR) - 3Y	312									
Non-reporting developing Latin America and Caribbean (excluding BR, CL and MX) - 3Z	313									
Non-reporting developing Africa and Middle East - 3W	314									
Non-reporting developing Asia and Pacific (excluding KR, IN, MY and TW) - 3X	315									
Consortium banks - 1G	316									
Unallocated non-BIS reporting countries - 5M	317									
All countries - 5J	318									

1. Without any decimals.
 2. Total non-residents in Japanese Yen.
 3. See table A, in regulation 66(3)(e).

(All amounts to be rounded off to the nearest US\$ millions¹)

Parent country of bank with ISO Code	Line no.	Total		Positions vis-à-vis banks				of which:				CDs and other securities	
		Liabilities		Assets		Related offices		Official monetary institutions		Liabilities	Assets		Liabilities
		MKFD	MKFH	MKFA	MKFE	MKFB	MKFF	MKFC	MKFG				
1	2	3	4	5	6	7	8	9					
Table 7 ²													
BIS reporting countries³:													
Australia – AU	319												
to													
United States - US	360												
Unallocated BIS reporting countries - 5H	361												
BIS reporting countries - 5L	362												
Other countries:													
Non-reporting developed countries - 5N = (AD+EE+FO+GL+IS+LI+MT+SI+SK+SM+VA+NZ)	363												
Non-reporting offshore centres (excluding BH, BS, BM, KY, GG, HK, IM, JE, MO, PA and SG) - 1Q	364												
Non-reporting developing Europe (excluding TR) - 3Y	365												
Non-reporting developing Latin America and Caribbean (excluding BR, CL and MX) - 3Z	366												
Non-reporting developing Africa and Middle East - 3W	367												
Non-reporting developing Asia and Pacific (excluding KR, IN, MY and TW) - 3X	368												
Consortium banks - 1G	369												
Unallocated non-BIS reporting countries - 5M	370												
All countries - 5J	371												

1. Without any decimals.
 2. Total residents in foreign currencies.
 3. See table A, in regulation 66(3)(e).

(All amounts to be rounded off to the nearest US\$ millions¹)

Parent country of bank with ISO Code	Line no.	Total		Positions vis-à-vis banks				of which:				CDs and other securities	
		Liabilities		Assets		Related offices		Official monetary institutions					
		MKHD	MKHH	MKHA	MKHE	Assets	Liabilities	Assets	Liabilities				
		1	2	3	4	5	6	7	8				
Table 8 ²													
BIS reporting countries³:													
Australia – AU	372												
to													
United States - US	413												
Unallocated BIS reporting countries - 5H	414												
BIS reporting countries - 5L	415												
Other countries:													
Non-reporting developed countries - 5N = (AD+EE+FO+GL+IS+LI+MT+SI+SK+SM+VA+NZ)	416												
Non-reporting offshore centres (excluding BH, BS, BM, KY, GG, HK, IM, JE, MO, PA and SG) - 1Q	417												
Non-reporting developing Europe (excluding TR) - 3Y	418												
Non-reporting developing Latin America and Caribbean (excluding BR, CL and MX) - 3Z	419												
Non-reporting developing Africa and Middle East - 3W	420												
Non-reporting developing Asia and Pacific (excluding KR, IN, MY and TW) - 3X	421												
Consortium banks - 1G	422												
Unallocated non-BIS reporting countries - 5M	423												
All countries - 5J	424												

1. Without any decimals.
 2. Total residents in US Dollar.
 3. See table A, in regulation 66(3)(e).

(All amounts to be rounded off to the nearest US\$ millions¹)

Parent country of bank with ISO Code	Line no.	Total		Positions vis-à-vis banks				of which:				CDs and other securities	
		Assets		Liabilities		Related offices		Official monetary institutions		Assets	Liabilities		
		MKPD	MKPH	MKPA	MKPE	MKPB	MKPF	MKPC	MKPG				
1	2	3	4	5	6	7	8	9					
Table 9 ²													
BIS reporting countries³:													
Australia – AU	425												
to													
United States - US	466												
Unallocated BIS reporting countries - 5H	467												
BIS reporting countries - 5L	468												
Other countries:													
Non-reporting developed countries - 5N = (AD+EE+FO+GL+IS+LI+MT+SI+SK+SM+VA+NZ)	469												
Non-reporting offshore centres (excluding BH, BS, BM, KY, GG, HK, IM, JE, MO, PA and SG) - 1Q	470												
Non-reporting developing Europe (excluding TR) - 3Y	471												
Non-reporting developing Latin America and Caribbean (excluding BR, CL and MX) - 3Z	472												
Non-reporting developing Africa and Middle East - 3W	473												
Non-reporting developing Asia and Pacific (excluding KR, IN, MY and TW) - 3X	474												
Consortium banks - 1G	475												
Unallocated non-BIS reporting countries - 5M	476												
All countries - 5J	477												

1. Without any decimals.

2. Total residents in Euro.

3. See table A, in regulation 66(3)(e).

(All amounts to be rounded off to the nearest US\$ millions¹)

Parent country of bank with ISO Code	Line no.	Total		Positions vis-à-vis banks		of which:				CDs and other securities
		Assets		Liabilities		Related offices		Official monetary institutions		
		MKLD	MKLN	MKLA	MKLE	MKLB	MKLF	MKLC	MKLG	
		1	2	3	4	5	6	7	8	9
	478 to 519									
	520									
	521									
	522									
	523									
	524									
	525									
	526									
	527									
	528									
	529									
	530									
	531									Total ⁴
	532									1

Exchange rate (US\$/R)⁵
Hash total

1. Without any decimals.
2. Total residents in Japanese Yen.
3. See table A, in regulation 66(3)(e).
4. Report as absolute numbers, not US\$ millions.
5. Rounded to 4 decimal places.

66. Selected locational statistics based on nationality of bank - Directives and interpretations for completion of quarterly return concerning selected locational statistics based on nationality of bank (Form BA 950)

- (1) The content of the relevant return is confidential and not available for inspection by the public.
- (2) The purpose of the form BA 950 is to obtain selected information based on the nationality of the reporting bank regarding, amongst other things-
 - (a) a bank's assets, including-
 - (i) selected positions relating to banks;
 - (ii) selected positions relating to related offices; and
 - (iii) selected positions relating to official monetary authorities;
 - (b) a bank's liabilities, including-
 - (i) selected positions relating to banks;
 - (ii) selected positions relating to related offices; and
 - (iii) selected positions relating to official monetary authorities.
- (3) For the purposes of this regulation 66, unless clearly inconsistent with the provisions of regulation 65, the provisions of regulation 65 shall *mutatis mutandis* apply to the completion of the form BA 950.
- (4) For the purposes of this regulation 66, unless specifically otherwise stated or directed in writing-
 - (a) BIS means the Bank for International Settlements;
 - (b) in line with international conventions, all positions in currencies other than the US dollar shall be converted into US dollars at the exchange rate prevailing at the end of the relevant quarter;
 - (c) for nationality classification, in the case of affiliates or subsidiaries, a controlling interest shall be deemed to exist when a relevant participation exceeds 50 per cent of the subscribed capital of the bank, provided that-
 - (i) in the case of indirect ownership, foreign-owned banks shall be classified by nationality of the final owner, whenever it is a bank;
 - (ii) when the final owner is a non-bank, the nationality shall be the one of the banking affiliate itself or of the highest level banking affiliate in the chain of ownership;

- (d) a bank shall include in the form BA 950 all financial claims and all financial liabilities vis-à-vis non-residents and all financial claims and all financial liabilities in foreign currency vis-à-vis residents;
- (e) banking offices located in each of the reporting countries specified in the form BA 950 and in this regulation 66 shall be classified by parent country in accordance with the said specified nationality or area groups;
- (f) BIS reporting countries means the 42 countries with the relevant ISO codes specified in table A below:

Table A

1.	Australia - AU	16.	Germany - DE	31.	Norway - NO
2.	Austria - AT	17.	Greece - GR	32.	Panama - PA
3.	Bahamas - BS	18.	Guernsey - GG	33.	Portugal - PT
4.	Bahrain - BH	19.	Hong Kong SAR - HK	34.	Singapore - SG
5.	Belgium - BE	20.	India - IN	35.	South Korea - KR
6.	Bermuda - BM	21.	Ireland - IE	36.	South Africa - ZA
7.	Brazil - BR	22.	Isle of Man - IM	37.	Spain - ES
8.	Canada - CA	23.	Italy - IT	38.	Sweden - SE
9.	Cayman Islands - KY	24.	Japan - JP	39.	Switzerland (excludes Liechtenstein) - CH
10.	Chile - CL	25.	Jersey - JE	40.	Turkey - TR
11.	Chinese Taipei - TW	26.	Luxembourg - LU	41.	United Kingdom (excludes Guernsey, Isle of Man and Jersey) - GB
12.	Cyprus - CY	27.	Macao SAR - MO	42.	United States - US
13.	Denmark - DK	28.	Malaysia - MY		
14.	Finland - FI	29.	Mexico - MX		
15.	France - FR	30.	Netherlands - NL		

- (g) a bank shall report all relevant positions on a gross basis, except for derivative contracts in respect of which a legally enforceable master netting agreement is in place.

CHAPTER VII

DEFINITIONS AND GENERAL PROVISIONS

67. Definitions

In these Regulations, "the 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 Act shall bear the meaning so assigned thereto and, unless the context otherwise indicates-

"actual distribution" in relation to a bank's exposure to counterparty credit risk means the distribution of market values or exposures in respect of a future time period, which distribution is calculated based on historic or realised values such as calculated volatilities based on past price or rate changes;

"asset class" in relation to-

- (a) the standardised approach for the measurement of a bank's exposure to credit risk includes-
- (i) any corporate exposure, that is, any exposure to a corporate entity or institution, including any relevant exposure to an SME of which the aggregate annual turnover amount exceeds a specified amount;
 - (ii) any corporate SME exposure, that is, any exposure to a corporate entity or institution of which the aggregate annual turnover amount is less than a specified amount, which exposure shall be deemed to constitute a corporate SME exposure and as such shall be reported separately;
 - (iii) any exposure to a public sector entity;
 - (iv) any exposure to local government or a municipality;
 - (v) any exposure to a sovereign, including central government or a central bank;
 - (vi) any exposure to a bank;
 - (vii) any exposure to a regulated securities firm, which securities firm is subject to supervisory and regulatory arrangements comparable to banks in the Republic, including, in particular, risk-based capital requirements and regulation and supervision on a consolidated basis, provided that when the said exposure to a securities firm does not comply with the aforementioned requirements the said exposure shall be deemed to constitute a corporate exposure;
 - (viii) any retail exposure, which retail exposure adheres to specified requirements;
 - (ix) any relevant retail SME exposure, that is, any retail exposure that complies with specified requirements, which retail SME exposure shall separately be reported from retail exposure not constituting retail SME exposure;
 - (x) any securitisation exposure;

- (b) the IRB approach for the measurement of a bank's exposure to credit risk includes-
- (i) any corporate exposure, that is, any exposure to a corporate entity or institution, including-
 - (A) any specialised lending exposure relating to high volatility commercial real estate;
 - (B) any specialised lending exposure relating to income producing real estate;
 - (C) any specialised lending exposure relating to object finance;
 - (D) any specialised lending exposure relating to commodity finance;
 - (E) any specialised lending exposure relating to project finance;
 - (F) any purchased corporate receivable;

which specialised lending exposures and purchased corporate receivables shall separately be reported;
 - (ii) any corporate SME exposure, that is, any exposure to a corporate entity or institution of which the aggregate annual turnover amount is less than a specified amount, which exposure shall be deemed to constitute a corporate SME exposure and as such shall be reported separately;
 - (iii) any exposure to a public sector entity;
 - (iv) any exposure to local government or a municipality;
 - (v) any exposure to a sovereign, including central government or a central bank;
 - (vi) any exposure to a bank;
 - (vii) any exposure to a regulated securities firm, which securities firm is subject to supervisory and regulatory arrangements comparable to banks in the Republic, including, in particular, risk-based capital requirements and regulation and supervision on a consolidated basis, provided that when the said exposure to a securities firm does not comply with the aforementioned requirements the said exposure shall be deemed to constitute a corporate exposure;
 - (viii) any retail exposure, which retail exposure adheres to specified requirements, including-
 - (A) any retail mortgage exposure;
 - (B) any retail revolving credit exposure;
 - (C) any purchased retail receivable;

- (ix) any relevant retail SME exposure, that is, any retail exposure that complies with specified requirements, which retail SME exposure shall separately be reported from retail exposure not constituting retail SME exposure;
- (x) any securitisation exposure;

“associate” in relation to a bank’s trading activities means an associate as defined in section 37(7) of the Act;

“business day” for the purposes of these Regulations, unless otherwise stated or directed by the Registrar, means each day of the week except Saturday, Sunday or a public holiday;

“cash-management scheme” means an agreement between a bank and such of its clients as are members of the same group of companies in respect of which group annual financial statements are required to be completed in terms of the provisions of section 288(1) of the Companies Act, which agreement provides for transfers of balances between such clients’ accounts kept in the accounting records of the bank, and which transfers are made in order to minimise the interest expense or to maximise the interest income of such clients;

“central counterparty” in relation to a bank’s exposure to counterparty credit risk means an entity or a person that acts as an intermediary between counterparties to contracts traded in one or more financial markets, which entity or person or intermediary-

- (a) becomes the legal counterparty to a particular contract in such a manner that it becomes the buyer to every seller and the seller to every buyer, thereby ensuring the future performance of all relevant open contracts;
- (b) may become a counterparty to trades with relevant market participants through novation, an open offer system, or any other relevant legally binding arrangement;
- (c) is sometimes being referred to as a clearing house; and
- (d) shall for purposes of these Regulations be regarded as a financial institution;

“central government” means all relevant-

- (a) central government departments;
- (b) major extra-budgetary institutions or entities falling under the central government, as contemplated in the Institutional Sector Classification Guide;
- (c) universities, universities of technology and technikons, as contemplated in the Institutional Sector Classification Guide; and
- (d) social security funds, as contemplated in the Institutional Sector Classification Guide;

“clearing member” in relation to counterparty credit risk means a member of, or a direct participant in, a central counterparty that is entitled to enter into a transaction with the relevant central counterparty, irrespective whether or not the relevant transactions with the central counterparty are for the member’s own hedging, investment or speculative purposes, or whether it also enters into trades as a financial intermediary between the relevant central counterparty and other market participants, provided that-

- (a) for purposes of these Regulations, when a central counterparty has a link to a second central counterparty, the said second central counterparty shall be treated as a clearing member of the first-mentioned central counterparty;
- (b) for purposes of these Regulations, the legal arrangement between the relevant central counterparties shall determine whether the said second central counterparty’s collateral contribution to the first-mentioned central counterparty is regarded as initial margin or a default fund contribution;
- (c) the Registrar may from time to time issue a directive in writing regarding the appropriate treatment of any relevant initial margin and/or default fund contributions;

“client” in relation to counterparty credit risk includes a party to a transaction with a central counterparty, either through a clearing member acting as a financial intermediary or a clearing member guaranteeing the performance of the client to the central counterparty;

“commercial paper” means-

- (a) a short-term secured or unsecured promissory note with a fixed or floating maturity;
- (b) call bonds; and
- (c) any other secured or unsecured written acknowledgement of debt;

issued to acquire working capital; and

- (d) debentures or any interest-bearing written acknowledgement of debt issued for a fixed term in accordance with the provisions of the Companies Act, 1973, or the Companies Act, 2008, as amended,

but does not include bankers’ acceptances;

“committed undrawn facility or loan commitment” in relation to a bank’s off-balance sheet exposure includes any irrevocable undrawn commitment or facility;

“commodity” in relation to a bank’s exposure to market risk means a physical product that is or may be traded in a secondary market, such as agricultural products, minerals that may include oil, and precious metals;

“connected persons” in relation to a bank’s trading activities means two or more persons-

- (a) that are predominantly engaged in financial activities;
- (b) one or more of which is a bank;
- (c) each of which is an associate of any one of the others; and

which persons-

- (i) owing to the fact that one of them directly or indirectly owns or exercises control over the other or others, constitutes a single financial entity; or
- (ii) are so interconnected that should one of them experience financial difficulties, another one or all of them would be likely to be adversely affected,

irrespective whether or not any of the said persons are domiciled in the same country as the other or others;

“corporate exposure” in relation to the IRB approach includes a debt obligation of a corporation, partnership or proprietorship;

“Corporation for Public Deposits” in relation to the institutional and maturity breakdown of liabilities and assets means the subsidiary of the Reserve Bank, which subsidiary is a public-sector financial institution authorised in terms of the Corporation for Public Deposits Act, 1984 (Act No 46 of 1984) to accept call deposits from public-sector institutions and to invest such funds in short-term money-market instruments and in Treasury bills;

“correlation trading portfolio” in relation to the measurement of a bank’s exposure to market risk-

(a) includes-

- (i) any securitisation exposure or n-th-to-default credit derivative instrument that complies with the conditions specified below:
 - (A) The position is neither a resecuritisation position or exposure, nor a derivative of a securitisation exposure that do not provide a pro-rata share in the proceeds of a securitisation tranche, and as such excludes any option on a securitisation tranche or a synthetically leveraged super-senior tranche;
 - (B) All reference entities shall be single-name products, including a single-name credit derivative instrument, in respect of which a liquid two-way market exists, that is, independent bona fide offers to buy and sell exist so that a price reasonably related to the last sales price or current bona fide competitive bid and offer quotations can be determined within one day and settled at such price within a relatively short time conforming to trade custom, and as such includes commonly traded indices based on the aforesaid reference entities;

- (b) shall exclude-
- (i) any position that references an underlying asset or instrument that constitutes a retail exposure, a residential mortgage exposure or a commercial mortgage exposure in terms of the standardised approach for the measurement of a bank's exposure to credit risk, as envisaged in regulation 23 of these Regulations;
 - (ii) any position that references a claim on a special purpose entity or vehicle,

Provided that a bank may also include in its correlation trading portfolio any position that hedges a position described hereinbefore, and which is neither a securitization exposure nor n-th-to-default credit derivative instrument, and in respect of which a liquid two-way market exists, as described hereinbefore, for the instrument or its underlying;

“counterparty credit risk” includes any exposure to credit risk arising from a bilateral contract, transaction or agreement-

- (a) which credit risk relates to the risk that the counterparty to the contract, transaction or agreement may default before the final settlement of the underlying cash flows arising from the said contract, transaction or agreement;
- (b) the amount of which credit exposure-
 - (i) often relates to the positive economic value at the time of default or the cost of replacing the contract, transaction or agreement when the counterparty to the transaction defaults, assuming no recovery of value;
 - (ii) is uncertain and may vary over time due to movements in underlying market factors, that is, the market value of the contract, transaction or agreement-
 - (A) has an associated random future value based on market variables;
 - (B) for either counterparty to the bilateral contract, transaction or agreement, may be positive or negative during the remaining period to the maturity of the said contract, transaction or agreement;
 - (iii) may arise from an exchange of payment or an exchange of a financial instrument or commodity against payment;
 - (iv) exists for both parties to the contract, transaction or agreement during the remaining term of the said contract, transaction or agreement;
- (c) which contract, transaction or agreement-
 - (i) may relate to an OTC derivative instrument, a securities financing transaction or a long settlement trade transaction;
 - (ii) creates a current exposure or market value;
 - (iii) may be frequently valued based on market variables;

- (d) in respect of which counterparty to the said contract, transaction or agreement a unique probability of default may be determined, that is, any contract, transaction or agreement in respect of which the probability of default is calculated on a pooled basis is excluded from this definition of counterparty credit risk,

irrespective whether or not the reporting bank entered into the contract, transaction or agreement in order to obtain short-term financing, obtained collateral to mitigate its exposure to credit risk or entered into any netting, re-margining or set-off contract;

“CPSS-IOSCO Principles for Financial Market Infrastructures” means the Principles for Financial Market Infrastructures issued from time to time by the Committee on Payment and Settlement Systems (CPSS) and the Technical Committee of the International Organization of Securities Commissions (IOSCO);

“credit-default swap” means a bilateral agreement between a protection buyer and a protection seller in terms of which agreement the protection buyer agrees to pay the protection seller an agreed premium or fee. The protection seller agrees to pay the protection buyer a credit-default amount only if a predefined credit event occurs;

“credit-derivative instrument” means any contract in terms of which the credit risk associated with a financial asset is isolated from the other risks associated with that financial asset and which credit risk is transferred, either explicitly or implicitly, from one person or counterparty, which can be referred to as the protection buyer or credit-risk seller, to another person or counterparty, which can be referred to as the protection seller or buyer of credit risk;

“credit-enhancing interest-only strip” means an asset that-

- (a) represents a valuation of cash flows related to future margin income;
- (b) is subordinated;

“credit event” means any contingent event relating to a reference asset, reference entity or underlying asset agreed between the counterparties to a credit-derivative instrument, upon the occurrence of which event the protection buyer becomes entitled to payment;

“credit-linked note” means a bilateral agreement between a protection buyer and a protection seller in terms of which agreement the protection seller invests in a note issued by the protection buyer, which note is referenced to a particular credit exposure. The protection seller assumes the credit risk of the referenced exposure or underlying exposure. The protection buyer pays the protection seller agreed interest on the note issued and redeems the note at par value on the maturity date if a predefined credit event did not occur;

“credit valuation adjustment” in relation to a bank’s exposure to counterparty credit risk means an adjustment to the mid-market valuation of a portfolio of trades with a particular counterparty, which adjustment-

- (a) reflects the market value of the credit risk due to any failure to perform in accordance with the relevant contractual agreements with the said counterparty;
- (b) may reflect the market value of the credit risk of the relevant counterparty or the market value of the credit risk of both the bank and the said counterparty;

“cross-product netting” in relation to a bank’s exposure to counterparty credit risk means the inclusion of transactions of different product categories within the same netting set in accordance with the relevant requirements relating to cross-product netting specified in these Regulations;

“current exposure” in relation to a bank’s exposure to counterparty credit risk means the higher amount of-

- (a) zero; or
- (b) the market value of a transaction or portfolio of transactions within a netting set with a particular counterparty, which amount will be lost upon the default of the said counterparty, assuming that in the case of default or bankruptcy no recovery value exists in respect of the said transactions.

The terms current exposure and replacement cost are often used interchangeably by market participants;

“current market value” in relation to a bank’s exposure to counterparty credit risk means the net market value of a portfolio of transactions within a netting set with a particular counterparty, which net market value may include positive and negative market values relating to individual transactions included in the said netting set or portfolio of transactions;

“default” in relation to the IRB approach for the measurement of a bank’s exposure to credit risk shall in the case of-

- (a) exposures other than retail exposures, be deemed to have occurred when the bank is of the opinion that an obligor is unlikely to pay his/her/its credit obligations in full without any recourse by the said bank to actions such as the realisation of security, which opinion of the bank, as a minimum, shall be based on the matters specified below.
 - (i) The bank has assigned non-accrued status to the relevant credit obligation;
 - (ii) The bank has written off a portion or raised a specific provision in respect of the relevant credit exposure due to a significant perceived decline in the credit quality of the obligor since the bank incurred the said exposure;

- (iii) The bank is about to sell the credit obligation at a material credit-related economic loss;
 - (iv) The bank has consented to a distressed restructuring of the credit obligation, which restructuring is likely to result in a reduced financial obligation caused by, for example, the postponement of principal, interest or fees;
 - (v) The bank has applied for the obligor's bankruptcy or a similar order in respect of the obligor's credit obligation;
 - (vi) The obligor has applied for or has been placed in bankruptcy or similar protection and the said event is likely to avoid or delay repayment of the credit obligation to the banking group.
- (b) exposures other than retail exposures be deemed to have occurred when a material obligation of an obligor is overdue for more than 90 days;
- (c) retail exposures be deemed to have occurred when the criteria specified in paragraph (a) or (b) above are present at a facility level instead of an obligor level;
- (d) an overdraft facility be deemed to have occurred when-
- (i) an obligor exceeded an advised limit for more than 90 days, that is, the relevant obligor failed to reduce the outstanding amount within the said period of time to an amount that is within the authorised limit; or
 - (ii) an obligor is advised of a limit smaller than the obligor's existing outstanding amount and the relevant obligor failed to reduce the outstanding amount within a period of 90 days to an amount that is within the newly advised limit;
 - (iii) the reporting bank extends credit to a person with no authorised limit, which credit is not repaid within 90 days;

“default fund” in relation to counterparty credit risk includes all clearing members' funded or unfunded contributions towards or underwriting of a central counterparty's mutualised loss-sharing arrangements-

- (a) which classification shall be based on the substance of the said arrangements; and
- (b) which classification shall be determined irrespective of the description given thereto by the relevant central counterparty, and

which contributions are sometimes being referred to as clearing deposits or guaranty fund contributions;

"demand deposit" means any amount repayable on demand, and includes -

- (a) all balances due on current account, without deduction of debits in transit or addition of credits in transit;
- (b) call monies, or monies withdrawable with a notice period of less than or equal to 24 hours; and
- (c) any other amounts due that are immediately withdrawable;

"distribution of exposures" in relation to a bank's exposure to counterparty credit risk means the process of forecasting the probability distribution of market values of transactions, during which process of forecasting instances of negative net market values are set equal to zero in order to recognise that when the reporting bank owes money to a particular counterparty, the bank does not have an exposure to the said counterparty;

"distribution of market values" in relation to a bank's exposure to counterparty credit risk means the process of forecasting the probability distribution of the net market values of transactions within a netting set for a particular forecasting horizon, which process of forecasting is based on the realised market value of the said transactions up to the time of forecasting;

"doubtful category" in relation to the standardised approach for the measurement of a bank's exposure to credit risk means on or off-balance sheet items that exhibit all the weaknesses inherent in on-balance sheet or off-balance sheet items classified as substandard, with the added characteristic that the on-balance sheet or off-balance sheet items are not adequately secured;

"EAD amount" in relation to the IRB approach for on-balance sheet and off-balance sheet credit exposure means the expected aggregate gross exposure of a facility upon the default of an obligor, as may be specified in these Regulations;

"economic loss" in relation to the IRB approach includes all material discounts and material direct and indirect costs associated with the collection of an exposure in default;

"effective expected exposure" at a specific date and in relation to a bank's exposure to counterparty credit risk means-

- (a) the maximum expected exposure that occurs at that date or any earlier date; or
- (b) the higher of the expected exposure at that date and the effective exposure at the previous date,

that is, effective expected exposure means the expected exposure constrained to be non-decreasing over time;

"effective expected positive exposure" in relation to a bank's exposure to counterparty credit risk means the weighted average over time of effective expected exposure over the first year or over the time period of the contract with the longest maturity included in the relevant netting set, in respect of which the relevant weights shall be based on the proportion that an individual expected exposure amount represents of the entire time interval;

“effective maturity” in relation to the internal model method for the measurement of a bank’s exposure to counterparty credit risk and relating to a netting set with a maturity of more than one year means the ratio of the sum of expected exposure over the life of the transactions included in the netting set and discounted at the risk-free rate of return, **divided by** the sum of expected exposure over one year in a netting set discounted at the risk-free rate provided that the effective maturity may be adjusted to reflect rollover risk by replacing the expected exposure amount with the effective expected exposure amount in respect of a forecasting horizon of less than one year;

“eligible institution” means an external credit assessment institution or an export credit agency that meets the prescribed minimum requirements specified in these Regulations and which institution/agency is recognised as an eligible institution for purposes of determining the required capital and reserve funds of a bank;

“eligible provisions” in relation to a bank that adopted the IRB approach for the measurement of the bank’s exposure to credit risk means the sum of all credit impairments, allowances or reserves for impairment, including-

- (a) specific credit impairment;
- (b) portfolio-specific credit impairment;
- (c) general allowance or reserve for credit impairment; and
- (d) any discounts on defaulted assets,

which impairment, allowance, reserve or discount relates to exposures calculated in terms of the IRB approach, but do not include any specific impairments relating to equity exposures or securitisation exposures;

“exemption notice relating to securitisation schemes” means Government Notice No. 2, published in *Government Gazette* No. 30628, dated 1 January 2008, as amended from time to time;

“expected exposure” in relation to a bank’s exposure to counterparty credit risk means the mean or average of the distribution of exposures at any particular future date before the transaction with the longest maturity in the particular netting set matures, which expected exposure amount is typically generated in respect of many future dates up until the longest maturity date of transactions included in the relevant netting set;

“expected positive exposure” in relation to a bank’s exposure to counterparty credit risk means the weighted average over time of expected exposure and in respect of which the relevant weights are based on the proportion that an individual expected exposure amount represents of the entire time interval, which average shall for purposes of calculating a bank’s minimum required capital and reserve funds be calculated over the first year or over the time period of the contract with the longest maturity included in the particular netting set;

"financial asset" in relation to a bank's trading activities means-

- (a) cash;
- (b) a contractual right-
 - (i) to receive cash or another financial asset from another person;
 - (ii) to exchange financial instruments with another person under conditions that are potentially favourable; or
- (c) an equity instrument;

"financial corporate sector" in relation to the institutional and maturity breakdown of liabilities and assets includes public and private sector companies, including an insurer, a pension fund, a medical scheme, a financial intermediary such as a unit trust, a micro lenders, the Development Bank of Southern Africa, the Industrial Development Corporation and any broker;

"financial instrument" in relation to a bank's trading book, portfolio or activities means any instrument or contract that gives rise to-

- (a) a financial asset of one person; and
- (b) a financial liability of or equity instrument issued by another person,

which instruments or contracts include primary instruments or cash instruments, and derivative instruments, including-

- (i) any transferable security such as an equity instrument or debt security;
- (ii) units in collective investment undertakings, that is, an open-ended collective investment marketed solely with the objective of investing in transferable securities, such as a unit trust;
- (iii) any money market instrument such as treasury bills, certificates of deposit or commercial paper;
- (iv) any financial futures contract, including equivalent cash settled instruments;
- (v) any forward interest-rate agreement;
- (vi) any interest-rate, currency or equity swap contract;
- (vii) a credit-derivative instrument;
- (viii) any option to acquire or dispose of any of the aforesaid instruments or contracts, including equivalent cash-settled instruments,

but not any other deposit or loan;

"financial liability" in relation to a bank's trading activities means an obligation-

- (a) to deliver cash or another financial asset to another person; or
- (b) to exchange financial instruments with another person under conditions that are potentially unfavourable;

"Financial Reporting Standards" means such reporting standards as may be issued from time to time by the Financial Reporting Standards Council in terms of the relevant provisions of section 440 of the Companies Act, 1973, or section 29 read with section 203 of the Companies Act, 2008;

"foreign asset" means any asset (excluding a claim) situated outside the Republic, and any asset consisting of a claim on a non-resident by the reporting bank;

"foreign currency" means a currency other than the reporting currency of a bank, branch or controlling company;

"foreign sector" in relation to the institutional and maturity breakdown of liabilities and assets means any natural or juristic person who is not a permanent resident of the Republic of South Africa;

"fund manager" in relation to the institutional and maturity breakdown of liabilities and assets means an institution approved under the Financial Advisory and Intermediary Services Act, Act no. 37 of 2002, as amended, to carry on the business of managing funds on behalf of others, which institution may be referred to as a fund manager, portfolio manager or asset manager;

"funded credit-derivative instrument" means a credit-derivative contract in terms of which a protection seller provides collateral to a protection buyer for the settlement of the protection seller's potential future obligations;

"general allowance or reserve" in relation to doubtful debts means any provision or reserve created to absorb future losses on debts that may prove to be wholly or partly irrecoverable and which losses have not been separately identified, but which losses can reasonably be expected to exist or develop;

"general risk" in relation to a bank's trading activities means the risk of an adverse price change in the underlying instrument owing to-

- (a) in the case of a traded loan-stock instrument or loan-stock derivative, a change in the level of interest rates; or
- (b) in the case of a security or security derivative, a broad market price movement unrelated to any specific attributes of the individual securities;

"general wrong-way risk" in relation to a bank's exposure to counterparty credit risk means the probability of default of a particular counterparty is positively correlated with general market risk factors;

“hedge” means a position in a financial instrument that materially or entirely offsets the component risk elements of another position or portfolio;

“hedging set” in relation to the standardised method for the measurement of a bank’s exposure to counterparty credit risk means a group of risk positions arising from transactions within a single netting set in respect of which only the balance is relevant in order to determine the exposure amount or EAD;

“holding of a financial instrument” in relation to a bank’s trading activities means the holding of a financial instrument by a bank-

- (a) on behalf of a buyer or seller;
- (b) for purposes of the management and control of such financial instrument;
- (c) within the limited or unlimited discretion of the bank; and
- (d) for any length of time;

“household” in relation to the institutional and maturity breakdown of liabilities and assets means an individual or small group of individuals sharing the same living accommodation, pooling some or all of their income and wealth and collectively consuming goods and services;

“household sector” in relation to the institutional and maturity breakdown of liabilities and assets includes households, unincorporated business enterprises of households, non-profit institutions serving households, private trusts and friendly societies;

“initial margin” in relation to counterparty credit risk means a clearing member’s or client’s funded collateral posted or provided to the relevant central counterparty to mitigate the potential future exposure of the central counterparty to the clearing member arising from the possible future change in the value of their relevant transactions, provided that, for purposes of these Regulations, initial margin shall exclude any contribution to a central counterparty in terms of a mutualised loss-sharing arrangement, that is, when a central counterparty uses initial margin to mutualise losses among the relevant clearing members, it shall for purposes of these Regulations be treated as a default fund exposure and not as initial margin;

“instalment sale transaction” means a transaction in terms of which-

- (a) movable goods are sold by the seller to the purchaser against payment, by the purchaser to the seller, of a stated or determinable sum of money at a stated or determinable future date or, in whole or in part, in instalments over a period in the future; and
- (b) the purchaser does not become the owner of those goods merely by virtue of the delivery to, or the use, possession or enjoyment by, the purchaser thereof; or
- (c) the seller is entitled to the return of those goods if the purchaser fails to comply with any term of that transaction;

"Institutional Sector Classification Guide" means the Institutional Sector Classification Guide for South Africa, issued from time to time by the Research Department of the Reserve Bank;

"insurer" in relation to the institutional and maturity breakdown of liabilities and assets means any privately or publicly incorporated mutual or other entity established in terms of the Long-term Insurance Act, 1998 (Act No 52 of 1998) or the Short-term Insurance Act, 1998 (Act No 53 of 1998), the principal function of which is to provide life, accident, fire or other forms of insurance to individual institutional units or groups of units;

"investor's interest" in relation to the calculation of a bank or other relevant institution's risk exposure relating to revolving assets in terms of the IRB approach means the investors' drawn balances related to the securitisation exposures **plus** the EAD amounts associated with the investors' undrawn facilities, which EAD amounts shall in respect of the undrawn balances of the securitised exposures be calculated by allocating the undrawn facilities between the seller's and investors' interests on a pro rata basis, that is, based on the proportions of the seller's and investors' shares of the securitised drawn balances;

"IRB approach" means the internal ratings-based approach in terms of which a bank may calculate its exposure to credit risk;

"irrevocable undrawn commitment or facility" in relation to a bank's off-balance sheet exposure includes any commitment or facility in respect of which the bank is legally committed to honour any drawdown or obligation arising from the said commitment or facility, and the said obligation of the bank in respect of the said commitment or facility may not be cancelled or amended by the bank-

- (a) without the prior written agreement of all relevant parties or counterparties;
- (b) until the client of the bank defaults in terms of the conditions of the contract; or
- (c) without the bank incurring a cost or penalty;

"ISO code" in relation to selected locational statistics means the relevant country codes issued from time to time by the International Organization for Standardisation;

"leasing transaction" means a transaction in terms of which a lessor leases movable goods to a lessee against payment, by the lessee to the lessor, of a stated or determinable sum of money at a stated or determinable future date or in whole or in part in instalments over a period in the future, but does not include a transaction by which it is agreed at the time of the conclusion thereof that the debtor or any person on behalf of the debtor shall at any stage during or after the expiry of the lease or after the termination of that transaction become the owner of those goods or after such expiry or termination retain possession or use or enjoyment of those goods;

"lending related guarantee" in relation to a bank's off-balance sheet exposure includes any undertaking issued by a bank on behalf of a person in respect of which undertaking the said bank will be liable for a specific financial obligation of the person in respect of which the undertaking was issued in the event that the said person does not fulfill that person's specified financial obligation at the due date;

“LGD ratio” in relation to the IRB approach means the loss suffered by a bank following the default of a particular obligor, expressed as a percentage of the relevant obligation;

“liability to non-resident” means any claim of a non-resident on a South African bank;

“liabilities to the public” means all liabilities of a reporting bank, whether domestic or foreign, arising from the operations of the reporting bank in connection with its banking business in the Republic, as set out in more detail in the forms BA 100 and BA 900;

“long position” in relation to a bank’s trading activities means the position when a person has bought a financial instrument in order to establish a market position and such market position has not yet been closed out by means of an offsetting sale;

“long settlement trade transaction” includes any transaction in respect of which a counterparty undertakes to deliver a security, commodity, or foreign exchange amount against cash, other financial instruments, or commodities, or *vice versa*, at a settlement or delivery date that is contractually specified as more than the lower of the market standard for the particular instrument and five business days after the date on which the reporting bank entered into the transaction, which transaction, for purposes of these Regulations, shall be treated as a forward contract up to the settlement date;

“long-term liability”, in relation to any date, means a liability (including a loan from or a deposit by another bank) that is payable after the expiration of more than six calendar months as from that date or that on that date is subject to notice that makes it payable after the expiration of more than six calendar months as from that date;

“loss” in relation to the LGD ratio of any asset class specified in the IRB approach means economic loss, which loss amount/ratio shall include material discounts and material direct and indirect costs associated with the collection of amounts due;

“loss category” in relation to the standardised approach for the measurement of a bank’s exposure to credit risk means on-balance sheet or off-balance sheet items that are considered uncollectible and of such little value that the said items should no longer be included in the net assets of the bank or branch;

“margin agreement” in relation to counterparty credit risk means any contractual agreement or provision to a contractual agreement in terms of which agreement or provision one counterparty has to provide collateral to the second counterparty when an exposure of the said second counterparty to the said first counterparty exceeds a specified amount;

“margin lending transaction” includes any transaction in terms of which a bank extends credit in connection with the purchase, sale, carrying or trading of securities, which credit amount is collateralised by securities, the value of which collateral exceeds the amount of the loan, but does not include any other loan granted by the bank in the ordinary course of business and in respect of which loan the bank obtained collateral as security for the repayment of the loan;

“margin period of risk” in relation to counterparty credit risk means the time period commencing on the date on which collateral in respect of a netting set of transactions with a defaulting counterparty was last exchanged until the date on which the said counterparty is closed out and the resulting market risk re-hedged;

“margin threshold” in relation to counterparty credit risk means the largest amount of an exposure that remains outstanding before one party to the bilateral agreement has the right to call for collateral;

“market risk” means the risk of loss in on-balance sheet and off-balance sheet positions arising from movements in market prices;

“market value” in relation to a bank’s trading activities means the amount obtainable from the sale, or payable on acquisition, of a financial instrument in the market;

“medium-term liability”, in relation to any date, unless specifically otherwise stated, means a liability (including a loan from or a deposit by another bank) that is payable on or after the thirty-second day as from that date but not later than the day on which a period of six calendar months as from that date expires, or that on that date is subject to notice that makes it payable on or after the thirty-second day as from that date but not later than the day on which a period of six calendar months as from that date expires;

“mortgage loan or advance” in relation to the institutional and maturity breakdown of liabilities and assets means any loan or advance granted by the reporting bank to a person, which loan or advance is repaid by the obligor in whole or in part in instalments during a specified period in the future and in terms of which loan or advance a mortgage bond in respect of a specified property is registered in favour of the reporting bank, which mortgage bond serves as collateral in respect of the loan or advance to be repaid by the obligor during the said specified period in the future;

“mutual bank” means a juristic person that is registered as a mutual bank in terms of the Mutual Banks Act, 1993, (Act No. 124 of 1993);

“negotiable certificate of deposit” means any fixed-deposit receipt issued by the reporting bank, which certificate of deposit is transferable and negotiable as a financial asset in the secondary market, and in terms of which certificate of deposit the issuer bank undertakes to pay to the holder of the certificate, on the maturity date of the said instrument, the amount of the said deposit plus any interest amount due in respect of the deposit;

“net market value” in relation to a bank’s trading activities means the aggregated market value of all relevant long and short positions in a particular category of financial instruments;

“net position” in relation to a relevant specified instrument held in a bank’s trading book or banking book, unless expressly stated otherwise, means the excess amount of a bank’s long/short positions over the bank’s short/long positions in respect of the said specific instrument;

“netting” in relation to a bank’s trading activities means the process whereby-

- (a) a person’s long position in a particular financial instrument is off-set against that person's short positions in that same financial instrument; and
- (b) that person's short position in a particular financial instrument is off-set against that person’s long position in that same financial instrument,

in order to ascertain the net position of the person in question;

“netting set” in relation to a bank’s exposure to counterparty credit risk means a group of transactions concluded with a single counterparty and which group of transactions is subject to a legally enforceable bilateral netting agreement that complies with the relevant requirements specified in these Regulations provided that each transaction that exposes the bank to counterparty credit risk but which transaction is not subject to a legally enforceable bilateral netting agreement as envisaged hereinbefore shall for purposes of these Regulations be deemed to represent a netting set on its own;

“non-earning asset” includes an investment in shares in respect of which no dividends have been received during the twelve-month period preceding the date of a return that is to be submitted in accordance with these Regulations;

“non-financial instrument” in relation to a bank’s trading activities means an instrument that does not constitute a financial instrument, such as a loan, deposit or mortgage advance;

“non-performing debt” means discounts, loans or advances in respect of which it is no longer prudent to credit interest receivable to the income statement;

“non-profit institution serving households” in relation to the institutional and maturity breakdown of liabilities and assets means any legal or social entity providing goods and services to households free of charge or at economically insignificant prices, which institutions are neither controlled nor primarily financed by government, including any welfare organisation, any aid society, any club, any non-profit hospital or school, any church, any trade union, any stokvel, any political party or company registered in terms of section 21 of the Companies Act;

“non-resident” means a person who is not a resident;

“offsetting transaction” in relation to counterparty credit risk means the transaction leg between a clearing member and a central counterparty when the clearing member acts on behalf of a client, such as, for example, when a clearing member clears or novates a client’s trade;

“one-sided credit valuation adjustment” in relation to a bank’s exposure to counterparty credit risk means a credit valuation adjustment that-

- (a) reflects the market value of the credit risk of a particular counterparty to the reporting bank; and
- (b) does not reflect the market value of the credit risk of the reporting bank to the said counterparty;

“operational risk” means the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events, including legal risk such as exposure to fines, penalties, or punitive damages resulting from supervisory actions and private settlements, but does not include strategic or reputational risk;

“other capital market transaction” in relation to a bank’s exposure to counterparty credit risk includes-

- (a) any margined OTC derivative contract;
- (b) any securities margin lending contract;

“other public-sector bodies” include-

- (a) the nine provincial governments;
- (b) non-financial public enterprises, as contemplated in the Institutional Sector Classification Guide;
- (c) the monetary authority of South Africa, Postbank, the Land Bank, the Public Investment Commissioners, public-sector insurers and pension funds and miscellaneous other financial institutions in the South African public sector, as contemplated in the Institutional Sector Classification Guide,

but do not include any local government, municipality, local government unit or local government enterprise;

“overdue amount” in relation to-

- (a) an overdraft facility includes an amount due by a person who has exceeded an advised limit or has been advised of a limit smaller than the current outstanding amount;
- (b) an amount payable in instalments or in relation to bills issued in a series, includes the full amount not yet written off, outstanding under the transaction concerned, including, in the case of an amount payable in instalments, such instalments not yet due and penal interest, if any, incurred in respect of overdue amounts, but excluding, in the case of an amount payable in instalments or of bills issued in a series, interest not yet due, if-
 - (i) the relevant account has vested in the hands of a third party for collection; or
 - (ii) the debtor has become subject to an administration order, has surrendered his estate, has entered into a compromise with his creditors, has been put under judicial management, is wound up or sequestrated or has been declared insolvent; or
 - (iii) the reporting institution considers recovery of the debt for any reason doubtful or has identified the debt as a non-performing debt;
- (c) an amount not payable in instalments, including an overdraft facility, includes-
 - (i) any amount the recovery of which the reporting institution for any reason considers doubtful;
 - (ii) any amount in respect of which the reporting institution has identified the debt concerned as a non-performing debt; or

- (iii) the full amount, not yet written off, outstanding under the transaction concerned if any of the circumstances contemplated in subparagraph (i) or (ii) of paragraph (b) become applicable;

"particular instrument" in relation to a bank's trading activities means an interest-rate future, forward rate agreement or forward commitment to buy or sell loan stock;

"past due amount" shall bear the same meaning as an overdue amount, which terms are often used interchangeably by market participants;

"peak exposure" in relation to a bank's exposure to counterparty credit risk means a high percentile, such as 95 percent or 99 percent, of the distribution of exposures at any particular future date before the maturity date of the transaction with the longest maturity included in the particular netting set, which peak exposure amount is typically generated for many future dates up until the longest maturity date of transactions included in the relevant netting set;

"pension or provident fund" in relation to the institutional and maturity breakdown of liabilities and assets includes any autonomous private or public entity that provides retirement benefits;

"performance related guarantee" in relation to a bank's off-balance-sheet exposure includes-

- (a) any undertaking given by a bank on behalf of one person to another person in respect of which the potential obligation of the bank as to the value or time of performance cannot be determined at the time of issue of the guarantee but only in the event and at the time of default by the first-named person; or
- (b) any undertaking issued by a bank on behalf of a person in respect of which undertaking the said bank will be financially liable to a third person in the event that the relevant person in respect of which the undertaking was issued fails to perform in accordance with a non-financial obligation made to the said third person;

"person" includes -

- (a) two or more persons, whether natural or juristic, that, unless proved to the contrary, constitute a single risk due to the fact that one of them has direct or indirect control over the other or others; or
- (b) two or more persons, whether natural or juristic, between whom there is no relationship or control as referred to in (a) above, but that are to be regarded as constituting a single risk, due to the fact that they are so interconnected that should one of them experience financial difficulties, the other or all of them would be likely to encounter repayment difficulties;

"potential future exposure" in relation to a bank's exposure to counterparty credit risk means the maximum exposure amount estimated to occur on a future date, which exposure amount is estimated at a high level of statistical confidence;

“private non-financial corporate sector” in relation to the institutional and maturity breakdown of liabilities and assets includes any company primarily engaged in the production of market goods and non-financial services at economically significant prices with the intent to generate profit or financial gain for its shareholders, including any nominee company, any non-profit institution serving the non-financial corporate sector, co-operatives, close corporations and any other private sector company registered in terms of the Companies Act;

“private-sector non-bank person” means a person, as hereinbefore in this regulation defined, but excludes-

- (a) the central government and other public-sector bodies;
- (b) a bank;
- (c) a mutual bank;
- (d) a branch of a bank;
- (e) a branch;
- (f) a foreign institution, as defined in the Regulations relating to the Conditions for the Conducting of the Business of a Bank by a Foreign Institution by means of a Branch in the Republic;
- (g) a controlling company; and
- (h) any other person designated by the Registrar;

“promissory note” means any unconditional order issued in writing by one person to another, in terms of which note the issuer undertakes to pay on demand or at a fixed or determinable future date a specified amount of money to a specified person or the order of a specified person, or to the bearer of the said promissory note;

“protection buyer” means a counterparty that transfers the credit risk associated with a reference asset, reference entity or underlying asset to a protection seller, irrespective of whether or not the protection buyer owns the reference asset or underlying asset;

“protection seller” means a counterparty that assumes credit risk associated with a reference asset, reference entity or underlying asset;

“public financial corporate sector” in relation to the institutional and maturity breakdown of liabilities and assets includes all institutional units owned or controlled by institutional units in the general government sector;

“Public Investment Corporation” in relation to the institutional and maturity breakdown of liabilities and assets means the corporation conducting business in terms of the Financial Advisory and Intermediary Services Act, 2002 (Act No 37 of 2002) and the Public Finance Management Act, which corporation invests funds on behalf of public sector entities such as the Government Employees Pension Fund;

“public non-financial corporate sector” in relation to the institutional and maturity breakdown of liabilities and assets includes institutional units owned or controlled by units in the general government sector, such as ESKOM, Telkom, Transnet and the SABC, the principal activity of which units or corporations is the production of market goods or the provision of non-financial services;

“public sector”, unless specifically otherwise stated, means the central government and other public-sector bodies, as hereinbefore in this regulation defined;

“qualifying central counterparty” means an entity or a person-

- (a) that is licensed to conduct business as a central counterparty, which license may include a license granted by way of a specific exemption;
- (b) that is permitted by the relevant regulator or supervisor to conduct business with or in respect of specified products and/or counterparties;
- (c) that is based in a jurisdiction in which it is prudentially supervised by a regulator or an authority that publicly confirms that all relevant central counterparties conducting business in that jurisdiction are continuously subject to rules and regulations that are consistent with the relevant CPSS-IOSCO Principles for Financial Market Infrastructures, issued from time to time; and
- (d) that complies with such further requirements or criteria as may be specified from time to time in these Regulations;

“rating system” in relation to the IRB approach includes all methods, processes, controls, data collection and information-technology systems that support the assessment of credit risk, the assignment of internal risk ratings, and the quantification of default and loss estimates;

“realisable value” in relation to a bank’s trading activities means a fair estimate of the market value at which a position could be sold without unduly affecting the market price of the instrument;

“reference asset” means a financial asset in respect of which payments in terms of a credit-derivative contract or instrument are linked, which reference asset may be a bond or a security, but it may also be a loan or another form of obligation, irrespective whether or not the said asset is held by a protection buyer;

“reference entity” means a legal entity, the associated credit risk of which is transferred by means of a credit-derivative transaction. In the case of a multiple-name product, the reference entity is not a single legal entity, but a basket or portfolio of reference entities;

“repossessed” asset, object or property, unless specifically otherwise provided in these Regulations or specified in writing by the Registrar, includes the taking back, or taking over control, by a bank of any moveable or immovable asset, object or property that was either used as collateral or rented or leased in terms of a purchase or credit contract, or a similar agreement or transaction, concluded between the bank and any other person, that is-

- (a) any action in which, or agreement in terms of which, a bank or an institution within a banking group having right of ownership of an asset, object or property in question takes back, or takes control over, the said asset, object or property from the person having right of possession to that asset, object or property;
- (b) any agreement in terms of which a person agrees that the bank may take back, or take control of, the said asset, object or property when that person is past the grace period that may have been contractually agreed between the bank and that person; or
- (c) any other contract, agreement or transaction specified in writing by the Registrar,

shall be included in the bank’s relevant category of repossessed assets, objects or property;

“repo-style transaction” includes-

- (a) any securities lending transaction;
- (b) any securities borrowing transaction;
- (c) any repurchase transaction;
- (d) any resale transaction;

“repurchase agreement or transaction” includes any transaction subject to further commitment in terms of which transaction or agreement money is obtained from a person, which money shall for the purposes of these Regulations be deemed to have been so obtained by way of a loan, through the sale of an asset to any other person subject to an agreement in terms of which the seller undertakes to purchase from the buyer, at a future date, the asset so sold or any other asset issued by the issuer of, and which has been so issued subject to the same conditions regarding term, interest rate and price as, the asset so sold, irrespective whether or not the transaction or agreement is being referred to as a securities lending transaction, an outward carry transaction, a sell-buy-back transaction or any other market term that may be used from time to time;

“reputational risk” for the purposes of these Regulations, unless specifically otherwise stated or directed by the Registrar, means the risk arising from the negative perception of customers, counterparties, shareholders, investors, debt-holders, market analysts, regulators or other relevant persons or stakeholders, that may adversely affect a bank’s ability to maintain existing, or establish new, business relationships and continued access to sources of funding, such as the interbank or securitisation market, which risk-

- (a) is essentially influenced by and largely a function of confidence and trust in the bank, which in turn is essentially influenced by and largely a function of the adequacy or robustness of the bank’s internal governance and risk management processes, and the manner and efficiency with which the board of directors and the senior management of the bank respond to external influences;

- (b) may, for example, arise from-
- (i) a bank's sponsorship of securitisation structures, such as ABCP conduits and special-purpose vehicles or trusts;
 - (ii) the sale of credit exposure to securitisation vehicles or trusts;
 - (iii) a bank's involvement in asset or funds management,
 - (iv) the incorrect pricing of risk or inadequate disclosure,
- particularly when financial instruments are subsequently issued by owned or sponsored entities, and distributed to customers of the relevant bank.
- (c) may give rise to other risks, such as credit risk, liquidity risk, market risk and legal risk, all of which may negatively impact a bank's earnings and liquidity, and/or capital positions;

"resale agreement or transaction" includes any transaction subject to further commitment in terms of which transaction or agreement money is provided to a person, which money shall for the purposes of these Regulations be deemed to have been so provided in the form of a loan, through the purchase of an asset from any other person subject to an agreement in terms of which the buyer undertakes to sell to the seller, at a future date, the asset so purchased or any other asset issued by the issuer of, and which has been so issued subject to the same conditions regarding term, interest rate and price as, the asset so purchased, irrespective whether or not the transaction or agreement is being referred to as a securities borrowing transaction, an inward carry transaction, a buy-sell-back transaction or any other market term that may be used from time to time;

"resecuritisation exposure" includes-

- (a) any securitisation exposure in which the risk associated with underlying assets or an underlying pool of exposures is tranching, and at least one of the underlying assets or exposures is a securitisation exposure;
- (b) any collateralised debt obligation (CDO) of asset-backed securities (ABS), including, for example, a CDO backed by residential mortgage-backed securities (RMBS);
- (c) any securitisation exposure where the relevant pool of exposures contains many individual mortgage loans and a single RMBS, that is, even when only one of the underlying assets or exposures is a securitisation exposure, any tranching ABS position, whether senior or subordinated, exposed to the said pool of exposures, shall constitute a resecuritisation exposure;
- (d) any instrument, the performance of which is linked to one or more resecuritisation exposure;
- (e) any credit derivative instrument that provides credit protection for a CDO² tranche;

- (f) any credit protection or enhancement covering all or some of the losses above the seller-provided protection across various pools;
- (g) any exposure to one or more resecuritisation exposures;
- (h) any securitisation exposure specified in writing by the Registrar;

"resident" means-

- (a) a person (that is, a natural person or legal entity) whether of South African or any other nationality, that has taken up residence, is domiciled or incorporated in the Republic of South Africa.
- (b) a South African citizen attached to an embassy or consulate in a foreign country,

but does not include any citizen of another country attached to a foreign diplomatic or military mission or representative office in the Republic;

"residual maturity" means the remaining period to the maturity of a contract;

"restructured credit exposure" in relation to a bank's exposure to credit risk includes any loan, advance or facility in respect of which the bank granted a concession to the obligor owing to a deterioration in the obligor's financial condition, that is, owing to a financial distressed situation of the relevant obligor,

- (a) which financial distressed situation results or is likely to result in the relevant obligor no longer being able to meet the terms or conditions originally agreed;
- (b) which restructuring agreement-
 - (i) may include a modification of terms or conditions such as, for example-
 - (A) a reduction in the relevant interest rate from that originally agreed;
 - (B) a reduction in the relevant interest amount due;
 - (C) a reduction in the relevant principal amount due;
 - (D) an amendment to the originally agreed contractual maturity or payment frequency;
 - (E) any forgiveness, deferral or postponement of a principle amount, interest amount or fee due;
 - (F) any subsequent increase in the relevant level of working capital or revolving facility;
 - (ii) may include the transfer from the obligor to the bank of real estate, receivables from third parties, other assets, or an equity interest in the obligor in full or partial satisfaction of the said loan, advance or facility;

- (iii) may include the substitution or addition of a new debtor for the original obligor;
- (iv) shall be in writing,

provided that no loan, advance, increased credit limit or facility extended or renewed by the reporting bank in its ordinary course of business at a stated interest rate or on terms or conditions equivalent to the current interest rate or terms or conditions for new debt with similar risk shall constitute a restructured loan or credit exposure for purposes of these Regulations;

“revocable undrawn commitment or facility” in relation to a bank’s off-balance sheet exposure includes any commitment, facility or obligation that, at any time and at the sole discretion of the reporting bank, is revocable and unconditionally cancellable by the bank without the bank incurring any cost or penalty;

“risk-neutral distribution” in relation to a bank’s exposure to counterparty credit risk means the distribution of market values or exposures in respect of a particular future time period, which distribution is calculated based on market implied values such as implied volatilities;

“risk position” in relation to the standardised method for the measurement of a bank’s exposure to counterparty credit risk means the risk amount assigned to a particular transaction in accordance with the relevant directives specified in these Regulations, which risk amount is derived from a specific algorithm;

“rollover risk” in relation to a bank’s exposure to counterparty credit risk means the amount by which the expected positive exposure amount is understated due to ongoing future transactions expected to be concluded with a particular counterparty, which additional exposure amounts relating to the said ongoing future transactions are not included in the calculation of the said expected positive exposure amount;

“securities financing transaction” in relation to a bank’s exposure to counterparty credit risk includes-

- (a) any repurchase or resale agreement or transaction;
- (b) any securities lending agreement or transaction;
- (c) any securities borrowing agreement or transaction;
- (d) any securities margin lending agreement or transaction,

the value of which agreement or transaction depends on market valuations from time to time and which agreement or transaction may be subject to a margin agreement;

"securitisation exposure" in relation to a securitisation scheme includes-

- (a) asset-backed commercial paper issued by a special-purpose institution;
- (b) mortgage-backed commercial paper issued by a special-purpose institution;
- (c) a credit-enhancement facility;
- (d) a liquidity facility;
- (e) an interest rate or a currency swap transaction;
- (f) a credit-derivative instrument; and
- (g) a reserve account, such as a cash collateral account, irrespective whether or not the reserve account is recorded as an asset by an originator;

"short position" in relation to a bank's trading activities means the position when a person sold a financial instrument in order to establish a market position and such market position has not been closed out by means of a matching purchase;

"short-term liability", in relation to any date, unless specifically otherwise stated, means a liability (including a loan from or a deposit by another bank) that is payable on or before the thirty-first day as from that date, or that on that date is subject to notice that makes it payable on or before the thirty-first day as from that date;

"social security fund" in relation to the institutional and maturity breakdown of liabilities and assets means any autonomous fund that manages and operates a social security scheme;

"special-mention category" in relation to the standardised approach for the measurement of a bank's exposure to credit risk means on-balance-sheet or off-balance-sheet items that are subject to conditions that, if left uncorrected, could raise concerns about timely and full repayment of the principal amount and related interest or other income and, as such, require more than normal attention;

"special-purpose entity, -institution or -vehicle" means a company or trust, insolvency remote, incorporated, created or used solely for the purpose of the implementation and operation of a traditional or synthetic securitisation scheme, as envisaged in the exemption notice relating to securitisation schemes;

"specific impairment or allowance for doubtful debt" means any impairment, allowance or provision made against losses on a debt that has been specifically identified as bad or doubtful, and any impairment, allowance or provision made against groups of debt on the basis of their age;

"specific impairment or allowance in respect of investments" means any impairment, allowance or provision made in respect of the anticipated or actual diminution in the value of securities or equities held by the reporting bank or branch;

“**specific risk**” in relation to a bank’s trading activities means the risk of loss due to an adverse price movement in an underlying instrument owing to factors related to the issuer of the instrument or in the case of a derivative instrument the issuer of the underlying instrument, which risk includes idiosyncratic risk and event or default risk;

“**specific wrong-way risk**” in relation to a bank’s exposure to counterparty credit risk means an exposure to a particular counterparty is positively correlated with the probability of default of the said counterparty due to transactions concluded with the said counterparty;

“**standard or current category**” in relation to the standardised approach for the measurement of a bank’s exposure to credit risk means on-balance sheet and off-balance sheet items that are fully current in terms of both the repayment of the principal amount and related interest or other income, the continued repayment of which are without doubt and for which full repayment is expected;

“**stock position**” in relation to a bank’s trading activities includes-

- (a) commodities when the full contract price has been paid;
- (b) work-in-progress and finished goods resulting from the processing of commodities; or
- (c) raw materials that will be combined with commodities to produce a finished processed commodity;

“**substandard category**” in relation to the standardised approach for the measurement of a bank’s exposure to credit risk means on-balance sheet or off-balance sheet items that show weaknesses that could lead to probable loss if not corrected or where full repayment is in doubt owing to the primary sources of repayment being insufficient;

“**suspensive sale transaction**” means a sale subject to a suspensive condition;

“**total-return swap**” means a bilateral agreement between a protection buyer and a protection seller in terms of which agreement the protection buyer swaps the total return on a reference asset or underlying asset, including all contractual payments and any appreciation in the value of the reference asset or underlying asset, with the protection seller in exchange for payment of a variable or fixed reference interest and compensation for losses in the value of the reference asset or underlying asset.

The terms total-return swap and total rate-of-return swap are often used interchangeably by market participants;

“**trade exposure**” in relation to counterparty credit risk includes the current exposure and the potential future exposure of a clearing member or a client to a central counterparty, arising from-

- (a) transactions in OTC derivative instruments;
- (b) transactions in exchange traded derivative instruments;
- (c) securities financing transactions, or

(d) initial margin,

Provided that for purposes of this definition, the current exposure of a clearing member shall include any variation margin due to the clearing member but not yet received;

“trading book, portfolio or activity” includes all positions in financial instruments and commodities held by a bank-

(a) with trading intent, including such instruments or positions held with the intent of benefiting in the short term from actual or expected movements in prices or to secure profits arising from arbitrage opportunities, which positions, for example, may include proprietary positions, positions arising from client servicing such as matched principal broking, or market making; or

(b) in order to hedge other elements of the trading book,

which instruments or positions-

(i) shall be free of any restrictive covenants in respect of tradability;

(ii) shall be available to be completely or substantially hedged;

(iii) shall be valued on a frequent and accurate basis;

(iv) shall be actively managed,

but excludes such positions, instruments or commodities as may be specified in writing by the Registrar from time to time;

“uncommitted undrawn facility or loan commitment” in relation to a bank’s off-balance sheet exposure includes any revocable undrawn commitment or facility;

“underlying asset” means an asset that is protected in terms of a credit-derivative contract, which underlying asset-

(a) may not necessarily be identical to a reference asset;

(b) is usually an asset that is already held by the protection buyer;

“unfunded credit-derivative instrument” means a contract in terms of which the protection seller does not provide collateral to a protection buyer for the settlement of the protection seller’s potential future obligations;

“unincorporated business enterprises of households” in relation to the institutional and maturity breakdown of liabilities and assets mean households engaged in market production as single person businesses or sole proprietorship, and partnerships, that is, legal persons not organised in the form of a company, in respect of which person the household and business accounts in most cases cannot be separated, and which single person business or sole proprietorship can be with or without employees;

“**unit trusts**” in relation to the institutional and maturity breakdown of liabilities and assets mean collective investment schemes involving the collection of funds from individual investors for investment in a spread of assets such as money-market instruments, bonds, shares and units of other unit trusts, which unit trusts may be divided into non-money market unit trusts, that is, unit trusts primarily investing in long-term fixed-interest securities or shares, and money-market unit trusts, that is, unit trusts primarily investing in money-market instruments;

“**variation margin**” in relation to counterparty credit risk means a clearing member’s or client’s funded collateral posted or provided to a central counterparty on a daily or intraday basis, based upon price movements in respect of their relevant transactions.

68. Borrowing of money by co-operatives

(1) For the purposes of paragraph (bb) of the definition of "the business of a bank" in section 1(1) of the Act, a co-operative may borrow money from its members subject to the conditions specified below:

- (a) No loan from any individual member shall amount to less than R1 000, and, for the purposes of this paragraph, every successive loan from any particular member shall be regarded as a separate loan;
- (b) a loan shall not be repaid within 12 months after receipt;
- (c) the co-operative shall in respect of each loan issue an acknowledgement of debt;
- (d) every loan shall be negotiated on one or other of the conditions specified below, which conditions shall be recorded in the relevant acknowledgement of debt.
 - (i) The member shall not have the right to demand repayment, but the co-operative may at any time, after it has held the loan for not less than 12 months, repay such loan upon giving not less than 30 days' prior notice of its intention to repay such loan; or
 - (ii) The loan shall be repayable at a fixed date to be specified in the acknowledgement of debt, but the board of directors of the co-operative shall have the power to defer the repayment if the circumstances of the co-operative as at that date render such deferment necessary, subject to the condition that if the decision of such board is not confirmed at the first succeeding general meeting of the co-operative, the loan shall be repaid within seven days of the date of such meeting.

69. Short title and commencement

These Regulations shall be called the Regulations relating to Banks and shall come into operation on 1 January 2013.

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