
GOVERNMENT NOTICE

SOUTH AFRICAN RESERVE BANK

No. R. 1033

15 December 2011

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.

CHAPTER II

FINANCIAL, RISK-BASED AND OTHER RELATED RETURNS, AND INSTRUCTIONS, DIRECTIVES AND INTERPRETATIONS RELATING TO THE COMPLETION THEREOF

7. List of forms prescribed in respect of financial, risk-based and other related 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	Solo supervision					Consolidated supervision		
		Bank in Republic ¹	Foreign branches of South African banks ²	Bank legal entity ³	Foreign bank ⁴	Other operations ⁵	Bank consolidated ⁶	Sub-consolidation ⁷	Controlling company consolidated ⁸
BA 099	Declaration in respect of statutory returns submitted ⁹	Whenever required as control sheet and for purpose of making required declarations							
BA 099A	Declaration in respect of statutory returns submitted by foreign operations ⁹								
BA 100	Balance sheet	Monthly ^{10b, 10h}		Monthly ^{10b, 10h}		In accordance with conditions specified by the Registrar	Quarterly ^{10d, 10h}	In accordance with conditions specified by the Registrar	Quarterly ^{10d, 10h}
BA 110	Off-balance-sheet activities	Monthly ^{10b, 10h}		Monthly ^{10b, 10h}			Quarterly ^{10d, 10h}		Quarterly ^{10d, 10h}
BA 120	Income statement	Monthly ^{10b, 10h}		Monthly ^{10b, 10h}			Quarterly ^{10d, 10h}		Quarterly ^{10d, 10h}
BA 125	Return regarding shareholders			Annually ^{10f}	Annually ^{10f}				Annually ^{10f}
BA 130	Restriction on investments, loans and advances	Quarterly ^{10c, 10h}							
BA 200	Credit risk: monthly return	Monthly ^{10c, 10h}							
BA 210	Credit risk: quarterly return	Quarterly ^{10c, 10h}							
BA 220	Credit risk: six-monthly return	Six-monthly ^{10h}							
BA 300	Liquidity risk	Monthly ^{10c, 10h}							
BA 310	Minimum reserve balance and liquid assets	Monthly ^{10b, 10h}							
BA 320	Market risk	Monthly ^{10c, 10h}							
BA 325	Daily return: selected risk exposure	Daily ^{10a, 10h}							
BA 330	Interest-rate risk: banking book	Monthly ^{10c, 10h}							
BA 340	Equity risk in the banking book	Monthly ^{10c, 10h}							
BA 350	Derivative instruments	Monthly ^{10c, 10h}							
BA 400	Operational risk: six-monthly return	Six-monthly ^{10e, 10h}							
BA 410	Operational risk: annual return	Annually ^{10e, 10h}							
BA 500	Securitisation schemes	Monthly ^{10c, 10h}							
BA 600	Consolidated return						Quarterly ^{10d, 10h}		Quarterly ^{10d, 10h}
BA 610	Foreign operations of South African banks		Quarterly ^{10c, 10h}		Quarterly ^{10c, 10h}				
BA 700	Capital adequacy	Monthly ^{10c, 10h}					Quarterly ^{10d, 10h}		Quarterly ^{10d, 10h}

- 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.

(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 22 of the form BA310 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 amount of-

- (i) allocated qualifying primary and secondary capital and reserve funds relating to risks other than market risk, as prescribed in regulations 38(8) and 38(9); and
- (ii) allocated qualifying primary and secondary capital and reserve funds and tertiary capital relating to market risk, as prescribed in regulations 38(8) and 38(9),

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 amounts of:

- (i) allocated qualifying primary and secondary capital and reserve funds; and
- (ii) allocated qualifying primary and secondary capital and reserve funds and tertiary capital.

(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 ¹	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: annual return				
BA 500	Securitisation schemes				
BA 600	Consolidated return				
BA 610	Foreign operations of South African banks				
BA 700	Capital adequacy				
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: annual return				
BA 500	Securitisation schemes				
BA 600	Consolidated return				
BA 700	Capital adequacy				
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 primary and secondary capital and reserve funds and tertiary capital of the abovementioned bank/ operation have on (date) been reduced by the relevant amounts of items prescribed in regulations 23(6), 23(8), 23(11) and 23(13) as deductions against 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 amount of-

- (i) allocated qualifying primary and secondary capital and reserve funds relating to risks other than market risk, as prescribed in regulations 38(8) and 38(9); and
- (ii) allocated qualifying primary and secondary capital and reserve funds and tertiary capital relating to market risk, as prescribed in regulations 38(8) and 38(9), 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 amounts of:

- (i) allocated qualifying primary and secondary capital and reserve funds; and
- (ii) allocated qualifying primary and secondary capital and reserve funds and tertiary capital.

(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 secondary unimpaired reserve funds

(1) A surplus resulting from a revaluation of specified assets shall rank as secondary unimpaired reserve funds only to the extent permitted in paragraph (a) of the definition of "secondary unimpaired reserve funds", in section 1(1) of the Act, if the revaluation in question complies with the conditions specified below.

- (a) The revaluation shall be a revaluation of strategic long-term investments or fixed assets that have formally been identified by the board of directors of the relevant bank as strategic long-term investments.
- (b) The revaluation shall be made by an independent valuer or associated valuer registered as such under the Valuers' Act, 1982, as amended, the Property Valuers Profession Act, 2000, as amended, or, with the approval of the Registrar, by another suitably qualified person, at intervals of not more than once every financial year or at such intervals as may be specified in writing by the Registrar and in accordance with the accounting policy of the reporting bank and relevant financial reporting standards issued from time to time.
- (c) The assets being revalued shall be similar in nature, for example, investments in premises of a bank, and the revaluation of all such assets shall be undertaken on a portfolio basis at the same time.
- (d) A reduction in the value of any relevant asset revalued shall also be taken into account.
- (e) Details of all revaluations of assets shall be clearly disclosed in the annual financial statements of the relevant reporting bank.

(2) Subject to the provisions of subregulation (1), no surplus resulting from a contingency item shall rank as secondary 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 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.**

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monthly balance sheet (Form BA 100) | 34 |

BALANCE SHEET

(Confidential and not available for inspection by the public)

Name of bank/ controlling company.....

Month ended (yyyy-mm-dd)

BA 100

Monthly*

*Quarterly for columns 6 and 7

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

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

1. Excluding foreign branches

2. Including foreign branches

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

ASSETS	Line no.	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
Investment and trading securities (total of items 27 to 31, less item 32)	26							
Equities - listed	27							
Equities - unlisted	28							
Commodities	29							
Government and government-guaranteed securities	30							
Other dated securities	31							
Less: impairment	32							
Derivative financial instruments	33							
Pledged assets (total of items 35 to 38)	34							
Equities - listed	35							
Equities - unlisted	36							
Government and government-guaranteed securities	37							
Other dated securities	38							
Investment in subsidiary companies	39							
Investment in associate companies	40							
Investments in joint ventures	41							
Non-current assets held for sale	42							
Intangible assets (total of items 44 to 46)	43							
Goodwill	44							
Computer software and capitalised development costs	45							
Other	46							
Reinsurance assets	47							
Investment property	48							
Property and equipment	49							
Current income tax receivables	50							
Deferred income tax assets	51							
Post-employment assets	52							
Other assets	53							
TOTAL ASSETS (total of items 1, 7, 12, 26, 33, 34, 39 to 43 and 47 to 53)	54							

1. Excluding foreign branches

2. Including foreign branches

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

LIABILITIES	Line no.	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
Deposits, current accounts and other creditors (total of items 56 to 62)	55							
Current accounts	56							
Savings deposits	57							
Call deposits	58							
Fixed and notice deposits	59							
Negotiable certificates of deposit	60							
Other deposit and loan accounts	61							
Funds received under repurchase agreements	62							
Liabilities under investment contracts	63							
Liabilities under insurance contracts	64							
Policyholder liabilities	65							
Derivative financial instruments and other trading liabilities (total of items 67 and 68)	66							
Derivative financial instruments	67							
Other trading liabilities	68							
Term debt instruments (total of items 70 and 71)	69							
Qualifying as capital	70							
Other	71							
Deferred revenue	72							
Current income tax liabilities	73							
Deferred income tax liabilities	74							
Non current liabilities held for sale	75							
Retirement benefit obligations	76							
Provisions	77							
Other liabilities	78							
TOTAL LIABILITIES (total of items 55, 63 to 66, 69 and 72 to 78)	79							

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*
		Banking	Trading	Total ¹			
		1	2	3	4	5	6
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						
		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
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 55 (deposits, current accounts and other creditors)	92							
Sovereigns, including central banks	93							
Public sector entities	94							
Local authorities	95							
Banks	96							
Securities firms	97							
Corporate customers	98							
Retail customers	99							
Other	100							
Balances related to or in respect of banks:								
Assets: (total of items 91 and 102 to 110)	101							
Included in item 7	102							
Included in item 26	103							
Included in item 33	104							
Included in item 34	105							
Included in item 39	106							
Included in item 40	107							
Included in item 41	108							
Included in item 43	109							
Included in item 53	110							
Liabilities: (total of items 96 and 112 to 114)	111							
Included in item 66	112							
Included in item 69	113							
Included in item 78	114							
Equity (total of items 116 and 117)	115							
Included in item 80	116							
Included in item 84	117							

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 BA100 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 **Pledged assets**
38

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**Page no.**

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OFF BALANCE SHEET ACTIVITIES

(Confidential and not available for inspection by the public)

Name of bank/ controlling company.....

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)

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

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 BA110.

(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**Page no.**

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INCOME STATEMENT

(Confidential and not available for inspection by the public)

Name of bank/ controlling company.....

Month ended (yyyy-mm-dd)

BA 120

Monthly*

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

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

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

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 ¹						Total bank ²	Consolidated bank [*]	Consolidated bank controlling company [*]
		Current month			Current year to date					
		Banking	Trading	Total	Banking	Trading	Total			
		1	2	3	4	5	6			
							Year to date	Year to date	Year to date	
							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)

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

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	90			
Non interest revenue as a percentage of interest earning assets	91			
Total (of items 90 and 91)	92			
Less: Credit losses as a percentage of interest earning assets	93			
Less: Operating expenses as a percentage of interest earning assets	94			
Add: Associate income as a percentage of interest earning assets	95			
Net profit before tax (item 92 less items 93 and 94, plus item 95)	96			
Multiply by: (1 - effective tax rate)	97			
Equals: Earnings as a percentage of interest earning assets	98			
Multiply by: Interest earning assets as a percentage of total assets	99			
Equals: Return on assets (ROA)	100			
Multiply by: Gearing ratio	101			
Equals: Return on accounting equity (ROE)	102			
Supervisory deductions and non-qualifying amounts (item 104 less item 102)	103			
Equals: Return on qualifying primary share capital and reserve funds	104			

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	105			
Non interest revenue as a percentage of risk weighted assets	106			
Total (of items 105 and 106)	107			
Less: Credit losses as a percentage of risk weighted assets	108			
Less: Operating expenses as a percentage of risk weighted assets	109			
Add: Associate income as a percentage of risk weighted assets	110			
Net profit before tax (item 107 less items 108 and 109, plus item 110)	111			
Multiply by: (1 - effective tax rate)	112			
Equals: Earnings as a percentage of risk weighted assets	113			
Multiply by: Risk weighted assets as a percentage of total assets	114			
Equals: Return on assets (ROA)	115			
Multiply by: Gearing ratio	116			
Equals: Return on accounting equity (ROE)	117			
Supervisory deductions and non-qualifying amounts (item 119 less item 117)	118			
Equals: Return on qualifying primary share capital and reserve funds	119			

Other selected ratios	Line no.	Percentages ¹		
		Total bank ²	Consolidated bank*	Consolidated bank controlling company*
		1	2	3
Cost to income ratio	120			
Credit losses as a percentage of net interest income	121			
Interest income as a percentage of risk weighted assets	122			
Interest expense as a percentage of risk weighted assets	123			
Fee and commission income as a percentage of total income	124			
Trading income as a percentage of total income	125			
Other income as a percentage of total income	126			
Staff expenses as a percentage of operating expenses	127			
Other expenses as a percentage of operating expenses	128			

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 89 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.

90 to 128 Du Pont analysis and other selected ratios

For the completion of items 90 to 128 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 11, column 6, of the form BA700) **divided by** (item 3, column 6, of the form BA700);
- (b) a consolidated bank, as envisaged in column 8 of the form BA 120, be deemed to be equal to (item 7, column 3, of the form BA600) **divided by** (item 4, column 3, of the form BA600);

- (c) a consolidated bank controlling company, as envisaged in column 9 of the form BA 120, be deemed to be equal to (item 7, column 3, of the form BA600) **divided by** (item 4, column 3, of the form BA600).

Provided that the aforesaid forms BA600 and BA700 respectively used in the calculation of the relevant amount of risk-weighted assets shall be the forms BA600 and BA700 relating to the reporting period immediately preceding the reporting period in respect of which the current form BA120 is completed.

90 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).

91 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).

93 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).

94 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).

95 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).

97 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)).

99 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.

101 Gearing ratio

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

103 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 primary share capital and reserve funds, this item shall reflect the difference between accounting equity and qualifying primary share capital and reserve funds owing to all relevant prescribed supervisory deductions and other non-qualifying amounts.

104 Return on qualifying primary share capital and reserve funds

This item shall be equal to (item 87 less item 79 of the form BA 120) **divided by** (item 23, 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).

105 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).

106 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).

108 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).

109 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).

110 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).

112 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)).

114 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.

116 Gearing ratio

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

118 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 primary share capital and reserve funds, this item shall reflect the difference between accounting equity and qualifying primary share capital and reserve funds owing to all relevant prescribed supervisory deductions and other non-qualifying amounts.

119 Return on qualifying primary share capital and reserve funds

This item shall be equal to (item 87 less item 79 of the form BA 120) **divided by** (item 23, 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).

120 Cost to income ratio

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

121 Credit losses as a percentage of net interest income

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

122 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).

123 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).

124 Fee and commission income as a percentage of total income

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

125 Trading income as a percentage of total income

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

126 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.

127 Staff expenses as a percentage of operating expenses

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

128 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.**

1. Form BA 125 - Return regarding shareholders of a bank/controlling company.....57
2. Regulation 21 - Directives and interpretations for completion of the annual return concerning shareholders of a bank/controlling company (Form BA 125).....58

RETURN REGARDING SHAREHOLDERS

(Confidential and not available for inspection by the public)

Name of bank/ controlling company.....

As at 31 December (yyyy)

BA 125
Annually

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

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

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**Page no.**

1. Form BA 130 - Restriction on investments, loans and advances63
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 primary and secondary capital and reserve funds relating to risks other than market risk	7	
Amount by which the bank's reported qualifying primary and secondary 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		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 primary and secondary 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 primary and secondary capital and reserve funds relating to risks other than market risk reported in item 105 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 primary and secondary capital and reserve funds determined in terms 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

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2. Regulation 23 - Directives and interpretations for completion of monthly return concerning credit risk (Form BA200)	103
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6. Regulation 25 - Directives and interpretations for completion of six- monthly return concerning credit risk (Form BA220)	428

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 BA 100)	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 44, column 2, of form BA 200)	8	
Total portfolio credit impairments (item 44, column 3, of form BA 200)	9	
Credit losses charge to income statement (item 66 of form BA 120; item 50, column 1, of form BA 200)	10	
Total gross credit exposure (item 39, column 5, of form BA 200)	11	
Credit exposure post credit risk mitigation (item 39, column 14, of form BA 200)	12	
Credit exposure post credit risk mitigation and credit conversion factors (item 52, column 11, of form BA 200)	13	

Standardised approach: Key ratios relating to asset quality	Line no.	Total (%)
		1
Percentage growth in total gross loans and advances during the reporting month ²	14	
Impaired advances as % of total gross loans and advances ³	15	
Specific credit impairments as % of impaired advances ⁴	16	
Total credit impairments as % of total gross loans and advances ⁵	17	
Credit losses charge as % of total gross loans and advances ⁶	18	

1. Means advances in respect of which the bank raised a specific impairment.

2. ((Item 1 minus Item 1, previous month) divided by Item 1, previous month)

3. Item 2 divided by Item 1

4. Item 8 divided by Item 2

5. Item 7 divided by Item 1

6. Item 10 divided by Item 1

(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 ⁴		Sub-standard ⁵		Doubtful ⁶		Loss ⁷	
							Total	of which: 60 < overdue days ≤ 90	Total	of which: overdue > 90 days	Total	of which: overdue > 90 days	Total	of which: overdue > 90 days
Asset class		1	2	3	4	5	6	7	8	9	10	11	12	13
Corporate exposure (total of items 20 and 21)	19													
Corporate	20													
SME corporate	21													
Public sector entities	22													
Local government and municipalities	23													
Sovereign (including central government and central bank)	24													
Banks	25													
Securities firms	26													
Retail exposure (total of items 28, 29, 31 and 34)	27													
Residential mortgage advances	28													
Retail revolving credit ⁴	29													
of which: credit cards	30													
SME retail (total of items 32 and 33)	31													
Secured lending	32													
Unsecured lending	33													
Retail – other	34													
of which: vehicle and asset finance	35													
unsecured lending ^{5, 6}														
≤ R30 000	36													
unsecured lending ⁵														
> R30 000	37													
Securitisation and securitisation exposure⁷	38													
Total (of items 19, 22 to 27 and 38)	39													

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(11)(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			
Asset class	Line no.	Credit exposure post CRM	Specific credit impairment
		14	15
Corporate exposure (total of items 20 and 21)	19		
Corporate	20		
SME corporate	21		
Public sector entities	22		
Local government and municipalities	23		
Sovereign (including central government and central bank)	24		
Banks	25		
Securities firms	26		
Retail exposure (total of items 28, 29, 31 and 34)	27		
Residential mortgage advances	28		
Retail revolving credit ⁴	29		
of which: credit cards	30		
SME retail (total of items 32 and 33)	31		
Secured lending	32		
Unsecured lending	33		
Retail – other	34		
of which: vehicle and asset finance	35		
unsecured lending ^{5, 6}			
≤ R30 000	36		
unsecured lending ⁵			
> R30 000	37		
Securitisation and resecuritisation exposure⁷	38		
Total (of items 19, 22 to 27 and 38)	39		

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(11)(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)	Specific credit impairments	Portfolio credit impairments
Balance sheet		1	2	3
Credit impairments: balance at beginning of period	40			
Income statement charge/ (reversal)	41			
Amounts written off against credit impairments	42			
Acquisition / disposal of subsidiary and other	43			
Credit impairments: balance at end of period	44			
Memorandum item:				
Interest in suspense at end of period	45			

(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)	Specific credit impairments	Portfolio credit impairments
Income statement		1	2	3
Credit impairments provision raised	46			
Credit impairments provision released	47			
Recoveries	48			
Suspended interest charge	49			
Total (of items 46 to 49)	50			
Memorandum item:				
Write offs not applied directly against the balance sheet, that is, provision not previously raised - when relevant	51			

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

Standardised approach: Credit capital requirements	Line no.	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)							
					0% ≤ CCF ≤ 5%	5% < CCF ≤ 15%	15% < CCF ≤ 20%	20% < CCF ≤ 40%	50%	90%	100%	
					1	2	3	4	5	6	7	8
Based on risk weights												
Total (of items 53 to 58 and 61, 62, 65 and 68 to 71)	52											
0% risk weight	53											
10% risk weight	54											
20% risk weight	55											
35% risk weight	56											
40% risk weight	57											
50% risk weight	58											
of which ² : past due	59											
without credit assessment by an eligible external credit assessment institution	60											
75% risk weight	61											
100% risk weight	62											
of which ² : past due	63											
without credit assessment by an eligible external credit assessment institution	64											
150% risk weight	65											
of which ² : past due	66											
without credit assessment by an eligible external credit assessment institution	67											
225% risk weight	68											
350% risk weight	69											
650% risk weight	70											
Other prescribed risk weights	71											
of which ² : past due	72											
without credit assessment by an eligible external credit assessment institution	73											

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.

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

Standardised approach: Credit capital requirements Based on risk weights	Line no.	Credit exposure value post CRM and CCF	Risk weighted exposure (col. 11 * risk weight)	Credit capital requirement (col.12 * prescribed capital adequacy ratio)
		11	12	13
Total (of items 53 to 58 and 61, 62, 65 and 68 to 71)	52			
0% risk weight	53			
10% risk weight	54			
20% risk weight	55			
35% risk weight	56			
40% risk weight	57			
50% risk weight	58			
of which ² :				
past due	59			
without credit assessment by an eligible external credit assessment institution	60			
75% risk weight	61			
100% risk weight	62			
of which ² :				
past due	63			
without credit assessment by an eligible external credit assessment institution	64			
150% risk weight	65			
of which ² :				
past due	66			
without credit assessment by an eligible external credit assessment institution	67			
225% risk weight	68			
350% risk weight	69			
650% risk weight	70			
Other prescribed risk weights	71			
of which ¹ :				
past due	72			
without credit assessment by an eligible external credit assessment institution	73			

1. When any exposure is both past due and unrated then the said exposure shall be included in BOTH categories.

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

Standardised approach: Credit capital requirements	Line no.	Approach adopted by bank ^{1,2}	Total gross credit exposure	Total risk weighted exposure	Total credit capital requirements (col. 3 * prescribed capital ratio)	Credit capital ratio (%) (col. 4/col. 2)
Based on asset class		1	2	3	4	5
Corporate exposure (total of items 75 and 76)	74					
Corporate	75					
SME corporate	76					
Public sector entities	77					
Local government and municipalities	78					
Sovereign (including central government and central bank)	79					
Banks	80					
Securities firms	81					
Retail exposure (total of items 83, 84, 86 and 89)	82					
Residential mortgage advances	83					
Retail revolving credit	84					
<i>of which:</i> credit cards	85					
SME retail (total of items 87 and 88)	86					
Secured lending	87					
Unsecured lending	88					
Retail – other	89					
<i>of which:</i> vehicle and asset finance	90					
unsecured lending ^{3,4}						
≤ R30 000	91					
unsecured lending ⁴						
> R30 000	92					
Securitisation and securitisation exposure⁵	93					
Total (of items 74, 77 to 82 and 93)	94					

1 Based on the relevant keys specified in this note 1, in respect of each relevant asset class, the reporting bank shall indicate the approach adopted by the bank for the measurement of its exposure to credit risk. Standardised approach = 1; Foundation IRB approach = 2; Advanced IRB approach = 3.

2 When the reporting bank adopted the IRB approach in respect of a particular asset class, the bank shall indicate the said adopted approach in respect of the said asset class in column 1 and complete the relevant sections of the form BA200 that relate to the said IRB approach and leave open the relevant lines under the standardised approach.

3 Relates to the relevant original exposure amount, excluding relevant retail revolving credit exposure and/or 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)

Standardised approach: Other assets ¹	Line no.	Amount	Specified risk weight (%)	Risk weighted exposure (col. 1* col.2)	Capital requirement (col. 3 * prescribed capital ratio)
		1	2	3	4
Cash and balances with the central bank	95		0%		
Cash items in process of collection	96		20%		
Goodwill	97		Deduction ²		
Intangibles other than goodwill	98		Deduction ²		
Fixed assets (excl. assets bought-in)	99		100%		
Movable assets (excl. assets bought-in)	100		100%		
Assets bought-in	101		100%		
Lease residuals	102		100%		
Other assets	103		100%		
Total (of items 95 to 103)	104				

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 BA700, such other assets are included in the form BA200. 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 213 to 222 of the form BA200 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.

(All amounts to be rounded off to the nearest R'000)														
Standardised approach: Counterparty credit risk ¹ Analysis of OTC derivative instruments and SFT ² Based on specified risk weights	Line no.	Current exposure method								Standardised method				
		OTC derivative instruments						SFT ²			OTC derivative instruments			
		Total notional principal amount	Gross replace- ment cost	Net replace- ment 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	Net absolute risk position after the application of CCFs
		1	2	3	4	5	6	7	8	9	10	11	12	13
Total (of items 106 to 110)	105													
0%	106													
20%	107													
50%	108													
100%	109													
150%	110													
Memorandum items: Maximum counterparty credit exposure during the month	111													
		Standardised method			Internal model			Aggregate totals across all relevant approaches						
		SFT ²			OTC derivative instruments		SFT ²		OTC derivative instruments		SFT ²			
		Credit exposure value	Collateral value	Netting benefit	Effective expected positive exposure	Effective expected positive exposure	Effective expected positive exposure	Effective expected positive exposure	Adjusted exposure amount	Risk weighted exposure	Adjusted exposure amount	Risk weighted exposure	Adjusted exposure amount	Risk weighted exposure
		15	16	17	18	19	20	21	22	23	24	25	26	27
Total (of items 106 to 110)	105													
0%	106													
20%	107													
50%	108													
100%	109													
150%	110													
Memorandum items: Maximum counterparty credit exposure during the month	111													
Exchange traded margined transactions													Margin amount (Credit exposure)	
Initial margin placed with a recognised exchange	112												1	

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)

Analysis of netting	Line no.	ISDA	ISMA	Netting in terms of relevant requirements specified in regulation 23	Other ²	Total (col. 1 to 4)
		1	2	3	4	5
Current netting benefits	113					
OTC derivative instruments	114					
SFT ¹	115					
Expected positive exposure netting	116					
OTC derivative instruments	117					
SFT ¹	118					
						Alpha value
						1
Own estimate of alpha ³	119					

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.

3. Relates to internal model method only.

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

Standardised approach:	Line no.	Total exposure				of which: New business during the current reporting month			
Residential mortgage exposure		On-balance sheet exposure	Off-balance sheet exposure	Total gross credit exposure	Credit exposure value post CCF	On-balance sheet exposure	Off-balance sheet exposure	Total gross credit exposure	Credit exposure value post CCF
Analysed per specified loan-to-value (LTV) ratio		1	2	3	4	5	6	7	8
Total (of items 121 to 123)	120								
LTV ratio ≤ 80%	121								
80% < LTV ratio < 100%	122								
LTV ratio ≥ 100%	123								

1. Calculated based on the amount envisaged in regulation 23(6)(c).

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

IRB approach: Summary of selected credit risk related information		Total
Line no.		1
	Total gross loans and advances (item 24 of form BA 100)	124
	Impaired advances ¹	125
	Assets bought-in (total of items 127 to 129)	126
	Immovable property (item 6, column 5, of form BA 220)	127
	Movable property	128
	Companies acquired (item 1, column 5, of form BA 220)	129
	Total credit impairments related to total gross loans and advances (item 25 of form BA 100)	130
	Total specific credit impairments (item 385, column 2, of form BA 200)	131
	Total portfolio credit impairments (item 385, column 3, of form BA 200)	132
	Credit losses charge to income statement (item 66 of form BA 120; item 391, column 1, of form BA 200)	133
	Total credit extended ³ (item 174, column 5, of form BA 200)	134
	Exposure at default (EAD) (item 174, column 6, of form BA 200)	135
	Average probability of default ² (PD, EAD weighted) (item 251, column 3, of form BA 200)	136
	Average loss given default ² (LGD, EAD weighted) (item 280, column 30, of form BA 200)	137
	Total expected loss (EL) (item 309, column 30, plus item 212, column 4, of form BA 200)	138
	Best estimate of expected loss (BEEL) (item 308, column 30, of form BA 200)	139
	Net excess/(deficit) of total credit impairments compared to expected loss (item 380, column 5, of form BA 200)	140

IRB approach: Key ratio's relating to asset quality		Total ² (%)
Line no.		1
	Percentage growth in total gross loans and advances during the reporting month ⁴	141
	Impaired advances as % of total gross loans and advances ⁵	142
	Specific credit impairments as % of impaired advances ⁶	143
	Total credit impairments as % of total gross loans and advances ⁷	144
	Credit losses charge as % of total gross loans and advances ⁸	145
	Expected loss as % of total credit exposure (on EAD basis) ⁹	146

1. Means advances in respect of which the bank raised a specific impairment.

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

3. Not on an EAD basis.

4. (Item 124 minus item 124 of previous month) divided by item 124 of previous month

5. Item 125 divided by item 124

6. Item 131 divided by item 125

7. Item 130 divided by item 124

8. Item 133 divided by item 124

9. Item 138 divided by item 135

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

IRB approach: Summary of on-balance sheet and off-balance sheet credit	Line no.	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)	Total credit exposure (EAD)
Asset class		1	2	3	4	5	6
Corporate exposure (total of items 148 to 155)	147						
Corporate	148						
Specialised lending - high volatility commercial real estate (property development)	149						
Specialised lending - income producing real estate	150						
Specialised lending - object finance	151						
Specialised lending - commodities finance	152						
Specialised lending - project finance	153						
SME corporate	154						
Purchased receivables - corporate	155						
Public sector entities	156						
Local governments and municipalities	157						
Sovereign (including central government and central bank)	158						
Banks	159						
Securities firms	160						
Retail exposure (total of items 162, 163, 165, 166 and 172)	161						
Residential mortgage advances	162						
Retail revolving credit ⁴	163						
<i>of which:</i> credit cards	164						
SME retail (total of items 166 and 167)	165						
Secured lending	166						
Unsecured lending	167						
Retail – other	168						
<i>of which:</i> vehicle and asset finance	169						
unsecured lending ^{5,6} ≤ R30 000	170						
unsecured lending ⁵ > R30 000	171						
Purchased receivables - retail	172						
Securitisation and securitisation exposure ⁷	173						
Total (of items 147, 156 to 161 and 173)	174						

1. Marked-to-market value.
2. In accordance with the relevant requirements specified in regulation 23.
3. Not on an EAD basis.
4. As defined in regulation 23(11)(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.

IRB approach: Credit capital requirement Based on asset class	Line no.	Approach adopted by bank ^{1, 2}	Total credit exposure (EAD)	Total			
				Risk weighted exposure ³	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
Corporate exposure (total of items 176 to 183)	175						
Corporate	176						
Specialised lending - high volatility commercial real estate (property development)	177						
Specialised lending - income producing real estate	178						
Specialised lending - object finance	179						
Specialised lending - commodities finance	180						
Specialised lending - project finance	181						
SME corporate	182						
Purchased receivables - corporate	183						
Public sector entities	184						
Local government and municipalities	185						
Sovereign (including central government and central bank)	186						
Banks	187						
Securities firms	188						
Retail exposure (total of items 190, 191, 193, 196 and 200)	189						
Residential mortgage advances	190						
Retail revolving credit	191						
of which: credit cards	192						
SME retail (total of items 194 and 195)	193						
Secured lending	194						
Unsecured lending	195						
Retail – other	196						
of which: vehicle and asset finance	197						
unsecured lending ≤ R30 000 (see item 170 description)	198						
unsecured lending > R30 000 (see item 171 description)	199						
Purchased receivables – retail	200						
Securitisation and resecuritisation exposure	201						
Total (of items 175, 184 to 189 and 201)	202						

1. Based on the relevant keys specified in this note 1, in respect of each relevant asset class, the reporting bank shall indicate the approach adopted by the bank for the measurement of its exposure to credit risk. Standardised approach = 1; Foundation IRB approach = 2; Advanced IRB approach = 3.
2. When the reporting bank adopted the standardised approach in respect of a particular assets class, the bank shall indicate the said adopted approach in respect of the said asset class in column 1 and complete the relevant sections of the form BA200 that relate to the said standardised approach and leave open the relevant lines under the IRB approach.
3. After the application of a scaling factor of 1.06.

IRB approach: Credit capital requirement Based on asset class	Line no.	Total credit capital requirement (col. 3 * prescribed capital ratio)	Credit capital ratio (%) (col. 7/col. 2)
		7	8
Corporate exposure (total of items 176 to 183)	175		
Corporate	176		
Specialised lending - high volatility commercial real estate (property development)	177		
Specialised lending - income producing real estate	178		
Specialised lending - object finance	179		
Specialised lending - commodities finance	180		
Specialised lending - project finance	181		
SME corporate	182		
Purchased receivables - corporate	183		
Public sector entities	184		
Local government and municipalities	185		
Sovereign (including central government and central bank)	186		
Banks	187		
Securities firms	188		
Retail exposure (total of items 190, 191, 193, 196 and 200)	189		
Residential mortgage advances	190		
Retail revolving credit	191		
<i>of which:</i> credit cards	192		
SME retail (total of items 194 and 195)	193		
Secured lending	194		
Unsecured lending	195		
Retail – other	196		
<i>of which:</i> vehicle and asset finance	197		
unsecured lending ≤ R30 000 (see item 170 description)	198		
unsecured lending > R30 000 (see item 171 description)	199		
Purchased receivables – retail	200		
Securitisation and resecuritisation exposure	201		
Total (of items 175, 184 to 189 and 201)	202		

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

IRB approach: Capital requirement i.r.o specialised lending subject to specified risk weights and specified risk grades ¹	Line no.	Credit exposure	Risk weighted exposure ² (col. 1* specified risk weight * scaling factor of 1.06)	Capital requirement (col. 2 * prescribed capital ratio)	Memorandum items:		
					Expected loss	Specific credit impairment	Number of obligors
		1	2	3	4	5	6
Specified risk weights							
0%	203						
50%	204						
70%	205						
90%	206						
95%	207						
115%	208						
120%	209						
140%	210						
250%	211						
Total (of items 203 to 211)	212						

1. Also included in Items 177 to 181.

2. After the application of a scaling factor of 1.06.

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

IRB approach: Other assets ¹	Line no.	Amount	Specified risk weight (%)	Risk weighted exposure (col. 1* col.2)	Capital requirement (col. 3 * prescribed capital ratio)
		1	2	3	4
Cash and balances with the central bank	213		0%		
Cash items in process of collection	214		20%		
Goodwill	215		Deduction ²		
Intangibles other than goodwill	216		Deduction ²		
Fixed assets (excl. assets bought-in)	217		100%		
Movable assets (excl. assets bought-in)	218		100%		
Assets bought-in	219		100%		
Lease residuals	220		100%		
Other assets	221		100%		
Total (of items 213 to 221)	222				

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 BA700, such other assets are included in the form BA200. 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 95 to 104 of the form BA200 and leave open the relevant items under the IRB approach.

2. Relates to assets the relevant amounts of which are to be deducted from the reporting bank's capital and reserve funds.

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

(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										Public sector entities ²	Local government and municipaliti es ²	
		Lower bound (%)	Upper bound (%)		Corporate exposure ²								SME corporate	Purchased receivable s - corporate			Total corporate exposure (total of col. 4 to 11)
					Corpora te	Specialised lending					commodity finance	project finance					
						high volatility commercial real estate (property development)	income producing real estate	object finance									
Prescribed PD band		1	2	3	4	5	6	7	8	9	10	11	12	13	14		
Performing (total of items 224 to 249)	223																
	224		0.0000														
	225	0.0001	0.0120														
	226	0.0121	0.0170														
	227	0.0171	0.0240														
	228	0.0241	0.0340														
	229	0.0341	0.0480														
	230	0.0481	0.0670														
	231	0.0671	0.0950														
	232	0.0951	0.1350														
	233	0.1351	0.1900														
	234	0.1901	0.2690														
	235	0.2691	0.3810														
	236	0.3811	0.5380														
	237	0.5381	0.7610														
	238	0.7611	1.0760														
	239	1.0761	1.5220														
	240	1.5221	2.1530														
	241	2.1531	3.0440														
	242	3.0441	4.3050														
	243	4.3051	6.0890														
	244	6.0891	8.6110														
	245	8.6111	12.1770														
	246	12.1771	17.2220														
	247	17.2221	24.3550														
248	24.3551	34.4430															
249	34.4431	99.9999															
Default	250	100.000	100.000														
Total (of items 223 and 250)	251																

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)

(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)
		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 exposure ¹										
							Retail revolving credit		SME retail			Retail other				Purchased receivables retail	
							Total	of which: credit cards	Total	of which: secured lending	of which: unsecur ed lending	Total	of which: vehicle and asset finance	of which: unsecured lending ≤ R30 000	of which: unsecured lending > R30 000		
Prescribed PD band		15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Performing (total of items 224 to 249)	223																
00	224																
01	225																
02	226																
03	227																
04	228																
05	229																
06	230																
07	231																
08	232																
09	233																
10	234																
11	235																
12	236																
13	237																
14	238																
15	239																
16	240																
17	241																
18	242																
19	243																
20	244																
21	245																
22	246																
23	247																
24	248																
25	249																
Default	250																
Total (of items 223 and 250)	251																

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.	Prescribed rating scale		Average PD of reporting bank ¹ (%)	Asset class										
		Lower bound (%)	Upper bound (%)		Corporate exposure ²								Public sector entities ²	Local government and municipalities ²	
					Corpor ate	Specialised lending					SME corporate	Purchased receivables - corporate			Total corporate exposure average LGD (%)
						high volatility commercial real estate (property development)	income producing real estate	object finance	commodity finance	project finance					
Prescribed PD band		1	2	3	4	5	6	7	8	9	10	11	12	13	14
Performing (total of items 253 to 278)	252														
	253		0.0000												
	01	254	0.0001	0.0120											
	02	255	0.0121	0.0170											
	03	256	0.0171	0.0240											
	04	257	0.0241	0.0340											
	05	258	0.0341	0.0480											
	06	259	0.0481	0.0670											
	07	260	0.0671	0.0950											
	08	261	0.0951	0.1350											
	09	262	0.1351	0.1900											
	10	263	0.1901	0.2690											
	11	264	0.2691	0.3810											
	12	265	0.3811	0.5380											
	13	266	0.5381	0.7610											
	14	267	0.7611	1.0760											
	15	268	1.0761	1.5220											
	16	269	1.5221	2.1530											
	17	270	2.1531	3.0440											
	18	271	3.0441	4.3050											
	19	272	4.3051	6.0890											
	20	273	6.0891	8.6110											
	21	274	8.6111	12.1770											
	22	275	12.1771	17.2220											
	23	276	17.2221	24.3550											
24	277	24.3551	34.4430												
25	278	34.4431	99.9999												
Default	279	100.000	100.000												
Total average LGD	280														

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 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															Total EAD weighted average LGD (%)
		Sovereign ¹ (including central government and central banks)	Banks ¹	Securities firms ¹	Total retail exposure average LGD (%)	Residential mortgage advances	Retail exposure ¹										
							Retail revolving credit		SME retail			Retail other				Purchased receivables retail	
							Total	of which: credit cards	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		
Prescribed PD band		15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Performing (total of items 253 to 278)	252																
00	253																
01	254																
02	255																
03	256																
04	257																
05	258																
06	259																
07	260																
08	261																
09	262																
10	263																
11	264																
12	265																
13	266																
14	267																
15	268																
16	269																
17	270																
18	271																
19	272																
20	273																
21	274																
22	275																
23	276																
24	277																
25	278																
Default	279																
Total average LGD	280																

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	Line no.	Prescribed rating scale		Average PD of reporting bank ¹ (%)	Asset class										
		Lower bound (%)	Upper bound (%)		Corporate exposure ²								Public sector entities ²	Local government and municipalities ²	
					Corporate	Specialised lending					SME corporate	Purchased receivables - corporate			Total corporate exposure (total of col. 4 to 11)
						high volatility commercial real estate (property development)	Income producing real estate	object finance	commodity finance	project finance					
Prescribed PD band		1	2	3	4	5	6	7	8	9	10	11	12	13	14
Performing (total of items 282 to 307)	281														
	282		0.0000												
	01	283	0.0001	0.0120											
	02	284	0.0121	0.0170											
	03	285	0.0171	0.0240											
	04	286	0.0241	0.0340											
	05	287	0.0341	0.0480											
	06	288	0.0481	0.0670											
	07	289	0.0671	0.0950											
	08	290	0.0951	0.1350											
	09	291	0.1351	0.1900											
	10	292	0.1901	0.2690											
	11	293	0.2691	0.3810											
	12	294	0.3811	0.5380											
	13	295	0.5381	0.7610											
	14	296	0.7611	1.0760											
	15	297	1.0761	1.5220											
	16	298	1.5221	2.1530											
	17	299	2.1531	3.0440											
	18	300	3.0441	4.3050											
	19	301	4.3051	6.0890											
	20	302	6.0891	8.6110											
	21	303	8.6111	12.1770											
	22	304	12.1771	17.2220											
	23	305	17.2221	24.3550											
24	306	24.3551	34.4430												
25	307	34.4431	99.9999												
Default ³	308	100.000	100.000												
Total expected loss (total of items 281 and 308)	309														

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, based on the relevant requirements specified in these Regulations, a bank shall report its relevant aggregate expected loss amount.

3. Means the reporting bank's best estimate of the relevant expected loss amount.

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

(All amounts to be rounded on to the nearest R 000)																	
IRB approach: Expected loss	Line no.	Asset class															Total expected loss (col. 12 to 18)
		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 exposure ¹										
							Retail revolving credit		SME retail			Retail other				Purchased receivables retail	
							Total	of which: credit cards	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		
Prescribed PD band		15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Performing (total of items 282 to 307) 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	281																
	282																
	283																
	284																
	285																
	286																
	287																
	288																
	289																
	290																
	291																
	292																
	293																
	294																
	295																
	296																
	297																
	298																
	299																
	300																
	301																
	302																
	303																
	304																
	305																
306																	
307																	
Default ²	308																
Total expected loss (total of items 281 and 308)	309																

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 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: EAD and credit conversion factors	Line no.	Utilised facility (drawn exposure) ^{1, 2}	Limit	EAD	Credit conversion factor (%)
Asset class		1	2	3	4
Corporate exposure (total of items 311 to 318)	310				
Corporate	311				
Specialised lending - high volatility commercial real estate (property development)	312				
Specialised lending - income producing real estate	313				
Specialised lending - object finance	314				
Specialised lending - commodities finance	315				
Specialised lending - project finance	316				
SME corporate	317				
Purchased receivables - corporate	318				
Public sector entities	319				
Local government and municipalities	320				
Sovereign (including central government and central bank)	321				
Banks	322				
Securities firms	323				
Retail exposure (total of items 325, 326, 328, 331 and 335)	324				
Residential mortgage advances	325				
Retail revolving credit	326				
<i>of which:</i> credit cards	327				
SME retail (total of items 329 and 330)	328				
Secured lending	329				
Unsecured lending	330				
Retail – other	331				
<i>of which:</i> vehicle and asset finance	332				
unsecured lending ≤ R30 000 (see item 170 description)	333				
unsecured lending > R30 000 (see item 171 description)	334				
Purchased receivables – retail	335				
Securitisation and securitisation exposure ³	336				
Total (of items 310, 319 to 324 and 336)	337				

1. For purposes of calculating the relevant required credit conversion factors, a bank shall use the relevant month-end balance.
2. Includes drawn instruments such as letters of credit or guarantees.
3. Also refer to regulation 35 and the form BA 500.

IRB approach: Average effective maturity (EAD weighted) Asset class ¹	Line no.	Average effective maturity ²
		1
Corporate exposure (average of items 339 to 346, EAD weighted)	338	
Corporate	339	
Specialised lending - high volatility commercial real estate (property development)	340	
Specialised lending - income producing real estate	341	
Specialised lending - object finance	342	
Specialised lending - commodities finance	343	
Specialised lending - project finance	344	
SME corporate	345	
Purchased receivables - corporate	346	
Public sector entities	347	
Local government and municipalities	348	
Sovereign (including central government and central bank)	349	
Banks	350	
Securities firms	351	
Securitisation and resecuritisation exposures	352	
Total³	353	

1. 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.
2. 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 one decimal place.
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.

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

IRB approach Analysis of expected loss and credit impairments Asset class	Line no.	Expected loss	Specific credit impairments	Portfolio credit impairments	Total credit impairments (total of col. 2 and 3)	Qualifying secondary reserve fund ¹ / prescribed deduction ² (col. 4 minus 1)
		1	2	3	4	5
Corporate exposure (total of items 355 to 362)	354					
Corporate	355					
Specialised lending - high volatility commercial real estate (property development)	356					
Specialised lending - income producing real estate	357					
Specialised lending - object finance	358					
Specialised lending - commodities finance	359					
Specialised lending - project finance	360					
SME corporate	361					
Purchased receivables - corporate	362					
Public sector entities	363					
Local government and municipalities	364					
Sovereign (including central government and central bank)	365					
Banks	366					
Securities firms	367					
Retail exposure (total of items 369, 370, 372, 375 and 379)	368					
Residential mortgage advances	369					
Retail revolving credit	370					
<i>of which:</i> credit cards	371					
SME retail (total of items 373 and 374)	372					
Secured lending	373					
Unsecured lending	374					
Retail – other	375					
<i>of which:</i> vehicle and asset finance	376					
unsecured lending ≤ R30 000 (see item 170 description)	377					
unsecured lending > R30 000 (see item 171 description)	378					
Purchased receivables – retail	379					
Total (of items 354 and 363 to 368)	380					

1. Refer to item 75 of form BA 700 and regulation 23(22)(d)(i)(B)(ii) when positive (positive amount limited to 0.6% of specified risk weighted exposure).

2. Refer to items 53 and 89 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)

IRB approach: Reconciliation of credit impairments	Line no.	Balance sheet		
		Total credit impairments (col. 2 + col. 3)	Specific credit impairments	Portfolio credit impairments
		1	2	3
Balance sheet				
Credit impairments: balance at beginning of period	381			
Income statement charge/ (reversal)	382			
Amounts written off against credit impairments	383			
Acquisition/disposal of subsidiary and other	384			
Credit impairments: balance at end of period	385			
Memorandum item:				
Interest in suspense at end of period	386			
IRB approach: Reconciliation of credit impairments		Income statement		
		Movement during reporting month (col. 2 + col. 3)	Specific credit impairments	Portfolio credit impairments
		1	2	3
Income statement				
Credit impairments provision raised	387			
Credit impairments provision released	388			
Recoveries	389			
Suspended interest charge	390			
Total (of items 387 to 390)	391			
Memorandum item:				
Write offs not applied directly against the balance sheet, that is, provision not previously raised – when relevant	392			

(All amounts to be rounded off to the nearest R'000)								
IRB approach: Analysis of past due exposure (EAD) Asset class	Line no.	Days overdue						
		Less than 30 days		31 - 60 days		61 - 90 days		>90 days
		Total EAD		Total EAD		Total EAD		Total EAD
			Of which: classified "in default"¹		Of which: classified "in default"¹		Of which: classified "in default"¹	Of which: classified "in default"¹
		1	2	3	4	5	6	7
Corporate exposure (total of items 394 to 401)	393							
Corporate	394							
Specialised lending - high volatility commercial real estate (property development)	395							
Specialised lending - income producing real estate	396							
Specialised lending - object finance	397							
Specialised lending - commodities finance	398							
Specialised lending - project finance	399							
SME corporate	400							
Purchased receivables - corporate	401							
Public sector entities	402							
Local government and municipalities	403							
Sovereign (including central government and central bank)	404							
Banks	405							
Securities firms	406							
Retail exposure (total of items 408, 409, 411, 414 and 418)	407							
Residential mortgage advances	408							
Retail revolving credit	409							
of which: credit cards	410							
SME retail (total of items 412 and 413)	411							
Secured lending	412							
Unsecured lending	413							
Retail – other	414							
of which: vehicle and asset finance	415							
unsecured lending ≤ R30 000 (see item 170 description)	416							
unsecured lending > R30 000 (see item 171 description)	417							
Purchased receivables - retail	418							
Securitisation and resecuritisation exposure	419							
Total credit exposure (EAD) (total of items 393, 402 to 407 and 419)	420							

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

IRB approach: Analysis of credit exposure (EAD) in respect of which the reporting bank obtained approval from the Registrar to deviate from the definition of default ¹		Line no.	Credit exposure (EAD) not compliant with definition of default R'000	Non-compliant credit exposure (EAD) as % of asset class total credit exposure (EAD) (%)
Asset class			1	2
Corporate exposure (total of items 422 to 429)		421		
Corporate		422		
Specialised lending - high volatility commercial real estate (property development)		423		
Specialised lending - income producing real estate		424		
Specialised lending - object finance		425		
Specialised lending - commodities finance		426		
Specialised lending - project finance		427		
SME corporate		428		
Purchased receivables - corporate		429		
Public sector entities		430		
Local government and municipalities		431		
Sovereign (including central government and central bank)		432		
Banks		433		
Securities firms		434		
Retail exposure (total of items 436, 437, 439, 442 and 446)		435		
Residential mortgage advances		436		
Retail revolving credit		437		
<i>of which:</i> credit cards		438		
SME retail (total of items 440 and 441)		439		
Secured lending		440		
Unsecured lending		441		
Retail – other		442		
<i>of which:</i> vehicle and asset finance		443		
unsecured lending ≤ R30 000 (see item 170 description)		444		
unsecured lending > R30 000 (see item 171 description)		445		
Purchased receivables - retail		446		
Securitisation and resecuritisation exposure		447		
Total (of items 421, 430 to 435 and 447)		448		

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	Line no.	Current exposure method									Standardised method				
		OTC derivative instruments						SFT ²			OTC derivative instruments				
		Total notional principal amount	Gross replace- ment cost	Net replace- ment 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 transac- tion	Risk position from collateral	Net absolute risk position after the application of CCFs
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
Performing (total of items 450 to 475)	449														
00	450														
01	451														
02	452														
03	453														
04	454														
05	455														
06	456														
07	457														
08	458														
09	459														
10	460														
11	461														
12	462														
13	463														
14	464														
15	465														
16	466														
17	467														
18	468														
19	469														
20	470														
21	471														
22	472														
23	473														
24	474														
25	475														
Default	476														
Total counterparty credit risk (total of items 449 and 476)	477														
Memorandum Items: Maximum counterparty credit exposure during the month	478														

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		Aggregate totals across all relevant approaches			
		SFT ²			OTC derivative instruments	SFT ²	OTC derivative instruments		SFT ²	
		Credit exposure value	Collateral value	Netting benefit	Effective expected positive exposure	Effective expected positive exposure	Adjusted exposure amount	Risk weighted exposure ³	Adjusted exposure amount	Risk weighted exposure ³
		15	16	17	18	19	20	21	22	23
Performing (total of items 450 to 475)	449									
00	450									
01	451									
02	452									
03	453									
04	454									
05	455									
06	456									
07	457									
08	458									
09	459									
10	460									
11	461									
12	462									
13	463									
14	464									
15	465									
16	466									
17	467									
18	468									
19	469									
20	470									
21	471									
22	472									
23	473									
24	474									
25	475									
Default	476									
Total counterparty credit risk (total of items 449 and 476)	477									

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.

(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		Aggregate totals across all relevant approaches			
		SFT ²			OTC derivative instruments	SFT ²	OTC derivative instruments		SFT ²	
		Credit exposure value	Collateral value	Netting benefit	Effective expected positive exposure	Effective expected positive exposure	Adjusted exposure amount	Risk weighted exposure ³	Adjusted exposure amount	Risk weighted exposure ³
		15	16	17	18	19	20	21	22	23
Memorandum items: Maximum counterparty credit exposure during the month Exchange traded margined transactions Initial margin placed with a recognised exchange	478									
	479									Margin amount (EAD)
										1

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.

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

Analysis of netting	Line no.	ISDA	ISMA	Netting in terms of relevant requirements specified in regulation 23	Other ²	Total (col. 1 to 4)
		1	2	3	4	5
Current netting benefits	480					
OTC derivative instruments	481					
SFT ¹	482					
Expected positive exposure netting	483					
OTC derivative instruments	484					
SFT ¹	485					
Own estimate of alpha ³	486					Alpha value
						1

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.
3. Relates to Internal model method only.

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

IRB approach: Residential mortgage exposure Analysed per specified loan-to-value (LTV) ratio ¹	Line no.	Total exposure					of which: New business during the current reporting month				
		On-balance sheet exposure	Off-balance sheet exposure	Total gross credit exposure	EAD	Risk weighted exposure ²	On-balance sheet exposure	Off-balance sheet exposure	Total gross credit exposure	EAD	Risk weighted exposure ²
		1	2	3	4	5	6	7	8	9	10
Total (of items 488 to 490)	487										
LTV ratio ≤ 80%	488										
80% < LTV ratio < 100%	489										
LTV ratio ≥ 100%	490										

1. Calculated based on the amount envisaged in regulation 23(5)(c).

2. After the application of a scaling factor of 1.06.

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

IRB approach: Analysis of total credit exposure, that is, EAD, analysed by LGD band Specified LGD band ¹	Line no.	Specified LGD band ¹		Asset class ¹										Public sector entities	Local government and municipalities
				Corporate exposure											
		Lower bound (%)	Upper bound (%)	Corporate	Specialised lending - high volatility commercial real estate (property development)	Specialised lending - income producing real estate	Specialised lending - object finance	Specialised lending - commodity finance	Specialised lending - project finance	SME corporate	Purchased receivables - corporate	Total corporate exposure (total of col. 3 to 10)			
		1	2	3	4	5	6	7	8	9	10	11	12		
00	491		10.0000												
01	492	10.0001	20.0000												
02	493	20.0001	30.0000												
03	494	30.0001	40.0000												
04	495	40.0001	50.0000												
05	496	50.0001	60.0000												
06	497	60.0001	70.0000												
07	498	70.0001	80.0000												
08	499	80.0001	90.0000												
09	500	90.0001	100.0000												
10	501	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: Analysis of total credit exposure, that is, EAD, analysed by LGD band Specifled LGD band ¹	Line no.	Asset class												
		Banks	Securities firms	Total retail exposure (total of col 17 , 18, 20 and 23)	Residential mortgage advances	Retail exposure								
						Retail revolving credit		SME retail			Retail other			
						Total	of which: credit cards	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
		14	15	16	17	18	19	20	21	22	23	24	25	26
00	491													
01	492													
02	493													
03	494													
04	495													
05	496													
06	497													
07	498													
08	499													
09	500													
10	501													

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: Analysis of performing credit exposure, that is, EAD, analysed by effective maturity	Line no.	Specified maturity band ¹		Asset class ¹										Public sector entities ³	Local government and municipalities ³
		Lower bound (years) ²	Upper bound (years) ²	Corporate	Corporate exposure ³							Total corporate exposure (total of col. 3 to 10)			
					Specialised lending - high volatility commercial real estate (property development)	Specialised lending - income producing real estate	Specialised lending - object finance	Specialised lending - commodity finance	Specialised lending - project finance	SME corporate	Purchased receivables - corporate				
					1	2	3	4	5	6	7		8	9	10
00	502		0.5000												
01	503	0.5001	1.0000												
02	504	1.0001	1.5000												
03	505	1.5001	2.0000												
04	506	2.0001	2.5000												
05	507	2.5001	3.0000												
06	508	3.0001	3.5000												
07	509	3.5001	4.0000												
08	510	4.0001	4.5000												
09	511	4.5001	5.0000												
10	512	5.0001	and longer												
Total EAD weighted average effective maturity ² (of items 502 to 512)	513														

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 502 to 513.
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.

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

Advanced IRB approach: Analysis of performing credit exposure, that is, EAD, analysed by effective maturity Specified maturity band ¹	Line no.	Asset class ¹												
		Banks ³	Securities firms ³	Total retail exposure (total of col 17, 18, 20 and 23)	Residential mortgage advances	Retail exposure ²								
						Retail revolving credit		SME retail			Retail other			
						Total	of which: credit cards	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
		14	15	16	17	18	19	20	21	22	23	24	25	26
00	502													
01	503													
02	504													
03	505													
04	506													
05	507													
06	508													
07	509													
08	510													
09	511													
10	512													
Total EAD weighted average effective maturity ² (of items 502 to 512)	513													

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 502 to 513.
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. Based on the maximum remaining time, without taking into consideration any relevant specified floor or maximum effective maturity limit.

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

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

IRB approach: Specified additional information	Line no.	Asset class												
		Corporate exposure								Public sector entities	Local government and municipaliti es	Sovereign (including central government and central banks)	Banks	
		Corpo rate	Specialised lending					SME corporate	Purchased receivables - corporate					Total corporate exposure (total of col. 1 to 8)
			high volatility commercial real estate (property development)	Income producing real estate	object finance	commodity finance	project finance							
			1	2	3	4	5							
EAD weighted average PD	514													
EAD weighted average PD excluding defaulted exposures	515													
Number ¹ weighted average PD	516													
Number ¹ weighted average PD excluding defaulted exposures	517													
EAD weighted average PD, excluding defaulted exposures, 12 months ago	518													
Number ¹ weighted average PD, excluding defaulted exposures, 12 months ago	519													
Number ¹ of defaulted counterparties ² during reporting month	520													
Number ¹ of defaulted counterparties ² during the 12 months preceding the reporting month	521													
Number ¹ of performing counterparties 12 months ago	522													
EAD of defaults during the reporting month	523													
Cumulative number ¹ of counterparties ² in default at the end of the reporting month	524													

1. The number of counterparties shall be based on the PD assignment level.

2. Multiple defaults on the same facility (retail exposure) or counterparty (non-retail exposure) shall be counted in the same way as in the PD estimation.

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

IRB approach: Specified additional information	Line no.	Asset class													Total
		Securities firms	Total retail exposure (total of col 16 , 17, 19, 22 and 26)	Residential mortgage advances	Retail exposure									Purchased receivables retail	
					Retail revolving credit		SME retail			Retail other					
					Total	of which: credit cards	Total	of which: secured lending	of which: unsecured lending	Total	of which: vehicle and asset finance	of which: unsecured lending ≤ R30 000	of which: unsecur ed lending > R30 000		
		14	15	16	17	18	19	20	21	22	23	24	25	26	27
EAD weighted average PD	514														
EAD weighted average PD excluding defaulted exposures	515														
Number weighted ' average PD	516														
Number weighted ' average PD excluding defaulted exposures	517														
EAD weighted average PD, excluding defaulted exposures, 12 months ago	518														
Number weighted average PD, excluding defaulted exposures, 12 months ago	519														
Number ' of defaulted counterparties' during reporting month	520														
Number ' of defaulted counterparties' during the 12 months preceding the reporting month	521														
EAD of defaults during reporting month	522														
Number of performing counterparties	523														
Cumulative number ' of counterparties' in default at the end of the reporting month	524														

1. The number of counterparties shall be based on the PD assignment level.

2. Multiple defaults on the same facility (retail exposure) or counterparty (non-retail exposure) shall be counted in the same way as in the PD estimation.

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 BA200 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 BA200 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 BA200;
- (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 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.

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 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 category ¹					
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%	Deduction ^{3,4,5}
Resecuritisation exposure					
Risk weight	40%	100%	225%	650%	Deduction ^{3,4,5}

Short-term rating category ¹				
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%	Deduction
Resecuritisation exposure				
Risk weight	40%	100%	225%	Deduction

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. An institution that acts as an originator shall deduct from its capital and reserve funds all retained exposures rated below investment grade, that is, rated below BBB- or an equivalent rating.
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 deduct from its capital and reserve funds any relevant amount related to the said unrated most senior position.

(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. The deduction from capital in respect of the said unrated exposures is appropriate given the absence of relevant risk information.

- (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 deduct-

- (A) from its primary share capital and primary reserve funds fifty per cent of the amount relating to the said first-loss credit enhancement facility; and

- (B) from its secondary capital and secondary reserve funds fifty per cent of the amount relating to the said first-loss credit enhancement facility;
- (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 deducted from the bank's primary and secondary capital and reserve funds 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 deducted from the bank's primary and secondary capital and reserve funds 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 primary capital and reserve funds the entire amount relating to any gain-on-sale included in the bank's primary 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 tables 7 and 8 below.

Table 7

Risk weight	Transactions with the following counterparties, including assets
0%	<p><u>Transactions with the following counterparties</u></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</p> <p>International Monetary Fund</p> <p>European Central Bank</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 advances to banks¹</p> <p>Intragroup advances to other formally regulated financial entities with capital requirements similar to these Regulations¹</p> <p>Intragroup advances to branches of foreign banks</p> <p><u>Assets</u></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%	<u>Transactions with the following counterparties</u> <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> <u>Assets</u> <p>Cash items in process of collection</p>
100%	<u>Transactions with the following counterparties or assets</u> <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 primary and secondary capital and reserve funds of the reporting bank, as reported in items 36, 63 and 72 of form BA 700</p> <p>All other counterparties or assets not covered elsewhere in this paragraph (j)</p>
150%	<u>Assets</u> <p>Venture capital</p> <p>Private equity</p>

Table 8

Deductions against capital and reserve funds
<u>50 per cent against primary share capital and primary unimpaired reserve funds and 50 per cent against secondary capital and secondary unimpaired reserve funds</u>
The excess amount relating to an investment in a commercial entity, which investment is equal to or exceeds 15 per cent of the issued primary and secondary capital and reserve funds of the reporting bank, as reported in items 36, 63 and 72 of the form BA 700
The excess amount when the aggregate amount of investments in commercial entities that are equal to or exceed 15 per cent of the issued primary and secondary capital and reserve funds of the reporting bank, as reported in items 36, 63 and 72 of the form BA 700, exceeds 60 per cent of the said amount of issued primary and secondary capital and reserve funds of the bank, as reported in items 36, 63 and 72 of the form BA 700
A first-loss position, including a credit-enhancement facility in respect of a securitisation or resecuritisation scheme
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
<u>Against primary share capital and primary unimpaired reserve funds</u>
An amount equal to the book value of instruments directly or indirectly held by the bank in any other bank, which instruments qualify as primary capital of that other bank, provided that, subject to such conditions as may be specified in writing by the Registrar, the Registrar may determine situations in which the bank may acquire or hold such instruments without being required to deduct from the bank's primary share capital and unimpaired reserve funds the said specified amount
An amount equal to the book value of instruments directly or indirectly held by the bank in a subsidiary of the bank that conducts the business of a bank in a country outside the RSA, which instruments qualify as primary capital or the equivalent thereof of the said subsidiary of the bank, provided that, subject to such conditions as may be specified in writing by the Registrar, the Registrar may determine situations in which the bank may acquire or hold such instruments without being required to deduct from the bank's primary share capital and unimpaired reserve funds the specified amount
An amount equal to the book value of instruments directly or indirectly held by the bank in a regulated non-bank financial institution, which instruments qualify as capital of that regulated non-bank financial institution, provided that, subject to such conditions as may be specified in writing by the Registrar, the Registrar may determine situations in which the bank may acquire or hold such instruments without being required to deduct from the bank's primary share capital and unimpaired reserve funds the specified amount

Deductions against capital and reserve funds**Against primary share capital and primary unimpaired reserve funds**

Unless 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, the higher amount of any capital requirement imposed by either the home country or host country in respect of any foreign branch of the bank, provided that 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

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 capital and reserve funds of the said bank

The net present value of acknowledgements of debt outstanding issued to directly or indirectly fund instruments that rank as qualifying primary capital and unimpaired reserve funds, which net present value shall be deducted from the issuer's primary capital and unimpaired reserve funds unless such acknowledgements of debt are subordinated in a manner similar to the instruments that rank as qualifying primary capital and unimpaired reserve funds

Any instrument that qualifies as primary capital of the reporting bank and for which the reporting bank has received no value

Any direct or indirect loan or funding provided by the reporting bank to a person investing in an instrument that qualifies as primary share capital of the reporting bank or the reporting bank's controlling company

An amount equal to the qualifying amount of any instrument directly or indirectly issued by the bank in respect of a regulated non-bank financial institution, the relevant value of which instrument qualify as capital or constitutes eligible capital of that regulated non-bank financial institution, provided that, subject to such conditions as may be specified in writing by the Registrar, the Registrar may determine situations in which the bank may issue such instruments without being required to deduct from the bank's primary share capital and unimpaired reserve funds the specified amount

Any deferred tax asset that is dependent upon the future profitability of the bank to be realised, provided that any deferred tax asset which does not depend upon the future profitability of the bank to be realised, such as a prepayment, shall be assigned the relevant sovereign risk weight

Goodwill

Accumulated losses

Establishment costs

Intangible assets not deducted elsewhere

Deductions against capital and reserve funds**Against secondary capital and secondary unimpaired reserve funds**

Debt instruments held by the bank or by a non-bank subsidiary of the bank, which debt instruments have been issued by any other bank and the amounts of which may in terms of the Banks Act, 1990, rank as secondary capital of that other bank, provided that, subject to such conditions as may be specified in writing by the Registrar, the Registrar may determine situations in which the bank may directly or indirectly acquire or hold such instruments without being required to deduct from the bank's secondary capital and unimpaired reserve funds the specified amount

Preference shares directly or indirectly held by the bank, which preference shares have been issued by any other bank and the amounts of which may in terms of the Banks Act, 1990, rank as secondary capital of that other bank, provided that, subject to such conditions as may be specified in writing by the Registrar, the Registrar may determine situations in which the bank may directly or indirectly acquire or hold such instruments without being required to deduct from the bank's secondary capital and unimpaired reserve funds the specified amount

Debt instruments directly or indirectly held by the bank, which debt instruments have been issued by a regulated non-bank financial institution and the amounts of which may rank as capital of that non-bank financial institution, provided that, subject to such conditions as may be specified in writing by the Registrar, the Registrar may determine situations in which the bank may directly or indirectly acquire or hold such instruments without being required to deduct from the bank's secondary capital and unimpaired reserve funds the specified amount

Any other instrument directly or indirectly held by the bank, which instrument qualify as secondary capital of any other bank or regulated institution, provided that, subject to such conditions as may be specified in writing by the Registrar, the Registrar may determine situations in which the bank may directly or indirectly acquire or hold such instruments without being required to deduct from the bank's secondary capital and unimpaired reserve funds the specified amount

Any instrument that qualifies as secondary capital of the reporting bank and for which the reporting bank has received no value, excluding instruments issued in pursuance of the capitalisation of reserves resulting from a revaluation of assets, as respectively prescribed in regulations 38(12)(b) and 38(12)(c)

Debt instruments issued by a bank, such as non-qualifying capital, and acknowledgements of debt related either directly or indirectly to the funding of capital and unimpaired reserve funds

The net present value of acknowledgements of debt outstanding issued to directly or indirectly fund instruments that rank as qualifying secondary capital and unimpaired reserve funds which net present value shall be deducted from the issuer's secondary capital and unimpaired reserve funds unless such acknowledgements of debt are subordinated in a manner similar to the instruments that rank as qualifying secondary capital and unimpaired reserve funds

Any direct or indirect loan or funding provided by the reporting bank to a person investing in a debt instrument that qualifies as secondary capital of the reporting bank or the reporting bank's controlling company

Deductions against capital and reserve funds

Against tertiary capital

Debt instruments held by the bank, which debt instruments have been issued by any other bank and the amounts of which may in terms of the Banks Act, 1990, rank as tertiary capital of that other bank

The net present value of acknowledgements of debt outstanding issued to directly or indirectly fund instruments that rank as qualifying tertiary capital, which net present value shall be deducted from the issuer's tertiary capital unless such acknowledgements of debt are subordinated in a manner similar to the instruments that rank as qualifying tertiary capital

Any other instruments that qualify as tertiary capital of any other bank

Any direct or indirect loan or funding provided by the reporting bank to a person investing in the debt instrument that qualifies as tertiary capital of the reporting bank or the reporting bank's controlling company

The items prescribed in this paragraph (j) as deductions against-

- (i) primary share capital and unimpaired reserve funds;
- (ii) secondary capital and unimpaired reserve funds; and/or
- (iii) tertiary capital,

may be amended with the approval of the Minister, the Governor of the Reserve Bank and the Registrar, and after consultation with the banking industry.

(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.

- (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 lower risk weight 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 9 below.

Table 9

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. 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 primary and secondary capital and reserve funds, as reported in items 36, 63 and 72 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 table 10 below, in the case of all other exposures, in accordance with the relevant provisions of subregulation (6)(j).

Table 10

Deductions against capital and reserve funds
<u>50 per cent against primary share capital and primary unimpaired reserve funds and 50 per cent against secondary capital and secondary unimpaired reserve funds</u>
<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 primary share capital and reserve funds, have been taken into account, in respect of any credit enhancing interest-only strip relating to a securitisation transaction</p>
<u>Against primary share capital and primary unimpaired reserve funds</u>
<p>The net amount, that is, the amount after any specific credit impairment or provision has been taken into consideration, of any increase in the reporting bank's primary share capital and reserve funds, which increase is directly related to a securitisation transaction in terms of which the reporting bank upfront recognises any future margin income resulting in the recognition of a gain-on-sale</p>

(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.

- (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.
 - (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) 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 (xvi) 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 11 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 (xiv) 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 (xv) 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 (xvi) 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 11 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 (xv) 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 11: Standard haircut¹

Issue rating in respect of debt securities	Residual maturity	Sovereigns ²	Other issuers
AAA to AA-/A-1	≤ 1 year	0.5	1
	> 1 year; ≤ 5 years	2	4
	> 5 years	4	8
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
	> 1 year; ≤ 5 years	3	6
	> 5 years	6	12
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 (iii)(A) and (iii)(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 requirements specified in table 12 below in respect of the type of transaction, the minimum holding period and the frequency of remargining and marking to market:

Table 12

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

When-

- (i) a bank's own estimates of haircuts are based on shorter or longer holding periods than the minimum holding periods specified in table 12 above, 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;

- (ii) the frequency of remargining or revaluation is longer than the minimum period specified in table 12 above, the relevant percentage in respect of the said 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 12 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 11 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 11 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

- (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: 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 (xvi) 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.
- (xv) *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.
- (xvi) *Comprehensive approach: Minimum conditions relating to the use of VaR models*

As an alternative to the use of the standard haircuts specified in table 11 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 measurements 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 (xv) 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.

(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 entities rated A- or better.

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.

(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 deducted in full from capital of the reporting bank 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)(xii) 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 deduct from its capital and reserve funds such a materiality threshold in accordance with the relevant provisions specified in subregulation (6)(j) above. The deduction from the reporting bank's capital 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 13 below.

Table 13

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%	Deduct 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%		Deduct 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. The bank shall deduct from its primary share capital and primary unimpaired reserve funds 50 per cent of the relevant amount and from its secondary capital and secondary unimpaired reserve funds the remaining 50 per cent.

- (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 entities rated A- or better.

(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 deducted in full from capital 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.

- (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)(xii) 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 sellers 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 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 duly specify 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;
 - (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-aging, 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) 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 materially be 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.
- (H) 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.
- (l) 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;
 - (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, deduct from the bank's capital and reserve funds the notional amount of the said liquidity facility,

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 deduct from its capital and reserve funds the relevant exposure amount.
- (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 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;
- (G) the International Monetary Fund;
- (H) the European Central Bank.

(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

$$K = \left[LGD \times N \left[(1 - R)^{-0.5} \times G(PD) + \left(\frac{R}{1 - R} \right)^{0.5} \times G(0.999) \right] - PD \times LGD \right] \times (1 - 1.5 \times b)^{-1} \times (1 + (M - 2.5) \times b)$$

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

$$R = 0.12 \times (1 - \text{EXP}(-50 \times \text{PD})) / (1 - \text{EXP}(-50)) + 0.24 \times [1 - (1 - \text{EXP}(-50 \times \text{PD})) / (1 - \text{EXP}(-50))]$$

b is the relevant maturity adjustment, which maturity adjustment shall be calculated through the application of the formula specified below

$$b = (0.11852 - 0.05478 \times \ln(\text{PD}))^2$$

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 \leq S \leq 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 0%
	Strong	Good	Satisfactory	Weak	
	70%	90%	115%	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 conditionsFinancial ratios such as debt service coverage ratio (DSCR), loan life coverage ratio (LLCR), project life coverage ratio (PLCR) and debt-to-equity ratioStress 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 to acceptable 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 stressed economic or sectoral conditions.</p> <p>The project is only likely to default under severe economic conditions.</p>	<p>The project has no 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 not 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>	

Risk driver	Rating grade				
	Strong	Good	Satisfactory	Weak	Default
	70%	90%	115%	250%	
	Likely external assessment				0%
	BBB- or better	BB+ to BB	BB- to B+	B to C-	
Financial structure <ul style="list-style-type: none"> The duration of the credit compared to the duration of the project. Amortisation schedule 	The useful life of the project significantly 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 debt 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.	
Political and legal environment <ul style="list-style-type: none"> Political risk, including transfer risk, 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) 	Very low exposure and strong mitigation instruments when required Low exposure Project of strategic importance for the country (preferably export-oriented). Strong support from Government. Favourable and stable regulatory environment over the long term.	Low exposure and satisfactory mitigation instruments when required Acceptable exposure Project considered important for the country. Good level of support from Government. Favourable and stable regulatory environment over the medium term.	Moderate exposure and fair mitigation instruments. 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.	High exposure and no or weak mitigation instruments. 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				
	Strong	Good	Satisfactory	Weak	Default
	70%	90%	115%	250%	0%
	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 lawsEnforceability of contracts, collateral and security	Strong	Satisfactory	Fair	Weak	
	Contracts, collateral and security are enforceable	Contracts, collateral and security are enforceable	Contracts, collateral and security are considered enforceable even if certain non-key issues may exist.	There are unresolved key issues in respect of actual enforcement of contracts, collateral and security.	
Transaction characteristics					
Design and technology risk	Fully proven technology and design	Fully proven technology and design	Proven technology and design. Start-up issues are mitigated by a strong completion package	Unproven technology and design. Technology issues exist and/or complex design	
Construction risk					
<ul style="list-style-type: none">Permitting and siting	All permits have been obtained	Some permits are still outstanding but their receipt is considered very likely	Some permits are still outstanding but the process is well defined and are considered routine	Key permits still need to be obtained and are not considered routine. Significant conditions may be attached	
<ul style="list-style-type: none">Type of construction contract	Fixed-price date-certain turnkey construction engineering and procurement contract	Fixed-price date-certain turnkey construction engineering and procurement contract	Fixed-price date-certain turnkey construction contract with one or several contractors	No or partial fixed-price turnkey contract and/or interfacing issues with multiple contractors	

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-	
Construction risk					
<ul style="list-style-type: none">Completion guarantees	Substantial liquidated damages supported by financial substance and/or strong completion guarantee from sponsors with excellent financial standing	Significant liquidated damages supported by financial substance and/or completion guarantee from sponsors with good financial standing	Adequate liquidated damages supported by financial substance and/or completion guarantee from sponsors with good financial standing	Inadequate liquidated damages or not supported by financial substance or weak completion guarantees	
<ul style="list-style-type: none">Track record and financial strength of contractor in constructing similar projects	Strong	Good	Satisfactory	Weak	
Operating risk					
<ul style="list-style-type: none">Scope and nature of operations and maintenance contracts	Strong long-term operations and maintenance contract, preferably with contractual performance incentives and/or operations and maintenance reserve accounts	Long-term operations and maintenance contract and/or operations and maintenance reserve accounts	Limited operations and maintenance contract or operations and 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 or local operator dependent on local authorities	

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-	
Off-take risk					0%
<ul style="list-style-type: none">If there is a take-or-pay or fixed-price off-take contract	Excellent creditworthiness of off-taker. Strong termination clauses. Tenor of contract comfortably exceeds the maturity of the debt	Good creditworthiness of off-taker. Strong termination clauses. Tenor of contract exceeds the maturity of the debt	Acceptable financial standing of off-taker. Normal termination clauses. Tenor of contract generally matches the maturity of the debt	Weak off-taker. Weak termination clauses. Tenor of contract does not exceed the maturity of the debt	
<ul style="list-style-type: none">If there is no take-or-pay or fixed-price off-take contract	Project produces essential services or a commodity sold widely on a world market. Output can readily be absorbed at projected prices even at lower than historic market growth rates	Project produces essential services or a commodity sold widely on a regional market that will absorb it at projected prices at historical growth rates	Commodity is sold on a limited market that may absorb it only at lower than projected prices	Project output is demanded by only one or a few buyers or is not generally sold on an organised market	
Supply risk					
<ul style="list-style-type: none">Price, volume and transportation risk of feed-stocks. Supplier's track record and financial strength	Long-term supply contract with supplier of excellent financial standing	Long-term supply contract with supplier of good financial standing	Long-term supply contract with supplier of good financial standing – a degree of price risk may remain	Short-term supply contract or long-term supply contract with financially weak supplier – a degree of price risk definitely remains	
<ul style="list-style-type: none">Reserve risks such as natural resource development	Independently audited, proven and developed reserves well in excess of requirements over lifetime of the project	Independently audited, proven and developed reserves in excess of requirements over lifetime of the project	Proven reserves can supply the project adequately through the maturity of the debt	Project relies to some extent on potential and undeveloped reserves	

Risk driver	Rating grade				
	Strong	Good	Satisfactory	Weak	Default
	70%	90%	115%	250%	0%
	Likely external assessment				
	BBB- or better	BB+ to BB	BB- to B+	B to C-	
Strength of sponsor <ul style="list-style-type: none">Sponsor's track record, financial strength and country/sector experienceSponsor support, as evidenced by equity, ownership clause and incentive to inject additional cash when necessary	Strong sponsor with excellent track record and high financial standing Strong. Project is highly strategic for the sponsor (core business – long-term strategy)	Good sponsor with satisfactory track record and good financial standing Good. Project is strategic for the sponsor (core business – long-term strategy)	Adequate sponsor with adequate track record and good financial standing Acceptable. Project is considered important for the sponsor (core business)	Weak sponsor with no or questionable track record and/or financial weaknesses Limited. Project is not key to sponsor's long-term strategy or core business	
Security package <ul style="list-style-type: none">Assignment of contracts and accountsPledge of assets, taking into account quality, value and liquidity of assetsLender's control over cash flow (e.g. cash sweeps, independent escrow accounts)	Fully comprehensive First perfected security interest in all project assets, contracts, permits and accounts necessary to run the project Strong	Comprehensive Perfected security interest in all project assets, contracts, permits and accounts necessary to run the project Satisfactory	Acceptable Acceptable security interest in all project assets, contracts, permits and accounts necessary to run the project Fair	Weak Little security or collateral for lenders. Weak negative pledge clause Weak	

Risk driver	Rating grade				
	Strong	Good	Satisfactory	Weak	Default
	70%	90%	115%	250%	0%
	Likely external assessment				
	BBB- or better	BB+ to BB	BB- to B+	B to C-	
Security package <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)	Covenant package is strong for this type of project Project may issue no additional debt Longer than average coverage period. All reserve funds fully funded in cash or letters of credit from highly rated bank	Covenant package is satisfactory for this type of project Project may issue extremely limited additional debt Average coverage period. All reserve funds fully funded	Covenant package is fair for this type of project Project may issue limited additional debt Average coverage period. All reserve funds fully funded	Covenant package is insufficient for this type of project Project may issue unlimited additional debt Shorter than average coverage period. Reserve funds funded from operating cash flows	

(ii) In the case of income-producing real estate and high-volatility commercial real estate exposures, as follows:

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				
	95%	120%	140%	250%	
Financial strength					
• Market conditions	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.	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.	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.	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 compared to those expiring.	
• Financial ratios and advance rate	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.	The DSCR (not relevant for the development of real estate) and LTV are satisfactory. Where a secondary market exists, the transaction is underwritten to market standards.	The property's DSCR has deteriorated and its value has fallen, increasing its LTV ratio.	The property's DSCR has deteriorated significantly and its LTV ratio is well above underwriting standards for new loans.	
• Stress analysis	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)	The property can meet its financial obligations under a sustained period of financial stress (e.g. interest rates, economic growth). The property is likely to default only under severe economic conditions.	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.	The property's financial condition is strained and is likely to default unless conditions improve in the near term.	
Cash-flow predictability					
• In the case of	The property's leases are	Most of the property's	Most of the property's	The property's leases are	

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				
	95%	120%	140%	250%	
complete and stabilised property.	long-term with creditworthy 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.	leases are long-term, with 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.	leases are medium rather 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.	of various terms with 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.	
• 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.	
• 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 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 buyer 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 deterioration, tenant cancellations or other factors. There may be a dispute with the party providing the permanent financing.	
Asset characteristics					

Risk driver	Rating grade				
	Strong	Good	Satisfactory	Weak	Default
	Risk weights for income-producing real estate exposures				0%
	70%	90%	115%	250%	
	Risk weights for high-volatility commercial real estate exposures				
	95%	120%	140%	250%	
• Location	The property is located in a highly desirable location that is convenient to services that tenants desire.	Property is located in a desirable location that is convenient to services that tenants desire.	The property location lacks a competitive advantage.	The property's location, configuration, design and maintenance have contributed to the property's difficulties.	
• Design and condition	Property is favoured due to its design, configuration, and maintenance, and is highly competitive with new properties.	Property is appropriate in terms of its design, configuration and maintenance. The property's design and capabilities are competitive with new properties.	Property is adequate in terms of its configuration, design and maintenance.	Weaknesses exist in the property's configuration, design or maintenance.	
• Property is under construction	Construction budget is conservative and technical hazards are limited. Contractors are highly qualified.	Construction budget is conservative and technical hazards are limited. Contractors are highly qualified.	Construction budget is adequate and contractors are appropriately qualified.	Project is over budget or unrealistic given its technical hazards. Contractors may be under qualified.	

Risk driver	Rating grade				
	Strong	Good	Satisfactory	Weak	Default
	Risk weights for income-producing real estate exposures				0%
	70%	90%	115%	250%	
	Risk weights for high-volatility commercial real estate exposures				
	95%	120%	140%	250%	
Strength of sponsor/developer <ul style="list-style-type: none">Financial capacity and willingness to support the property.Reputation and track record with similar properties.Relationships with relevant real estate role players	<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 and contingent liabilities.</p> <p>The sponsor/developer's properties are diversified geographically and in terms of property type.</p> <p>Experienced management and high sponsors' quality. Strong reputation and lengthy and successful record with similar properties.</p> <p>Strong relationships with leading role players such as leasing agents.</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>Appropriate management and sponsors' quality.</p> <p>The sponsor or management has a successful record with similar properties.</p> <p>Proven relationships with leading role players such as leasing agents.</p>	<p>The sponsor/developer's contribution may be immaterial or non-cash. The sponsor/developer is average to below average in terms of financial resources.</p> <p>Moderate management and sponsors' quality. Management or sponsor track record does not raise serious concerns.</p> <p>Adequate relationships with leasing agents and other parties providing important real estate services.</p>	<p>The sponsor/developer lacks capacity or willingness to support the property.</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> <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				
	95%	120%	140%	250%	
Security package					
<ul style="list-style-type: none">• Nature of lien	Perfect first lien	Perfect first lien	Perfect first lien	Ability of lender to foreclose is constrained	
<ul style="list-style-type: none">• Assignment of rents in the case of projects leased to long-term tenants	The lender has obtained an assignment. They maintain current tenant information that would facilitate providing notice to remit rents directly to the lender, such as a current rent roll and copies of the project's leases.	The lender has obtained an assignment. They maintain current tenant information that would facilitate providing notice to the tenants to remit rents directly to the lender, such as current rent roll and copies of the project's leases.	The lender has obtained an assignment. They maintain current tenant information that would facilitate providing notice to the tenants to remit rents directly to the lender, such as current rent roll and copies of the project's leases.	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.	
<ul style="list-style-type: none">• Quality of the insurance coverage	Appropriate	Appropriate	Appropriate	Substandard	

(iii) In the case of object finance, as follows:

Risk driver	Rating grades				
	Strong	Good	Satisfactory	Weak	Default
	70%	90%	115%	250%	
	Likely external assessment				0%
	BBB- or better	BB+ to BB	BB- to B+	B to C-	
Financial strength					
• Market conditions	Demand is strong and growing. Strong entry barriers, low sensitivity to changes in technology and economic outlook.	Demand is strong and stable. Some entry barriers, some sensitivity to changes in technology and economic outlook.	Demand is adequate and stable. Limited entry barriers, significant sensitivity to changes in technology and economic outlook.	Demand is weak and declining. Vulnerable to changes in technology and economic outlook. Highly uncertain environment.	
• Financial ratios such as debt service coverage ratio and loan-to-value ratio	Strong financial ratios considering the type of asset. Very robust economic assumptions.	Strong / acceptable financial ratios considering the type of asset. Robust project economic assumptions.	Standard financial ratios for the asset type.	Aggressive financial ratios considering the type of asset.	
• Stress analysis	Stable long-term revenues. Capable of withstanding severely stressed conditions through an economic cycle.	Satisfactory short-term revenues. Loan can withstand some financial adversity. Default is only likely under severe economic conditions.	Uncertain short-term revenues. Cash flows are vulnerable to stresses that are not uncommon through an economic cycle. The loan may default in a normal downturn.	Revenues subject to strong uncertainties. Even in normal economic conditions the asset may default, unless conditions improve.	
• Market liquidity	Market is structured on a worldwide basis. Assets are highly liquid.	Market is worldwide or regional. Assets are relatively liquid.	Market is regional with limited prospects in the short term, implying lower liquidity.	Local market and/or poor visibility. Low or no liquidity, particularly on niche markets.	

Risk driver	Rating grades				
	Strong	Good	Satisfactory	Weak	Default
	70%	90%	115%	250%	0%
	Likely external assessment				
	BBB- or better	BB+ to BB	BB- to B+	B to C-	
Political and legal environment • Political risk, including transfer risk • Legal and regulatory risks	Very low. Strong mitigation instruments when required Jurisdiction is favourable to repossession and enforcement of contracts.	Low. Satisfactory mitigation instruments when required Jurisdiction is favourable to repossession and enforcement of contracts.	Moderate. Fair mitigation instruments. Jurisdiction is generally favourable to repossession and enforcement of contracts, even if repossession might be long and/or difficult.	High. No or weak mitigation instruments. Poor or unstable legal and regulatory environment. Jurisdiction may make repossession and enforcement of contracts lengthy or impossible.	
Transaction characteristics • Financing term compared to the economic life of the asset	Full payout profile/ minimum balloon. No grace period.	Balloon more significant, but still at satisfactory levels.	Important balloon with potential grace periods.	Repayment in fine or high balloon.	

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-	
Operating risk <ul style="list-style-type: none">Permits / licensingScope and nature of operations and maintenance contractsOperator'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 long-term operations and maintenance contract, preferably with contractual performance incentives, and/or operations and maintenance reserve accounts (if needed)</p> <p>Excellent track record and strong 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 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 or operations and maintenance reserve account (if needed)</p> <p>Weak or short track record and uncertain 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				
	Strong	Good	Satisfactory	Weak	Default
	70%	90%	115%	250%	
	Likely external assessment				0%
	BBB- or better	BB+ to BB	BB- to B+	B to C-	
Asset characteristics <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>	
Strength of sponsor <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 track record and good financial 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				
	Strong	Good	Satisfactory	Weak	Default
	70%	90%	115%	250%	0%
	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	Legal documentation provides the lender 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.	Legal documentation provides the lender effective control (e.g. a perfected security interest, or a leasing structure including such security) on the asset, or on the company owning it.	Legal documentation provides the lender effective control (e.g. a perfected security interest, or a leasing structure including such security) on the asset, or on the company owning it.	The contract provides little security to the lender and leaves room to some risk of losing control in respect of the asset.	
<ul style="list-style-type: none">• Rights and means at the lender's disposal to monitor the location and condition of the asset	The lender is able to monitor the location and condition of the asset, at any time and place (regular reports, possibility to lead inspections).	The lender is able to monitor the location and condition of the asset, almost at any time and place.	The lender is able to monitor the location and condition of the asset, almost at any time and place.	The ability of the lender to monitor the location and condition of the asset is limited.	
<ul style="list-style-type: none">• Insurance against damages	Strong insurance coverage including collateral damages with top quality insurance companies.	Satisfactory insurance coverage (not including collateral damages) with good quality insurance companies.	Fair insurance coverage (not including collateral damages) with acceptable quality insurance companies.	Weak insurance coverage (not including collateral damages) or with weak quality insurance companies.	

(iv) In the case of commodity finance, as follows:

Risk driver	Rating grade				
	Strong	Good	Satisfactory	Weak	Default
	70%	90%	115%	250%	
	Likely external assessment				0%
	BBB- or better	BB+ to BB	BB- to B+	B to C-	
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 Mitigation of country risks 	No country risk Very strong mitigation Strong offshore mechanisms Strategic commodity 1 st class buyer	Limited exposure to country risk (in particular, offshore location of reserves in an emerging country) Strong mitigation Offshore mechanisms Strategic commodity Strong buyer	Exposure to country risk (in particular, offshore location of reserves in an emerging country) Acceptable mitigation Offshore mechanisms Less strategic commodity Acceptable buyer	Strong exposure to country risk (in particular, inland reserves in an emerging country) Only partial mitigation No offshore mechanisms Non-strategic commodity Weak buyer	
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				
	Strong	Good	Satisfactory	Weak	Default
	70%	90%	115%	250%	
	Likely external assessment				0%
	BBB- or better	BB+ to BB	BB- to B+	B to C-	
Strength of sponsor <ul style="list-style-type: none"> Financial strength of trader Track record, including ability to manage the logistic process 	<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</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</p> <p>Limited experience with the type of transaction in question.</p> <p>Average record of operating success and cost efficiency.</p>	<p>Weak</p> <p>Limited or uncertain track record in general.</p> <p>Volatile costs and profits.</p>	
<ul style="list-style-type: none"> Trading controls and hedging policies Quality of financial disclosure 	<p>Strong standards for counterparty selection, hedging, and monitoring.</p> <p>Excellent</p>	<p>Adequate standards for counterparty selection, hedging, and monitoring.</p> <p>Good</p>	<p>Past deals have experienced no or minor problems.</p> <p>Satisfactory</p>	<p>Trader has experienced significant losses on past deals.</p> <p>Financial disclosure contains some uncertainties or is insufficient.</p>	
Security package <ul style="list-style-type: none"> Asset control Insurance against damages 	<p>First perfected security interest provides the lender legal control over the 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 the 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

$$K = \frac{LGD \times N[(1 - R)^{-0.5} \times G(PD) + (R / (1 - R))^{0.5} \times G(0.999)] - PD \times LGD}{100}$$

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

$$K = \text{LGD} \times N[(1 - R)^{-0.5} \times G(PD) + (R / (1 - R))^{0.5} \times G(0.999)] - PD \times \text{LGD}$$

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

$$K = \text{LGD} \times N[(1 - R)^{-0.5} \times G(PD) + (R / (1 - R))^{0.5} \times G(0.999)] - PD \times \text{LGD}$$

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.

The risk-weighted amount in respect of the defaulted exposure shall be calculated through the application of the formula specified below.

$$\text{RWA} = K \times 12,5 \times \text{EAD}$$

- (ii) the bank shall assign to the relevant exposure a PD ratio equal to 100 per cent.

(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 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 14 below.

Table 14

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	Deducted from 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.

- (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 15 below.

Table 15

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	Deducted from 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 $R160 \times 20\% = R32$.

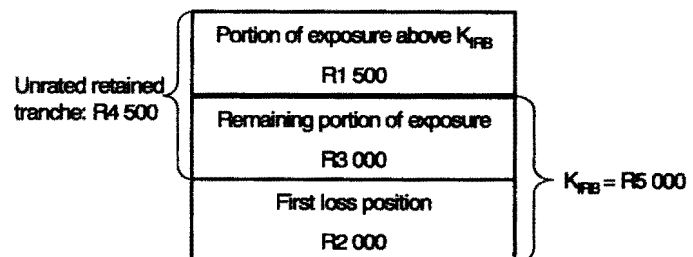
The total capital requirement in respect of the protected and unprotected portions is equal to R64 (protected portion) + R32 (unprotected portion) = R96.

- (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, $R1\ 500 \times 820\% \times 8\% = R984$ 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-

$$S[L] = \left\{ \begin{array}{ll} L & \text{when } L \geq K_{IRB} \\ K_{IRB} + K[L] N [K_{IRB}] + (d K_{IRB}/\omega)(1 - e^{-\omega}) (K_{IRB} NL)/K_{IRB} & \text{when } K_{IRB} < L \end{array} \right\}$$

where:

$$h = (1 - K_{IRB} / LGD)^N$$

$$c = K_{IRB} / (1 - h)$$

$$v = \frac{(LGD - K_{IRB}) K_{IRB} + 0.25 (1 - LGD) K_{IRB}}{N}$$

$$f = \left(\frac{v + K_{IRB}^2}{1 - h} - c^2 \right) + \frac{(1 - K_{IRB}) K_{IRB} - v}{(1 - h) \tau}$$

$$g = \frac{(1 - c)c}{f} - 1$$

$$a = g \cdot c$$

$$b = g \cdot (1 - c)$$

$$d = 1 - (1 - h) \cdot (1 - \text{Beta}[K_{IRB}; a, b])$$

$$K[L] = (1 - h) \cdot ((1 - \text{Beta}[L; a, b]) L + \text{Beta}[L; a + 1, b] c).$$

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 deduct from its capital and reserve funds the relevant securitisation exposure in accordance with the relevant requirements specified in paragraph (q) read with the relevant provisions of subregulation (6)(j);

- (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 i^{th} 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 stand alone 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} .

(q) Deductions 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 the relevant amounts specified in subregulation (6)(j) above deduct from the bank's capital and reserve funds such amounts as may be specified in table 16 below.

Table 16

Deductions against capital and reserve funds
50 per cent against primary share capital and primary unimpaired reserve funds and 50 per cent against secondary capital and secondary unimpaired reserve funds
The amount by which a bank's aggregate expected loss amount, calculated in accordance with the relevant provisions of subregulation (21), exceeds the bank's eligible provisions
Any amount relating to expected loss in respect of equity exposures subject to the PD/LGD approach specified in regulation 31

*(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.
- (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.

$$LGD^* = LGD \times (E^*/E)$$

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)(xiv) 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 17 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 17 below.

Table 17

	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 recognised in terms of 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 PD ratio of the said internally rated guarantor shall be equivalent to or better than a rating of A-;
- (B) the said guarantee shall comply with the relevant minimum requirements specified in subregulation (7)(c) above;

- (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 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_0 shall be equal to 100 per cent;
 - (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 recognised in terms of 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 with an internal PD rating equal to or better than A-, 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) LGD_0 shall be equal to 100 per cent;
 - (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).

$$K_o = LGD_g \cdot \left[N \left(\frac{G(PD_o) + \sqrt{\rho_{os}} \cdot G(0.999)}{\sqrt{1 - \rho_{os}}} \right) - PD_o \right] \cdot \frac{1 + (M - 2.5) \cdot b}{1 - 1.5 \cdot b}$$

where:

PD_o 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 PD_o

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 PD_o 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 deduct from the bank's capital and reserve funds such amounts as may be specified in subregulations (6)(j) and (11)(q) above.

(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 R1000 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) on a daily basis, to monitor 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(5)(b) and 31(5)(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.

$$M = \sum_t t * CF_t / \sum_t CF_t$$

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 exposure relates to 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 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.
- (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)(xii)(B);
 - (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)(xii)(B).
- (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.

$$R = 0.12 \times (1 - \text{EXP}(-50 \times \text{PD})) / (1 - \text{EXP}(-50)) + 0.30 \times [1 - (1 - \text{EXP}(-50 \times \text{PD})) / (1 - \text{EXP}(-50))]$$

(C) When-

(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 primary and secondary capital and reserve funds, as reported in items 36, 63 and 72 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) ***Deductions 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 deduct from the bank's capital and reserve funds such amounts as may be specified in subregulation (11)(q) above.

(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.

(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

- (a) Subject to the provisions of paragraph (b) 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;
 - (iv) 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.
- (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-
 - (A) an outstanding derivative contract, securities financing transaction or spot transaction successfully concluded with a central counterparty, such as a clearing house, that is, a bank shall not apply an exposure value of zero to any exposure to counterparty credit risk arising from a derivative transaction, securities financing transaction or spot transaction that has been rejected by the said central counterparty,

- (B) a clearing deposit or collateral posted with a central counterparty, such as a clearing house,

provided that in all cases the counterparty exposure of the said central counterparty arising from contracts or transactions concluded with all its participants shall be fully collateralized on a daily basis, thereby providing protection for the counterparty credit exposures of the said central counterparty;

- (ii) 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;
- (iii) no asset held by a central counterparty as a custodian on behalf of the reporting bank shall be subject to any capital requirement for counterparty credit risk in terms of these Regulations;
- (iv) 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 18 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 18
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 19 below.

Table 19
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 walkaway 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-

$$\beta \cdot \max \left(CMV - CMC; \sum_j \left| \sum_i RPT_{ij} - \sum_i RPC_{ij} \right| \times CCF_j \right)$$

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,

$$CMC = \sum_i CMC_i$$

where:

CMC_i is the relevant current market value of collateral i

i is the index designating transaction

I 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_{il} 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-

$$\left| \sum_i RPT_{ij} - \sum_i RPC_{ij} \right|$$

(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 20 below.

Table 20
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 offpeak 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 per cent when the risk position relates to a debt instrument or reference debt instrument of high specific risk;
 - (B) 0.3 per cent 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 per cent 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 21 below.

Table 21

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

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.

$$\text{Exposure amount or EAD} = \alpha \times \text{EEPE}$$

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, provided that-

- (A) based on the reporting bank's exposure to counterparty credit risk 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;

- (B) 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 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;

- (iii) 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;
- (iv) 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.
- (v) shall determine the effective maturity relating to a particular netting set in accordance with the relevant requirements specified in paragraph (c) below;
- (vi) 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.

- (vii) 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;
- (viii) 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.

$$M = \frac{\sum_{k=1}^{t_k \leq 1 \text{ year}} \text{Effective } EE_k \times \Delta t_k \times df_k + \sum_{k=1}^{\text{maturity}} EE_k \times \Delta t_k \times df_k}{\sum_{k=1}^{t_k \leq 1 \text{ year}} \text{Effective } EE_k \times \Delta t_k \times df_k}$$

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 walkaway 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 a cross-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*

When-

- (i) 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;
- (ii) 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 shall be deemed to be equal to the lesser of-

- (A) the threshold, when positive, in terms of the relevant margin agreement plus an add-on amount that reflects the potential increase in exposure during the margin period of risk, which add-on amount shall be equal to the expected increase in the netting set's exposure amount during the margin period of risk, beginning with a current exposure amount of zero, that is, the add-on amount shall be equal to the expected exposure amount at the end of the margin period of risk, assuming a current exposure amount of zero, which expected exposure amount shall be equal to the effective expected exposure amount since no roll-off of transactions is included in the specific calculation of expected exposure, provided that a floor of-
 - (i) five business days margin period of risk shall apply in respect of netting sets consisting solely of repo-style transactions subject to daily re-margining and daily mark-to-market;
 - (ii) ten business days margin period of risk shall apply to all netting sets other than repo-style transactions subject to daily re-margining and daily mark-to-market.
- (B) the effective expected positive exposure amount without a margin agreement.

Provided that the requirements specified in subregulation (7)(b)(iii) 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.
- (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, 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, 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 22 below.

Table 22

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 primary 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(5)(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 23 below.

Table 23

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 24 below.

Table 24

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 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 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 raised to the standardised approach;

- (iii) adopted the standardised approach for the measurement of its exposure to credit risk may include in secondary unimpaired reserve funds, up to a maximum amount of 1.25 per cent of the bank's relevant risk-weighted credit exposure, the after tax amount of any relevant general allowance for credit impairment.

(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 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 subregulation (11)(q) 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 secondary unimpaired reserve funds, in item 75 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 after tax 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 for recognition in capital under either the standardised or IRB approach.

(23) Instructions relating to the completion of the monthly form BA200 are furnished with reference to the headings and item descriptions of specified columns and line items appearing on form BA200, 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 19 to 39

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
45	<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
48	Recoveries 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.

Columns relating to credit capital requirements based on risk weights: standardised approach, Items 52 to 73

Column number	Description
1	Total gross credit exposure This column shall reflect the aggregate gross credit exposure amount relating to the reporting bank's- (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 credit-conversion factor; (c) exposure in respect of any repurchase or resale agreement; (d) exposure in respect of derivative instruments, calculated in accordance with the relevant requirements specified in subregulations (15) to (19).
2	Specific credit impairment This column shall reflect the aggregate amount relating to any specific credit impairment in respect of the exposure amount reported in column 1.
3	Exposure amount post credit risk mitigation (CRM) and specific credit impairment 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.
4 to 10	Breakdown of off-balance-sheet exposure based on credit conversion factors (CCF) 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.

Columns relating to counterparty credit risk: standardised approach, items 105 to 111

Column number	Description
1	Total notional principal amount This column shall reflect the relevant effective nominal or notional amounts underlying the reported OTC derivative instruments or contracts.
2	Gross replacement cost 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.
3	Net replacement cost 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.
4	Gross potential future exposure add-on Based on the relevant 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.
5	Net potential future exposure add-on Based on the relevant 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.
6	Collateral value after haircut 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.
7	Credit exposure value This column shall reflect the current value of all relevant credit exposures after the effect of any relevant haircut has been taken into consideration.

Columns relating to counterparty credit risk: standardised approach, Items 105 to 111

Column number	Description
9	Netting benefit 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.

Items relating to summary of selected credit risk related information: IRB approach

Item number	Description
125	Impaired advances This item shall reflect the aggregate amount of advances in respect of which the bank raised a specific impairment. 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.
126 to 129	Assets bought-in 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.
130 to 132	Credit impairments 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.
134	Total credit extended 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.
135	Exposure at default (EAD) This item shall reflect the reporting bank's relevant aggregate EAD amount, calculated in accordance with the relevant requirements specified in these Regulations.

Item number	Description
136	<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>
137	<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>
138	<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>
139	<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 147 to 174

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>

Column number	Description
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>
6	<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>

Columns relating to credit capital requirement based on asset class: IRB approach, items 175 to 202

Column number	Description
3	<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>
5	<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 credit capital requirement based on asset class: IRB approach, items 175 to 202

Column number	Description
6	<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 203 to 212

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>
4	<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>
5	<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>
6	<p>Number of obligors</p> <p>This column shall reflect the relevant number of obligors included in the specified risk weight category.</p>

Columns relating to EAD and credit conversion factors: IRB approach, items 310 to 337

Column number	Description
1	Utilised facility (drawn exposure) In respect of the relevant specified asset classes, this column shall reflect the reporting bank's relevant aggregate outstanding credit exposure amounts due in respect of any drawn exposure.
2	Limit This column shall reflect the total credit exposure amount in respect of committed facilities that may be drawn by a client of the reporting bank.
3	EAD In respect of the relevant specified asset classes, this column shall reflect the reporting bank's estimated EAD amounts.
4	Credit conversion factor (%) In respect of the relevant specified asset classes, this column shall reflect the relevant imputed or specified credit conversion factor respectively applied by a bank that adopted the advanced IRB approach or foundation IRB approach in order to calculate the relevant EAD amounts.

Items relating to reconciliation of credit impairments: IRB approach

Item number	Description
386	Interest in suspense 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.
389	Recoveries 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.

Columns relating to analysis of past due exposure (EAD): IRB approach, Items 393 to 420

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 analysis of credit exposure (EAD) in respect of which the reporting bank obtained approval from the Registrar to deviate from the definition of default: IRB approach, items 421 to 448

Column number	Description
1	<p>Credit exposure (EAD) not compliant with definition of default</p> <p>In respect of the relevant specified asset classes, this column shall reflect the aggregate amount relating to credit exposure, that is, EAD, in respect of which the reporting bank obtained approval from the Registrar to deviate from the definition of default contained in regulation 67.</p>
2	<p>Non-compliant credit exposure (EAD) as percentage of asset class total credit exposure</p> <p>In respect of the relevant specified asset classes, this column shall reflect the percentage of credit exposure in respect of which the reporting bank obtained approval from the Registrar to deviate from the definition of default in relation to the reporting bank's respective total credit exposure amounts.</p>

Columns relating to counterparty credit risk: IRB approach, Items 449 to 478

Column number	Description
1	Total notional principal amount This column shall reflect the relevant effective nominal or notional amounts underlying the reported OTC derivative instruments or contracts.
2	Gross replacement cost 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.
3	Net replacement cost 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.
4	Gross potential future exposure add-on Based on the relevant 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.
5	Net potential future exposure add-on Based on the relevant 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.
6	Collateral value after haircut 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.
7	Credit exposure value This column shall reflect the current value of all relevant credit exposures after the effect of any relevant haircut has been taken into consideration.

Columns relating to counterparty credit risk: IRB approach, items 449 to 478

Column number	Description
8	Collateral value 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.
9	Netting benefit 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.

Columns relating to analysis of performing credit exposure, that is, EAD, analysed by effective maturity, items 502 to 512

Column number	Description
3 to 26	EAD per specified asset class and effective maturity 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.

CREDIT RISK

(Confidential and not available for inspection by the public)

Name of bank:

Quarter ended:(yyyy/mm/dd)

BA 210

Quarterly

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 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 (-)		
								Standardise d approach	IRB approach	Standardised approach	IRB approach	
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}												
≤ R30 000	18											
unsecured lending ⁵												
> R30 000	19											

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(11)(c)(iv)(B)(i).

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 (-)		
								Standardised approach	IRB approach	Standardised approach	IRB approach	
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.

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

Standardised approach: Credit risk mitigation	Line no.	Credit risk mitigation affecting exposure amount						Credit exposure value post credit risk mitigation ¹ (E*) (col 11+12-13)
		Funded credit protection: financial collateral i.t.o comprehensive method						
		Volatility adjustment in respect of exposure	Adjusted value of financial collateral	Memorandum items: volatility and maturity adjustments				
				Total (col 15+16+17)	In respect of collateral	Currency mismatch	Maturity mismatch	
Asset class		12	13	14	15	16	17	18
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 ²	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 unsecured lending ^{3,4}	17							
≤ R30 000	18							
unsecured lending ³ > R30 000	19							
Securitisation and resecuritisation exposure ⁵	20							
Total (of items 1, 4 to 9 and 20)	21							

1. Before the application of any relevant credit conversion factor (CCF).

2. As defined in regulation 23(11)(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 BAS00.

Standardised approach: Restructured credit exposure ¹	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 (%)
Asset class		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 unsecured lending ^{3, 4}	38			
≤ R30 000	39			
unsecured lending ⁵	40			
> R30 000	41			
Securitisation and resecuritisation exposure⁵	42			
Total (of items 22, 25 to 30 and 41)				

1. As defined in regulation 57. 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(11)(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)

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

Standardised approach: Credit risk classification and Impairment Asset class	Line no.	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
		1	2	3	4	5	6	7	8	9	10	11		12
Corporate exposure (total of items 44 and 45)	43													
Corporate	44													
SME corporate	45													
Public sector entities	46													
Local government and municipalities	47													
Sovereign (including central governments and central bank)	48													
Banks	49													
Securities firms	50													
Retail exposure (total of items 52, 53, 55 and 58)	51													
Residential mortgage advances	52													
Retail revolving credit ¹	53													
of which: credit cards	54													
SME retail (total of items 56 and 57)	55													
Secured lending	56													
Unsecured lending	57													
Retail – other	58													
of which: vehicle and asset finance	59													
unsecured lending ^{2,3}	60													
≤ R30 000	61													
unsecured lending ⁴	62													
> R30 000	63													
Securitisation and resecuritisation exposure ⁴	62													
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.

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
		14	15	16
Corporate exposure (total of items 44 and 45)	43			
Corporate	44			
SME corporate	45			
Public sector entities	46			
Local government and municipalities	47			
Sovereign (including central governments and central bank)	48			
Banks	49			
Securities firms	50			
Retail exposure (total of items 52, 53, 55 and 58)	51			
Residential mortgage advances	52			
Retail revolving credit ¹	53			
<i>of which: credit cards</i>	54			
SME retail (total of items 56 and 57)	55			
Secured lending	56			
Unsecured lending	57			
Retail – other	58			
<i>of which: vehicle and asset finance</i>	59			
unsecured lending ^{2, 3}				
≤ R30 000	60			
unsecured lending ⁴				
> R30 000	61			
Securitisation and resecuritisation exposure⁴	62			
Total (of items 43, 46 to 51 and 62)	63			

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.

(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			Total equity exposure
Name of person		1	2	3	4	5	6	7	8	9	10
Private-sector non bank: total (Specify)	64										
	65										
	66										
	67										
Bank/regulated securities firm: total (Specify)	68										
	69										
	70										
	71										
Other: total (Specify)	72										
	73										
	74										
	75										
Total (of items 64, 68 and 72)	76										
	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
		Eligible financial collateral	Unfunded credit protection		Outflows (-)	Inflows (+)				
			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									
Other: total (Specify)	72									
	73									
	74									
	75									
Total (of items 64, 68 and 72)	76									
	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)	of which:		
						Total (col. 1 to 4)	Memorandum items:			specific credit impairment	portfolio credit impairment	
							of which: defaulted	Total equity exposure				
		1	2	3	4	5	6	7	8	9	10	11
Agriculture, hunting, forestry and fishing	78											
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							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)	of which:	
						Total (col. 1 to 4)	Memorandum items:					
							of which: defaulted	Total equity exposure			specific credit impairment	portfolio credit impairment
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 ⁴							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)	of which:	
						Total (col. 1 to 4)	Memorandum items:					
							of which: defaulted	Total equity 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)

Standardised approach: Credit concentration risk - geographical 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)	of which:		
						Total (col. 1 to 4)	Memorandum items:			specific credit Impairment	portfolio credit Impairment	
							of which: defaulted					Total equity exposure
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)	of which:	
						Total (col. 1 to 4)	Memorandum items:			specific credit impairment	portfolio credit impairment raised in respect of specific country
							of which: defaulted	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:											
Sub-Saharan Africa	180										
of which:											
Nigeria	181										
Kenya	182										
Namibia	183										
Mozambique	184										
Central and Eastern Europe	185										
Commonwealth of Independent States and Mongolia	186										
Developing Asia, including China	187										
of which:											
People's Republic of China	188										
India	189										
Middle East	190										
Western Hemisphere	191										
Other ³	192										
(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 Name of person	Line no.	Debt exposure	Total (of col. 3+4)	Total equity exposure		Total debt and equity exposure (col. 1+2)
				of which: privately held equity exposure	of which: publicly traded equity exposure	
		1	2	3	4	5
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					

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

Standardised approach: Watch list ¹		Asset class ²	Exposure amount	Risk weighted value of net exposure	Specific impairment	Comments
Name of person		1	2	3	4	5
Total (Please submit required details on separate list)	215					
	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 104 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)

(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 redistribution 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 (-)				
						Standardised approach	IRB approach	Standardised approach	IRB approach			
Asset class		1	2	3	4	5	6	7	8	9	10	11
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											

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.

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

(All amounts to be rounded off to the nearest R1000)												
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 redistribution effects ⁵ (col. 2+5+6 minus 7 and 8)	Credit risk mitigation subject to requirements of double default	
Asset class				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 (-)				
						Standardised approach	IRB approach	Standardised approach	IRB approach			
		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 246 and 249)	247											
Secured lending	248											
Unsecured lending	249											
Retail – other	250											
of which: vehicle and asset finance	251											
unsecured lending ^{7, 8} ≤ R30 000	252											
unsecured lending ⁷ > R30 000	253											
Purchased receivables – retail	254											
Securitisation and resecuritisation exposures ⁹	255											
Total (of items 229, 238 to 243, and 255)	256											

1. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.

2. Including redistribution effects.

3. Column 8 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	
			Guarantees	Credit derivative instruments	Total	of which: subject to maturity mismatch	of which: subject to currency mismatch	Total	of which: residential real estate
Asset class		12	13	14	15	16	17	18	19
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								
unsecured lending ²									
> R30 000	253								
Purchased receivables - retail	254								
Securitisation and resecuritisation exposures⁴	255								
Total (of items 229, 238 to 243, and 255)	256								

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.

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)	257			
Corporate	258			
Specialised lending - high volatility commercial real estate (property development)	259			
Specialised lending - income producing real estate	260			
Specialised lending - object finance	261			
Specialised lending - commodities 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			
<i>of which:</i> credit cards	274			
SME retail (total of items 276 and 277)	275			
Secured lending	276			
Unsecured lending	277			
Retail – other	278			
<i>of which:</i> vehicle and asset finance	279			
unsecured lending ^{3, 4} ≤ R30 000	280			
unsecured lending ³ > 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(11)(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 BAS00.

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

(All amounts to be rounded off to the nearest P 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:						
								of which: defaulted	Total equity exposure					
Name of person			1	2	3	4	5	6	7	8	9	10	11	12
Private-sector non bank: total (Specify)	285													
	286													
	287													
	288													
	289													
Bank/regulated securities firm: total (Specify)	290													
	291													
	292													
	293													
	294													
Other: total (Specify)	295													
	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		Specific credit impairment	Expected loss	Risk weighted value of net exposure	Risk weighted value as % of qualifying capital and reserve fund	Additional capital requirement
		Total (col. 14 to 17)	Eligible financial collateral	Other eligible collateral	Unfunded credit protection		Outflows (-)	Inflows (+)					
					Guarantees	Credit derivative instruments							
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												
Other: total (Specify)	295												
	296												
	297												
	298												
	299												
Total (of items 285, 290 and 295)	300												

1. Refer to section 73 of the Act and regulations 24(8) 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)	314													
<i>of which:</i>														
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 (%) (col. 2)*(col.2) ²	
		1	2	3	
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 R'000)

IRB approach: Credit concentration risk – geographical distribution	Line no.	Original credit and counterparty exposure ¹							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	Derivative instruments	Total credit exposure		Total (of col. 14 and 15)						Memorandum items:		
						Total (col. 1 to 4)	Memorandum items of which:							of which: specific impairment	of which: portfolio impairment	
																Defaulted
		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 ²	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 ²	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 ²	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)																
IRB approach: Credit concentration risk – geographical distribution	Line no.	Original credit and counterparty exposure ¹							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	Derivative instruments	Total credit exposure		Total (of col. 14 and 15)						Memorandum items:		
						Total (col. 1 to 4)	Memorandum items of which:							of which: specific impairment	of which: portfolio impairment	
																Defaulted
		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)

(All amounts to be rounded off to the nearest R 000)																
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	Derivative instruments	Total credit exposure								Total (of col. 14 and 15)	Memorandum Items:	
						Total (col. 1 to 4)	Memorandum Items of which:								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
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							Exposure value (EAD)	Total Impairment		
		On-balance sheet exposure	Off-balance sheet exposure	Repurchase and resale agreements	Derivative instruments	Total credit exposure				Total (col. 10 plus 11)	of which:	
						Total (col. 1 to 4)	Memorandum items:				specific credit impairment	portfolio credit impairment
							of which: defaulted	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 Name of person	Line no.	Debt exposure	Total equity exposure		Total debt and equity exposure (col. 1+2)	PD (%)	Expected loss	
			Total (of col. 3+4)	of which:				
				privately held equity exposure	of which: publicly traded equity exposure			
		1	2	3	4	5	6	7
Total (of items 418 to 437)	417							
(Specify)	418							
	419							
	420							
	421							
	422							
	423							
	424							
	425							
	426							
	427							
	428							
	429							
	430							
	431							
	432							
	433							
	434							
	435							
	436							
	437							

(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
		1	2	3	4	5	6	7
Name of person Total (Please submit required details on separate list)	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 104 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 = 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. 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	Line no.	Current period exposure					Prior period exposure		Variance in exposure (col. 5 minus 7)	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			2a. At arms-length	2b. Board monitoring	2c. Risk mitigation				
		Investments and loans	Other	Total (col. 1+2)													
														1	2	3	4
Exposure to related person ¹																	
Exposure to:																	
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 104 column 1 of the form BA700. 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)

24. Credit risk - Directives and interpretations for completion of the quarterly return concerning credit risk (Form BA210)

- (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 BA210 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 BA210 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 BA210 to the said exposure amount.

(5) For purposes of this regulation 24 and the completion of items 43 to 63 of the form BA210, 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 BA210, 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 primary and secondary 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 items 23 and 62 of the form BA700, as at the month-end preceding the reporting date to which the form BA210 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 items 23 and 62 of the form BA700, 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 primary and secondary capital and reserve funds of the parent bank in the Republic, as reported in items 23 and 62 of the form BA700, as at the month-end preceding the reporting date to which the form BA210 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 primary and secondary 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 items 23 and 62 of the form BA700, as at the month-end preceding the reporting date to which the form BA210 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 items 23 and 62 of the form BA700, 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 primary and secondary capital and reserve funds of the parent bank in the Republic, as reported in items 23 and 62 of the form BA700, as at the month-end preceding the reporting date to which the form BA210 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 BA210.

(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 primary share capital and reserve funds, as reported in item 23 of the form BA700, 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 BA210 are furnished with reference to the headings and item descriptions of certain columns and line item numbers appearing on form BA210, 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 BA210 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 BA210.</p>

Columns relating to credit risk classification and impairment: standardised approach, items 43 to 63

Column number	Description
1, 4, 7 and 10	Gross exposure Based on the specified asset classes, these columns shall reflect the aggregate amount in respect of the reporting bank's gross credit exposure.
2, 5, 8 and 11	Collateral 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.
3, 6, 9 and 12	Specific credit impairment 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.

Items relating to credit concentration risk – large exposure to a person: standardised approach

Item number	Description
64 to 77	Credit concentration risk – large exposure to a person 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 BA210.

Columns relating to credit concentration risk – large exposure to a person: standardised approach, Items 64 to 77

Column number	Description
2	On-balance-sheet exposure 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.
3	Off-balance-sheet exposure 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.

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 primary and secondary capital and reserve funds of the reporting bank as reported in items 23 and 62 of the form BA700.</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	Redistribution of reduced exposure: inflows 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.
16	Specific credit impairment 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.
17	Net exposure after credit risk mitigation 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.
18	Risk weighted value of net exposure 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.

Items relating to credit concentration risk – sectoral distribution: standardised approach

Item number	Description
78 to 90	Sectoral distribution 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.

**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 $HHI = S$ (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 $HHI = S$ (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> <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 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>Unfunded credit protection: guarantees</p> <p>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> <p>(a) which amount shall exclude any relevant adjustment in respect of any mismatch between the relevant credit exposure and the protection obtained;</p> <p>(b) which protection has not already been incorporated into an estimate of LGD;</p> <p>(c) the relevant value of which protection shall in no case exceed the value of the relevant exposure to which it relates.</p>
4	<p>Unfunded credit protection: credit derivative instruments</p> <p>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> <p>(a) which amount shall exclude any relevant adjustment in respect of any mismatch between the relevant credit exposure and the protection obtained;</p> <p>(b) which protection has not already been incorporated into an estimate of LGD;</p> <p>(c) the relevant value of which protection shall in no case exceed the value of the relevant exposure to which it relates.</p>

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 BA210.</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 BA210.</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 BA210.</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 primary and secondary capital and reserve funds of the reporting bank as reported in items 23 and 62 of the form BA700.</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	Other eligible collateral 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.
16 and 17	Unfunded credit protection 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.
18	Redistribution of reduced exposure: outflows 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.
19	Redistribution of reduced exposure: inflows 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.
20	Specific credit impairment 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.

Items relating to credit concentration risk – sectoral distribution: IRB approach

Item number	Description
301 to 314	Sectoral distribution 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.

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> <ul style="list-style-type: none"> (a) is defined as $HHI = S$ (proportion of total value)² (b) shall in the case of wholesale exposure be based on specified industries; (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.
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> <ul style="list-style-type: none"> (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; (b) which index is defined as $HHI = S$ (proportion of total value)² (c) which index shall in the case of retail exposure be based on specified products; (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.

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>

CREDIT RISK

(Confidential and not available for inspection by the public)

Name of bank:

Six months ended:(yyyy/mm/dd)

BA 220**Six monthly**

Country:

(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	
Name of company or description of asset		1	2	3	4	5	6	7	8	9	10
Companies¹ - total	1										
(Specify)	2										
	3										
	4										
	5										
Immovable assets² - total	6										
(Specify)	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 104 of the form BA700 as at the month-end preceding the month to which this form BA220 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 BA220)

- (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 BA220 are furnished with reference to specific headings and item descriptions appearing on the form BA220, 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 | 430 |
| 2. | Regulation 26 | - | Directives, definitions and interpretations for completion
of monthly return concerning liquidity risk (Form BA 300) | 435 |

BA 300

Monthly

Name of bank.....

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

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

[illegible]

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

Business as usual (BaU) balance sheet mismatch ¹	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	Indeterminate maturity
		1	2	3	4	5	6	7	8	9	10
BaU maturity of assets (Items 19 to 21)	18										
Advances	19										
Trading, hedging and other investment instruments	20										
Other assets	21										
BaU maturity of liabilities (Items 23 to 26)	22										
Stable deposits	23										
Volatile deposits	24										
Trading and hedging instruments	25										
Other liabilities	26										
On-balance sheet BaU mismatch (item 18 less item 22)	27										
Cumulative on-balance sheet BaU mismatch	28										

1. Please separately submit assumptions made and any other relevant information.

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

Bank-specific stress mismatch ¹	Line no.	Total ²	Next day	2 to 7 days	8 days to 1 month	More than 1 month to 2 months
		1	2	3	4	5
Stressed maturity of assets (Items 30 to 32)	29					
Advances	30					
Trading, hedging and other investment instruments	31					
Other assets	32					
Stressed maturity of liabilities (Items 34 to 37)	33					
Stable deposits	34					
Volatile deposits	35					
Trading and hedging instruments	36					
Other liabilities	37					
On-balance sheet stress mismatch (item 29 less item 33)	38					
Cumulative on-balance sheet stress mismatch	39					
Stressed outflows arising from off-balance sheet exposure ³	40					
Cumulative on- and off-balance-sheet stressed mismatch	41					

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.

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

Available sources of stress funding	Line no.	Total ¹	Next day	2 to 7 days	8 days to 1 month	More than 1 month to 2 months
		1	2	3	4	5
Realisable by forced sale (total of items 43 to 45)	42					
Investment securities classified as available for sale	43					
Unencumbered trading securities	44					
Assets available for securitisation vehicles	45					
FX market liquidity	46					
Available repo facilities (item 48 plus item 49 minus item 50)	47					
Ringfenced portfolio of prudential liquid securities	48					
25% of liquid assets held	49					
Current utilisation under Reserve Bank allotment	50					
Estimated unutilised interbank funding capacity	51					
Unsecured funding lines	52					
Secured funding lines	53					
Drawdown capacity in respect of call loans	54					
Other funding	55					
Total available liquidity (total of items 42, 46, 47 and 51 to 55)	56					

1. Means the total for the specified item, and not the mathematical total of the specified columns.

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

Concentration of deposit funding	Line no.	Total ¹	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
Funding supplied by associates of the reporting bank	57						
Ten largest depositors	58						
Ten largest financial institutions funding balances	59						
Ten largest government and parastatals funding balances	60						
Negotiable paper funding instruments	61						
of which: issued for a period not exceeding twelve months	62						
of which: issued for a period exceeding five years	63						

1. Means the total for the specified item, and not the mathematical total of the specified columns.

(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	More than 1 year	Indeterminate maturity
		1	2	3	4	5	6	7	8	9	10
FX assets (total of items 65 to 69)	64										
USD	65										
EUR	66										
GBP	67										
Other	68										
ZAR leg of FX derivatives	69										
FX liabilities (total of items 71 to 75)	70										
USD	71										
EUR	72										
GBP	73										
Other	74										
ZAR leg of FX derivatives	75										
ZAR funding position of FX exposures (item 64 less item 70)	76										

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 78 to 80)	77			
Advances	78			
Trading, hedging and other investment instruments	79			
Other assets	80			
Expected incremental change due to change in liabilities (total of items 82 to 85)	81			
Stable deposits	82			
Volatile deposits	83			
Trading and hedging instruments	84			
Other liabilities	85			
Expected funding inflows / (outflows) to fund change in business (item 77 less item 81)	86			

1. During the next 12 months

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

Interbank transactions ¹	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
		1	2	3	4	5	6	7
Interbank¹ assets (total of items 88 and 91)	87							
Advances	88							
Memorandum items:								
Weighted average effective annual interest rate related to balances held at month-end ^{2, 4} (%)	89							
Collateralised ^{2, 3}	90							
Other assets, including derivative instruments	91							
Memorandum items:								
Weighted average effective annual interest rate related to balances held at month-end ^{2, 4} (%)	92							
Collateralised ^{2, 3}	93							
Interbank¹ liabilities (total of items 95 and 98)	94							
Deposits	95							
Memorandum items:								
Weighted average effective annual interest rate related to balances held at month-end ^{2, 4} (%)	96							
Collateralised ^{2, 3}	97							
Other liabilities, including derivative instruments	98							
Memorandum items:								
Weighted average effective annual interest rate related to balances held at month-end ^{2, 4} (%)	99							
Collateralised ^{2, 3}	100							

1. Including Intragroup banks.

2. Please provide the relevant required details separately for the ten largest balances included in the relevant specified items, per bank.

3. Yes = 1; mainly = 2; some or partially = 3; no = 4. Please provide the relevant required details and any further relevant information separately when a portion of the items is collateralised whilst the remaining portion is not collateralised.

4. Please provide the relevant required details separately when denominated in different currencies.

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;
 - (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 BA300 and the total assets and the total liabilities contained in the reporting bank's general ledger systems, which reconciliation-
 - (i) on request, shall be made available to the Registrar;
 - (ii) shall not be included in the form BA300;
 - (b) shall contain adequate explanations in respect of any reconciliation differences.
- (4) Unless specifically otherwise provided, any position reported on the form BA300 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 BA300 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" 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 bank-

- (a) shall complete the section of the form BA300 that relates to its contractual balance sheet on a static gap basis with cash flows being reported strictly on the basis of an item's remaining contractual term to maturity, that is, accounts such as current accounts, savings accounts and transmission accounts shall be included in the next day bucket.
- (b) shall classify any marketable instrument tradable in a secondary market into an appropriate time bucket based on the said instrument's remaining contractual maturity.

(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 BA300 that relates to its business as usual balance sheet apply the same 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 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-
 - (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) 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.

(12) *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 BA100, 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.

- (13) 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 (12)(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 (12)(b), as at the reporting date immediately preceding the current reporting date.

(14) 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.
- 29 to 41 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.
- 40 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.
- 42 to 56 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.
- 43 This item shall reflect, amongst others, the aggregate amount relating to long-term investments that may be realised by the reporting bank within 7 days.

- 44 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.
- 45 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.
- 46 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.
- 48 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.
- 49 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.
- 50 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.
- 51 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.
- 52 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.
- 53 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.

- 54 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.
- 58 to 60 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 61.
- 61 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.
- 69 and 75 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 69 and 75.
- 77 to 86 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.
- 78 to 80 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.
- 82 to 85 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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assets (Form BA 310) | 448 |

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	Average ¹	Directives and instructions	
		1	2	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 ⁴ (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				
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 liquid assets held up to fourteenth business day of the month following on the month to which this return relates (total of items 16 to 22) – 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				
Clearing account balances held with the Reserve Bank	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				
Short-term bills issued by the Land Bank	22				
Memorandum items:					
Adjustment in respect of cash-management schemes – regulation 16	23				
Adjustment in respect of set-off in terms of financial reporting standards	24				
Amounts qualifying for set-off in terms of regulation 13	25				
Average daily amount of all liquid assets acquired under resale agreements	26				
Average daily amount of all liquid assets sold under repurchase agreements	27				
Total average vault cash	28				
Less: Vault cash utilised in item 11 (may not exceed item 10)	29				
Excess vault cash utilised in item 16 (item 28 less item 29)	30				
Hash total	31				

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 22, and 26 and 27 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.

2. Relates only to branches of foreign institutions conducting the business of a bank in the Republic.

3. 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.

4. 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.

5. Not to include any amount already deducted elsewhere on form BA 310.

6. Subject to a minimum amount of zero, that is, the relevant amount shall be a positive amount or zero.

7. Relates to the percentage determined in terms of section 10A(2) of the South African Reserve Bank Act, No. 90 of 1989.

8. 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.

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 liquid assets held during the reporting month.

(3) *Minimum 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 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 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 liquid assets required to be held by the bank in terms of the provisions of this subregulation (3);

(ii) the minimum amount of 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 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 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 liquid assets owned outright by the said bank, that is, at least 95 per cent of liquid assets required to be held by the bank shall be liquid assets not subject to further commitment; and

(b) no foreign-currency assets, except gold coin and bullion, and no instruments acquired in terms of a securities lending transaction shall qualify as 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 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) *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 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.

(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 liquid asset as defined in section 1 of the Act shall for the purposes of section 72(1) of the Act rank as a 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 liquid assets*

A bank shall value 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 Government securities, Treasury bills, Land Bank bills and Reserve Bank securities, qualifying as 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 Liquid assets required to be held

This item shall reflect the relevant amount of 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 22 Average daily amount of liquid assets held

The reporting bank shall record in items 16 to 22 the average daily amount of its holdings during the prescribed period of the individual categories of liquid assets, valued in accordance with the requirements specified in section 72(4) of the Act.

The individual liquid asset items identified shall include the average daily amounts during the prescribed period of liquid assets acquired under resale agreements, but shall not include the average daily amounts of such assets sold under repurchase agreements.

23 to 30 Memorandum items

24 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.

25 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.

26 and 27 The average daily amounts of all liquid assets acquired under resale agreements during the prescribed period and included in items 19 to 22, or sold under repurchase agreements, shall respectively be recorded in items 26 and 27.

MARKET RISK**Page no.**

- | | | | | |
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| 2. | Regulation 28 | - | Directives and interpretations for completion of monthly
return concerning market risk (Form BA 320) | 460 |

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 1	Banking 2	Total 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 requirement² (total of items 32 to 34)	31			
Minimum prescribed (pillar 1) market risk requirement³ (item 1 plus item 30)	32			
Systemic risk add-on (pillar 2a) market risk requirement⁴	33			
Additionally specified bank-specific (pillar 2b) market risk requirement⁵	34			

1. Calculated in accordance with the relevant requirements specified in regulation 28(8).

2. Item 9 column 3 of the form BA700.

3. Also refer to item 1 column 6 of the form BA700.

4. Also refer to item 2 column 6 of the form BA700.

5. Also refer to item 8 column 3 of the form BA700.

(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-on ² (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)

Foreign exchange and gold risk	Line no.	Trading book		Banking book		Total ¹	
		Long	Short	Long	Short	Long	Short
		1	2	3	4	5	6
Total foreign currency and gold position	72						
All foreign currencies (total of items 75 to 80)	73						
Gold	74						
Memorandum Items: foreign currency positions							
USD	75						
Euro	76						
GBP	77						
CHF	78						
JPY	79						
Other	80						
Required capital and reserve funds							Total
							1
Total net open position ²	81						
Total capital requirement for foreign currency and gold (8% of item 81)	82						

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		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 regulations 23(6)(j), 23(8)(j), 23(11)(q) and 23(13)(e) 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.

$$\text{RWE} = K \times 12,5$$

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);
- (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%			
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%			

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) securitised 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%	Deduct ²
Resecuritisation exposure	3.2%	8%	18%	52%	Deduct 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%	Deduct ²	
Resecuritisation exposure	3.2%	8%	18%	Deduct 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. The bank shall deduct from its primary share capital and primary unimpaired reserve funds 50 per cent of the relevant amount and from its secondary capital and secondary unimpaired reserve funds the remaining 50 per cent.

- (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

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-	Deducted from 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-	Deducted from 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 deduct from its primary share capital and primary unimpaired reserve funds 50 per cent of the relevant position held and from its secondary capital and secondary unimpaired reserve funds the remaining 50 per cent of the relevant position held;

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 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 subject to deduction 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 BA700 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:

$$\max\{VaR_{t-1}; m_c \times VaR_{avg}\} + \max\{sVaR_{t-1}; m_s \times sVaR_{avg}\}$$

(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**Page no.**

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2. Regulation 29 - Directives and interpretations for completion of daily
return concerning selected risk exposure
(Form BA 325)535

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 17, column 1, plus item 23, 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 ⁴		
Funding related items (total of items 12 and 13)	11	
SARB repo participation	12	
Interbank funding	13	
Liquid assets		
Held on preceding day	14	
Month to date average held	15	
Requirement (item 14 of the form BA 310)	16	

1. Based on the minimum percentage requirement specified in item 1 column 6 of the form BA700.

2. Based on the add-on percentage requirement specified in item 2 column 6 of the form BA700.

3. Based on the add-on percentage requirement or amount reported in item 8 column 3 of the form BA700.

4. Relates only to banks submitting daily information in respect of trading activities.

(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 18 to 22)	17			
Interest rate risk	18			
Equity risk	19			
Foreign exchange risk, including gold	20			
Commodity risk	21			
Options ("carved-out" positions)	22			

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

Internal models approach Position risk requirement	Line no.	Regulatory VaR amounts ^{1, 2}			Incremental risk charge ^{1, 7}	Internal VaR ³		Backtesting ⁴	
		VaR ²	VaR S (specific risk surcharge)	sVaR ² (stressed VaR)		VaR amount	VaR limit	Hypothetical	Actual
		1	2	3		5	6	7	8
Total VaR amounts ⁵ and incremental risk amount	23								
Interest rate risk	24								
Equity risk	25								
Foreign exchange risk, including gold	26								
Commodity risk	27								
Other	28								
Memorandum items:									
Total VaR amount ^{5, 6}	29								
Desk 1 ⁶	30								
Desk 2 ⁶	31								
Desk 3 ⁶	32								
Other desks ⁶	33								

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)

Foreign-currency exposure	Line no.	USD	Euro	GBP	CHF	JPY	Other	Total
		1	2	3	4	5	6	7
Total foreign-currency assets (net of infrastructural investments) (total of items 35 and 40)	34							
Non-residents (total of items 36 to 39)	35							
Foreign currency placed with non-residents	36							
Foreign currency placed in respect of securities borrowing	37							
Foreign currency on-lent to non-residents (line 38 equals line 53)	38							
Other foreign currency	39							
Residents (total of items 41 to 47)	40							
Customer foreign-currency accounts (CFC)	41							
Foreign currency placed in respect of securities borrowing	42							
Foreign currency placements with authorised dealers	43							
Foreign currency placements with S A Reserve Bank	44							
Foreign currency placed with residents, not specified above	45							
Gold coin and bullion	46							
Other foreign currency	47							
Total foreign-currency liabilities (total of items 49 and 54)	48							
Non-residents (total of items 50 to 53)	49							
Foreign-currency funding (loans received)	50							
Foreign-currency deposits attracted	51							
Foreign-currency deposits held in respect of securities lending	52							
Liability in respect of foreign-currency borrowings on-lent to non-residents	53							
Residents (total of items 55 to 58)	54							
Customer foreign-currency accounts (CFC)	55							
Foreign-currency accounts (CFA)	56							
Foreign-currency deposits held in respect of securities lending	57							
Foreign-currency placements from authorised dealers	58							
Commitments ¹ to purchase foreign currency (total of items 60 and 65)	59							
Commitments ¹ to purchase foreign currency against rand	60							
Residents	61							
Non-residents	62							
Authorised dealers	63							
S A Reserve Bank	64							
Commitments ¹ to purchase foreign currency against foreign currency	65							
Commitments ¹ to sell foreign currency (total of items 67 and 72)	66							
Commitments ¹ to sell foreign currency against rand	67							
Residents	68							
Non-residents	69							
Authorised dealers	70							
S A Reserve Bank	71							
Commitments ¹ to sell foreign currency against foreign currency	72							
Effective net open foreign-currency position(s) of reporting bank ¹ (Item 34 plus 59) less (48 plus 66) in each foreign currency and in all foreign currencies taken together	73							
Limit specified by the Registrar	74							
Internal overnight limits set by the bank's board of directors or senior management (in respect of each individual currency and in the aggregate)	75							

1. Include all unsettled transactions, including spot, forward, options, futures and interest flows.

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, 17 to 22 Market or position risk requirement
and 23 to**

- 33** Based on, amongst other things, the relevant directives and requirements specified in regulation 28 and in the form BA320, 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 BA200, 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.

12 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.

13 Interbank funding

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 interbank funding raised by the reporting bank.

14 to 16 Liquid assets

Based on, amongst 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.

23 to 33 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 23 to 33 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 BA320, and the specified information relating to the bank's internal VaR amount and backtesting results.

34 to 75 Foreign-currency exposure

Items 34 to 73 shall reflect the foreign-currency positions in selected currencies and in all currencies taken together in respect of the reporting bank in the Republic.

35 A non-resident is an individual, institution or branch of an authorised dealer domiciled outside the Republic of South Africa.

-
- 38 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 53 below.)
- 40 A resident is an individual or institution domiciled in the Republic of South Africa.
- 41 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.
- 43 An authorised dealer is an institution domiciled in the Republic of South Africa that has been authorised to deal in foreign currency.
- 50 Foreign-currency funding represents loans obtained by the reporting bank, at the bank's own initiative.
- 51 Foreign-currency deposits are deposits placed with the reporting bank by non-residents.
- 52 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.
- 53 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.
- 55 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.
- 56 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.
- 59 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.

66 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.

60 to 71 For purposes of the completion of items 60 to 71, 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**Page no.**

1. Form BA 330 - Interest-rate risk: banking book.....540
2. Regulation 30 - Directives and interpretations for completion of
monthly return concerning interest-rate risk (Form
BA 330).....542

INTEREST RATE RISK: BANKING BOOK

(Confidential and not available for inspection by the public)

Name of bank.....

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

BA 330
Monthly

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

Static repricing gap	Line no.	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	Total
		1	2	3	4	5	6	7	8	9	10
Assets (total of items 2 to 6)	1										
Variable rate items	2										
Adjustable rate items	3										
Discretionary/ administered rate items	4										
Fixed rate items	5										
Non rate sensitive items ¹	6										
Liabilities and capital and reserve funds (total of items 8 to 12)	7										
Variable rate items	8										
Adjustable rate items	9										
Discretionary/ administered rate items	10										
Fixed rate items	11										
Non rate sensitive items ¹	12										
Net funding to / (from) trading desk	13										
Net funding to / (from) ZAR banking book ²	14										
Net static gap, excluding derivative instruments (item 1 minus item 7 plus items 13 and 14)	15										
Net impact of derivative instruments held in the banking book (total of items 17 and 20)	16										
Swaps and FRAs (total of items 18 and 19)	17										
of which: pay fixed and receive floating	18										
of which: receive fixed and pay floating	19										
Other	20										
Net static gap, including derivative instruments (item 15 and 16)	21										
Cumulative static gap, including derivative instruments	22										

1. Including the aggregate amount of all relevant fair value adjustments. Refer to regulation 30(3)(a).

2. Relates only to the completion of the form BA330 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)

Interest rate sensitivity: banking book	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
Impact on Net Interest Income (NII)		1	2	3	4	5	6
Impact of a parallel rate shock, excluding derivative instruments							
Interest rate increase	23						
Interest rate decrease	24						
Impact of a parallel rate shock, including derivative instruments							
Interest rate increase	25						
Interest rate decrease	26						
Percentage impact of a parallel rate shock on qualifying capital and reserve funds relating to risks other than market risk							
Interest rate increase	27						
Interest rate decrease	28						
Percentage impact of a parallel rate shock on forecast NII							
Interest rate increase	29						
Interest rate decrease	30						
Impact of adverse change in specified key rates							
Adverse impact	31						

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

Interest rate sensitivity: banking book	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
Adverse correlated risk shock							
NII impact: bank specific shock with assumptions	32						
NII impact: bank specific shock - % of 12 month forecast NII	33						
Net Income impact: bank specific shock - % of 12 month forecast net income ^{1,2}	34						
							Total
							1
Change in the economic value of equity							
Interest rate increase	35						
Interest rate decrease	36						

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;

- (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 105 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**Page no.**

- | | | | | |
|----|---------------|---|---|-----|
| 1. | Form BA 340 | - | Equity risk in the banking book..... | 550 |
| 2. | Regulation 31 | - | Directives and interpretations for completion of
monthly return concerning equity risk in the banking
book (Form BA 340)..... | 553 |

EQUITY RISK IN THE BANKING BOOK

(Confidential and not available for inspection by the public)

Name of bank.....

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

BA 340

Monthly

(All amounts to be rounded off to the nearest R'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	1		100%		
Private equity and venture capital	2		150%		

1. Including the simplified standardised approach for credit risk.

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

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

IRB approach for credit risk	Line no.	Exposure value	Risk weighting	Risk weighted exposure ¹	Capital requirement	
Market based approach		1	2	3	4	
Simple risk weight method (total of items 4 and 5)	3					
Equities - listed	4		300%			
Equities - unlisted	5		400%			
		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 7 and 8)	6					
Equities - listed	7		200%			
Equities - unlisted	8		300%			
Memorandum item:						
Diversified amount	9					

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			Exposure value		Risk weighted exposure ²	Capital requirement
		PD range		Average PD assigned to the obligor grade (%)		In respect of which the 1,5 scaling factor applies		
		Lower bound (%)	Upper bound (%)					
		1	2					
01	10							
02	11							
03	12							
04	13							
05	14							
06	15							
07	16							
08	17							
09	18							
10	19							
11	20							
12	21							
13	22							
14	23							
15	24							
16	25							
17	26							
18	27							
19	28							
20	29							
21	30							
22	31							
23	32							
24	33							
25	34							
Default	35							
Total (of items 10 to 35)	36							

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
		1
Equity exposures exempt from the market based and PD/LGD approaches	37	
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 (5) 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 (5);
 - (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) or 23(13) 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 primary and secondary capital and reserve funds, respectively reported in items 36, 63 and 72 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 primary capital and reserve funds fifty per cent of the relevant equity exposure amount and from its secondary capital and reserve funds the remaining fifty per cent of 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 BA100.

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 BA100.

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

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(Confidential and not available for inspection by the public)

Name of bank

Month ended(yyyy-mm-dd)

BA 350

Monthly

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

[illegible]

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

Derivative Instruments other than credit derivative instruments	Line no.	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
Unexpired contracts ¹ at month-end													
Exchange traded contracts (total of items 24, 28, 32, 36, 40, 44, 48 and 52)	23												
Futures contracts bought (total of items 25 to 27)	24												
less than 1 year	25												
1 year to 5 years	26												
more than 5 years	27												
Futures contracts sold (total of items 29 to 31)	28												
less than 1 year	29												
1 year to 5 years	30												
more than 5 years	31												
Call options written (total of items 33 to 35)	32												
less than 1 year	33												
1 year to 5 years	34												
more than 5 years	35												
Call options purchased (total of items 37 to 39)	36												
less than 1 year	37												
1 year to 5 years	38												
more than 5 years	39												
Put options written (total of items 41 to 43)	40												
less than 1 year	41												
1 year to 5 years	42												
more than 5 years	43												
Put options purchased (total of items 45 to 47)	44												
less than 1 year	45												
1 year to 5 years	46												
more than 5 years	47												
Swaps (total of items 49 to 51)	48												
less than 1 year	49												
1 year to 5 years	50												
more than 5 years	51												
Other (total of items 53 to 55)	52												
less than 1 year	53												
1 year to 5 years	54												
more than 5 years	55												

1. Based on the remaining contractual maturity of the relevant contract.

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

Derivative instruments other than credit derivative instruments	Line no.	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
Unexpired contracts ¹ at month-end		1	2	3	4	5	6	7	8	9	10	11	12
OTC contracts (total of items 57, 61, 65, 69, 73, 77 and 81)	56												
Forwards and FRA's (total of items 58 to 60)	57												
less than 1 year	58												
1 year to 5 years	59												
more than 5 years	60												
Swaps (total of items 62 to 64)	61												
less than 1 year	62												
1 year to 5 years	63												
more than 5 years	64												
Call options written (total of items 66 to 68)	65												
less than 1 year	66												
1 year to 5 years	67												
more than 5 years	68												
Call options purchased (total of items 70 to 72)	69												
less than 1 year	70												
1 year to 5 years	71												
more than 5 years	72												
Put options written (total of items 74 to 76)	73												
less than 1 year	74												
1 year to 5 years	75												
more than 5 years	76												
Put options purchased (total of items 78 to 80)	77												
less than 1 year	78												
1 year to 5 years	79												
more than 5 years	80												
Other (total of items 82 to 84)	81												
less than 1 year	82												
1 year to 5 years	83												
more than 5 years	84												

1. Based on the remaining contractual maturity of the relevant contract.

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

Derivative Instruments other than credit derivative Instruments	Line no.	Fair value of outstanding contracts											
		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
Exchange traded contracts													
Futures contracts (total of items 86 and 87)	85												
Bought	86												
Sold	87												
Call options (total of items 89 and 90)	88												
Written	89												
Purchased	90												
Put options (total of items 92 and 93)	91												
Written	92												
Purchased	93												
Swaps	94												
Other	95												
Net fair value amount (total of items 85, 88, 91, 94 and 95)	96												
OTC contracts													
Forwards and FRA's	97												
Swaps	98												
Call options (total of items 100 and 101)	99												
Written	100												
Purchased	101												
Put options (total of items 103 and 104)	102												
Written	103												
Purchased	104												
Other	105												
Net fair value amount (total of items 97 to 99, 102 and 105)	106												
Memorandum items:													
Gross positive fair value^{1,2} (asset)	107												
Gross negative fair value^{1,2} (liability)	108												

1. Gross aggregate of contracts included in items 85 to 106.

2. Report as absolute amounts.

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

Credit-derivative instruments	Line no.	Gross notional amounts										Fair value of outstanding contracts at month-end			
		Outstanding balance at the beginning of the reporting month		PLUS : Protection acquired during the reporting month		MINUS : Protection that matured during the reporting month		Other movement during the month		Outstanding balance at the end of the reporting month		Trading		Banking	
		Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Positive	Negative	Positive	Negative
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
Protection buyer															
Credit-default swaps	109														
Total return swaps	110														
Other ¹	111														
Total (of items 109 to 111)	112														
		Gross notional amounts										Fair value of outstanding contracts at month-end			
		Outstanding balance at the beginning of the reporting month		PLUS : Protection sold during the reporting month		MINUS : Protection that matured during the reporting month		Other movement during the month		Outstanding balance at the end of the reporting month		Trading		Banking	
		Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Positive	Negative	Positive	Negative
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
Protection seller															
Credit-default swaps	113														
Total return swaps	114														
Other ¹	115														
Total (of items 113 to 115)	116														

1. Including credit-linked notes.

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**Page no.**

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2.	Regulation 33	-	Directives and interpretations for completion of six-monthly return concerning operational risk (Form BA 400).....	573
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OPERATIONAL RISK

(Confidential and not available for inspection by the public)

Name of bank.....

Six months ended.....(yyyy-mm-dd)

BA400

Six monthly

(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
		1	2	3
Gross operating income (item 65 of form BA120)	1			
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.

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)(ii)(A).
3. Refer to regulation 33(8)(c)(ii)(B).
4. Refer to regulation 33(8)(c)(ii)(C).
5. Relates to advanced measurement approach only.

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 BA120 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 closely be 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
		Theft and fraud	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)
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	Theft/ robbery Forgery Cheque kiting
		Systems security	Hacking damage Theft of information with monetary loss
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	Compensation, benefit, termination issues Organised labour activity
		Safe environment	General liability such as slip and fall Employee health & safety rules events Workers compensation
		Diversity and discrimination	All discrimination types

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
		Improper business or market practices	Antitrust Improper trade / market practices Market manipulation Insider trading (on bank/ firm's account) Unlicensed activity Money laundering
		Product flaws	Product defects (unauthorised, etc.) Model errors
		Selection, sponsorship and exposure	Failure to investigate client per guidelines Exceeding client exposure limits
		Advisory activities	Disputes over performance of advisory activities
Damage to physical assets	Losses arising from loss or damage to physical assets from natural disaster or other events.	Disasters and other events	Natural disaster losses Human losses from external sources (terrorism, vandalism)
Business disruption and system failures	Losses arising from disruption of business or system failures	Systems	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	Transaction capture, execution and maintenance	Miscommunication Data entry, maintenance or loading error Missed deadline or responsibility Model / system failure Accounting error / entity attribution error Other task malfunctioning Delivery failure Collateral management failure Reference data maintenance
		Monitoring and reporting	Failed mandatory reporting obligation Inaccurate external report (loss incurred)
		Customer intake and documentation	Client permissions / disclaimers missing Legal documents missing / incomplete
		Customer / client account management	Unapproved access given to accounts Incorrect client records (loss incurred) Negligent loss or damage of client assets
		Trade counterparties	Non-client counterparty misperformance Misc. non-client counterparty disputes
		Vendors and suppliers	Outsourcing Vendor disputes

(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.

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.

(Confidential and not available for inspection by the public)

Name of bank.....

Financial year ended.....(yyyy-mm-dd)

Annually

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

596 No. 34838

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

Advanced measurement approach Selected information relating to loss events	Line no.	Event type							Total (of col. 1 to 7)	Loss event as % of gross income	Memorandum: threshold applied i.r.o data collection ¹	
		Internal fraud	External fraud	Employment practices and workplace safety	Client, products and business practices	Damage to physical assets	Business disruption and system failures	Execution, delivery and process management			Lowest	Highest
		1	2	3	4	5	6	7	8	9	10	11
Retail banking												
Number of events ²	29											
Gross loss amount ³	30											
Total recoveries ⁴	31											
Current financial year	32											
Prior financial years	33											
Net loss amount ⁵	34											
Maximum single loss ⁶	35											
Payment and settlement												
Number of events ²	36											
Gross loss amount ³	37											
Total recoveries ⁴	38											
Current financial year	39											
Prior financial years	40											
Net loss amount ⁵	41											
Maximum single loss ⁶	42											
Agency services												
Number of events ²	43											
Gross loss amount ³	44											
Total recoveries ⁴	45											
Current financial year	46											
Prior financial years	47											
Net loss amount ⁵	48											
Maximum single loss ⁶	49											
Asset management												
Number of events ²	50											
Gross loss amount ³	51											
Total recoveries ⁴	52											
Current financial year	53											
Prior financial years	54											
Net loss amount ⁵	55											
Maximum single loss ⁶	56											
Total i.r.o event types												
Number of events ²	57											
Gross loss amount ³	58											
Total recoveries ⁴	59											
Current financial year	60											
Prior financial years	61											
Net loss amount ⁵	62											
Maximum single loss ⁶	63											

1. Means the relevant gross loss threshold amount specified by the bank for data collection.

2. Means the total number of occurrences of the particular event during the relevant financial year.

3. Means the total loss amount before any recoveries are taken into consideration.

4. Include an amount recovered in terms of insurance.

5. Means gross loss amount less total recoveries in the current financial year.

6. Means the largest individual gross loss amount incurred during the relevant financial year.

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

Selected information relating to recorded losses ¹	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
		1	2	3	4	5	6	7	8	9	10	11
Total ²	64											
	65											
	66											
	67											
	68											
	69											
	70											
	71											
	72											
	73											
	74											
	75											

Selected information relating to recorded losses ¹	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		
		12	13	14	15	16	17	18	19	20	21
Total ²	64										
	65										
	66										
	67										
	68										
	69										
	70										
	71										
	72										
	73										
	74										
	75										

1. Relates to gross losses recorded during the relevant financial year, which loss events may still be open.

2. Please provide relevant 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 annual 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 financial year.

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 financial year in respect of losses recorded in previous financial years.

Columns relating to items 1 to 63

- 9
- In respect of the specified items a bank shall report in column 9 the relevant amount reported in column 8 expressed as a percentage of gross income, as defined in regulation 33(7)(b), derived during the preceding financial year for the relevant business line, which percentage shall be rounded to two decimal places.
- 10 and 11
- A bank shall report in column 10 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 11 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 financial year to which the 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**Page no.**

1. Form BA 500	-	Securitisation schemes	604
2. Regulation 35	-	Directives and interpretations for completion of the monthly return concerning securitisation schemes (Form BA 500)	618

SECURITISATION EXPOSURES

(Confidential and not available for inspection by the public)

Name of bank.....

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

BA 500

Monthly

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

Summary of selected information Risk weighted exposure and supervisory deductions	Line no.	Risk weighted exposure	Supervisory deductions against	
			Primary capital and reserve funds	Secondary capital and reserve funds
		1	2	3
Total (of items 2 and 3)	1			
Standardised approach	2			
Internal ratings-based approach ¹	3			

1. After the application of a scaling factor of 1.06.

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

Summary of selected information Turnover activity i.r.o new or acquired securitisation or res securitisation exposures during the reporting month	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
Primary role (total of items 5 and 8 to 11)	4							
As originator (total of items 6 and 7)	5							
Traditional securitisation	6							
Synthetic securitisation	7							
Deemed originator, including conduits	8							
Repackager	9							
Sponsor	10							
Remote originator	11							
Secondary role (total of items 13 to 17)	12							
Investor / purchaser	13							
Underwriter	14							
Credit enhancer	15							
Liquidity provider	16							
Servicing agent	17							
Memorandum item:								
Profit or loss recognised on sale of securitised assets	18							

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

Summary of selected information Securitisation or resecuritisation exposure and balances 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
On-balance-sheet Instruments (total of items 20 and 26)	19							
Exposures included in item 31 or 53 of form BA 100 (total of items 21 and 22)	20							
Retained exposures relating to a traditional securitisation or resecuritisation scheme	21							
Investment in third party assets (total of items 23 to 25)	22							
Exposures resulting from repackaging activities	23							
Exposures resulting from remote originator activities	24							
Other exposures regarded as securitisation or resecuritisation exposures	25							
Exposures not included in item 31 or 53 of form BA 100 (total of items 27 and 28)	26							
Traditional securitisation or resecuritisation	27							
Synthetic securitisation or resecuritisation	28							
Off-balance-sheet Instruments (total of items 30 to 33)	29							
Underwriting exposures	30							
Credit enhancement	31							
Liquidity facilities	32							
Other	33							
Other Items (total of items 35 and 36)	34							
Deemed originator balances: ABCP programmes	35							
Servicing agent nominal balances	36							
Memorandum Item:								
Repurchased exposures	37							

(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	Supervisory deductions against		Risk weighted exposure	Supervisory deductions against	
			Primary capital and reserve funds	Secondary capital and reserve funds		Primary capital and reserve funds	Secondary capital and reserve funds
		1	2	3	4	5	6
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		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 20%	65							
A+ to A- or A2 / P2 50%	66							
BBB+ to BBB- or A3/ P3 100%	67							
BB+ to BB- (investors) 350%	68							
Total resecuritisation exposure (total of items 70 to 73)	69							
AAA to AA- or A1 / P1 40%	70							
A+ to A- or A2 / P2 100%	71							
BBB+ to BBB- or A3/ P3 225%	72							
BB+ to BB- (investors) 650%	73							
Total deductions in respect of securitisation exposures (total of items 75 and 76)	74							
BB+ to BB- (originators) Deduction	75							
Rated below BB- or A3 / P3 Deduction	76							
Total deductions in respect of resecuritisation exposures (total of items 78 and 79)	77							
BB+ to BB- (originators) Deduction	78							
Rated below BB- or A3 / P3 Deduction	79							
Memorandum item:								
Total risk weighted exposure i.r.o rated exposures ¹	80							
Total deductions i.r.o rated exposures	81							

1. Amounts reported in items 65 to 68 and 70 to 73, multiplied by the specified risk weights.

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

Standardised approach Unrated exposures	Line no.	Exposures after 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
Unrated most senior exposures	82							
<i>of which:</i> relates to resecuritisation exposure	83							
Other exposures (total of items 85 to 89)	84							
Eligible liquidity facilities	85							
Market disruption facilities	86							
Servicer cash advance facilities	87							
Second loss positions in ABCP programmes	88							
Other unrated exposures	89							
Memorandum items:								
Total risk weighted exposure i.r.o unrated exposures ¹	90							
Total deductions i.r.o unrated exposures	91							

1. Relevant unrated exposure amount multiplied by the relevant risk weight.

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

(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		
		Drawn exposures ¹	Undrawn exposures ¹	Drawn exposures ¹	Undrawn exposures ¹	
		1	2	3	4	
Total (of items 94 and 97)	92					
<i>of which:</i> relates to resecuritisation exposures	93					
Retail lines (total of items 95 and 96)	94					
Committed	95					
Uncommitted	96					
Non-retail lines (total of items 98 and 99)	97					
Committed	98					
Uncommitted	99					
Memorandum item:						
Risk weighted exposure	100					

1. After credit conversion factors.

Standardised approach Non credit enhancing IOs and Pos	Line no.	Total
		1
Exposure amount	101	
Risk weighted exposure ¹	102	

1. Item 101 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		Risk weighted exposure ¹	Supervisory deductions against	
			Primary capital and reserve funds	Secondary capital and reserve funds		Primary capital and reserve funds	Secondary capital and reserve funds
		1	2	3	4	5	6
Total (of items 104 to 109)	103						
Gain on sale	104						
Credit-enhancing interest-only strips, net of gain on sale	105						
Exposures subject to ratings-based or internal assessment approach	106						
Unrated exposures - treated in respect of standard formula or otherwise	107						
Investors' interest subject to early amortisation requirements	108						
Non credit enhancing IOs and POs	109						
		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	110						

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	111							
On balance sheet (item 19)	112							
Off balance sheet (items 29 and 34)	113							
Exposure amount after credit conversion factors but before credit risk mitigation	114							
On balance sheet	115							
Off balance sheet	116							
Exposure amount after adjustment for credit risk mitigation	117							
On balance sheet	118							
Off balance sheet	119							
Resecuritisation exposure								
Exposure amount before credit conversion factors	120							
On balance sheet (item 19)	121							
Off balance sheet (items 29 and 34)	122							
Exposure amount after credit conversion factors but before credit risk mitigation	123							
On balance sheet	124							
Off balance sheet	125							
Exposure amount after adjustment for credit risk mitigation	126							
On balance sheet	127							
Off balance sheet	128							

(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
		1	2	3	4	5	6
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 130 to 136)	129						
AAA or A1 / P1	130						
AA	131						
A+	132						
A or A2 / P2	133						
A-	134						
BBB+	135						
BBB or A3 / P3	136						
Total base risk weight exposures rated BBB or better (total of items 138 to 144)	137						
AAA or A1 / P1	138						
AA	139						
A+	140						
A or A2 / P2	141						
A-	142						
BBB+	143						
BBB or A3 / P3	144						
Total exposures backed by non-granular pools, rated BBB or better (total of items 146 to 152)	145						
AAA or A1 / P1	146						
AA	147						
A+	148						
A or A2 / P2	149						
A-	150						
BBB+	151						
BBB or A3 / P3	152						
Total exposures rated BBB- or below (total of items 154 to 158)	153						
BBB-	154						
BB+	155						
BB	156						
BB-	157						
Rated below BB- or A3 / P3	158						
Memorandum items:							
Total risk weighted exposure i.r.o rated exposures ¹	159						
Total deductions i.r.o rated exposures (item 158)	160						

1. Amounts reported in items 130 to 136, 138 to 144, 146 to 152 and 154 to 157, multiplied by the specified risk weights and a scaling factor of 1.06.

(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
		1	2	3	4	5	6
Resecuritisation 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 162 to 168)	161						
AAA or A1 / P1 20%	162						
AA 25%	163						
A+ 35%	164						
A or A2 / P2 40%	165						
A- 60%	166						
BBB+ 100%	167						
BBB or A3 / P3 150%	168						
Total senior exposures rated BBB- or below (total of items 170 to 174)	169						
BBB- 200%	170						
BB+ 300%	171						
BB 500%	172						
BB- 750%	173						
Rated below BB- or A3 / P3 Deduction	174						
Total non-senior exposures rated BBB or better (total of items 176 to 182)	175						
AAA or A1 / P1 30%	176						
AA 40%	177						
A+ 50%	178						
A or A2 / P2 65%	179						
A- 100%	180						
BBB+ 150%	181						
BBB or A3 / P3 225%	182						
Total non-senior exposures rated BBB- or below (total of items 184 to 188)	183						
BBB- 350%	184						
BB+ 500%	185						
BB 650%	186						
BB- 850%	187						
Rated below BB- or A3 / P3 Deduction	188						
Memorandum items:							
Total risk weighted exposure i.r.o rated exposures ¹	189						
Total deductions i.r.o rated exposures (item 174 and 188)	190						

1. Amounts reported in items 162 to 168, 170 to 173, 176 to 182 and 184 to 187, multiplied by the specified risk weights and a scaling factor of 1.06.

(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
Unrated securitisation and resecuritisation exposures subject to the standard formula approach and not the internal assessment approach								
Total securitisation exposures¹ (total of items 192 to 199)	191							
7.00% to 20%	192							
20.01% to 50%	193							
50.01% to 100%	194							
100.01% to 250%	195							
250.01% to 425%	196							
425.01% to 650%	197							
650.01% to 1249.99%	198							
Deductions	199							
Memorandum item:								
Total risk weighted exposure i.r.o exposures ²	200							
Total deductions i.r.o exposures (item 199)	201							
Total resecuritisation exposures¹ (total of items 203 to 209)	202							
20.00% to 50%	203							
50.01% to 100%	204							
100.01% to 250%	205							
250.01% to 425%	206							
425.01% to 650%	207							
650.01% to 1249.99%	208							
Deductions	209							
Memorandum item:								
Total risk weighted exposure i.r.o exposures ³	210							
Total deductions i.r.o exposures (item 209)	211							

1. Risk weights after credit risk mitigation.

2. Amounts reported in items 192 to 198, multiplied by the relevant risk weight and a scaling factor of 1.06.

3. Amounts reported in items 203 to 208, multiplied by the relevant risk weight and a scaling factor of 1.06.

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

IRB approach 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	Line no.	Exposures not benefiting from credit risk mitigation					
		Securitisation exposure			Resecuritisation exposure		
		Exposure	Risk weighted exposure ¹	Deductions	Exposure	Risk weighted exposure ¹	Deductions
		1	2	3	4	5	6
Retained exposures	212						
Other exposures such as investments	213						
Total	214						

1. After the application of a scaling factor of 1.06.

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

IRB approach Other unrated securitisation and resecuritisation exposures not subject to the rating-based approach, standard formula approach or internal assessment approach	Line no.	Exposures not benefiting from credit risk mitigation					
		Securitisation exposure			Resecuritisation exposure		
		Exposure	Risk weighted exposure ¹	Deductions	Exposure	Risk weighted exposure ¹	Deductions
		1	2	3	4	5	6
On-balance sheet unrated exposures	215						
Off-balance sheet unrated exposures	216						
<i>of which:</i> market disruption facilities	217						
<i>of which:</i> servicer cash advance facilities	218						
<i>of which:</i> eligible liquidity facilities	219						
<i>of which:</i> liquidity facilities to ABCP programme ²	220						
<i>of which:</i> credit enhancement facilities to ABCP programme ²	221						
Other unrated exposures	222						
<i>of which:</i> liquidity facilities to ABCP programme ²	223						

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)

		(All amounts to be rounded off to the nearest Rupee)				
IRB approach Investors' interest i.r.o schemes with early amortisation features	Line no.	Credit exposure and risk weighted exposure				Total
		Controlled amortisation		Uncontrolled amortisation		
		Drawn exposures ¹	Undrawn exposures ¹	Drawn exposures ¹	Undrawn exposures ¹	
		1	2	3	4	5
Total (of items 226 and 229)	224					
<i>of which:</i> relates to securitisation exposures	225					
Retail lines (total of items 227 and 228)	226					
Committed	227					
Uncommitted	228					
Non-retail lines (total of items 230 and 231)	229					
Committed	230					
Uncommitted	231					
Memorandum Item:						
Risk weighted exposure ²	232					

1. After credit conversion factors.

2. After the application of a scaling factor of 1.06.

IRB approach	Line no.	Total
Non credit enhancing IOs and Pos		1
Exposure amount	233	
Risk weighted exposure ¹	234	

1. Item 233 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 BA500, 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 4 of the form BA500.
2 of item 2	This item shall be equal to the sum of amounts reported in item 38 columns 2 and 5 of the form BA500.
3 of item 2	This item shall be equal to the sum of amounts reported in item 38 columns 3 and 6 of the form BA500.
1 of item 3	This item shall be equal to the sum of amounts reported in item 103 columns 1 and 4 of the form BA500.
2 of item 3	This item shall be equal to the sum of amounts reported in item 103 columns 2 and 5 of the form BA500.
3 of item 3	This item shall be equal to the sum of amounts reported in item 103 columns 3 and 6 of the form BA500.

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 2008 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 BA500 for March 2008 (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 2008, no amounts shall be reported in line items 4 to 18 for the reporting month of April 2008.</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.

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 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 2008 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 BA500 for March 2008 (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 2008, no amounts other than the amount to be reported in item 22,</p>

Item number	Description
	column 5, shall be reported in line items 19 to 36 for the reporting month of April 2008.

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.

Column number	Description
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 table 10 in regulation 23(8)(j), a bank shall report in column 2 any amount included in its primary share 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.
2 and 3 of item 40	Based on the relevant requirements specified in table 10 in regulation 23(8)(j), a bank shall include in column 2 fifty per cent of the relevant net amount, 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, and in column 3 the remaining fifty per cent of the said net amount of the said credit enhancing interest-only strip, provided that the bank shall respectively report in items 101 and 102 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 4 of item 41	The sum of these items shall be equal to the amount reported in item 80 column 7 of the form BA500.
2 of item 41	This item shall be equal to fifty per cent of the amount reported in item 74 column 7 of the form BA500.
3 of item 41	This item shall be equal to fifty per cent of the amount reported in item 74 column 7 of the form BA500.
5 of item 41	This item shall be equal to fifty per cent of the amount reported in item 77 column 7 of the form BA500.
6 of item 41	This item shall be equal to fifty per cent of the amount reported in item 77 column 7 of the form BA500.
1 and 4 of item 42	The sum of these items shall be equal to the amount reported in item 90 column 7 of the form BA500.
2 of item 42	This item shall be equal to fifty per cent of the relevant amount reported in item 91 column 7 of the form BA500.
3 of item 42	This item shall be equal to fifty per cent of the relevant amount reported in item 91 column 7 of the form BA500.
5 of item 42	This item shall be equal to fifty per cent of the relevant amount reported in item 91 column 7 of the form BA500.
6 of item 42	This item shall be equal to fifty per cent of the relevant amount reported in item 91 column 7 of the form BA500.
1 and 4 of item 43	The sum of these items shall be equal to the amount reported in item 100 column 5 of the form BA500.
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 82 to 91

Column number	Description
1 to 7 of item 82	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 92 to 100

Column number	Description
1 to 5 of items 92 to 100	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 103 to 110

Column number	Description
2 and 5 of item 104	Based on the relevant requirements specified in regulation 23(11)(q), a bank shall report in column 2 any amount included in its primary share 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.
2, 3, 5 and 6 of item 105	Based on the relevant requirements specified in regulation 23(11)(q), a bank shall include in columns 2 and 5 fifty per cent of the relevant net amount, 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, and in columns 3 and 6 the remaining fifty per cent of the said net amount of the said credit-enhancing interest-only strip, provided that the bank shall respectively report in items 233 and 234 the relevant exposure amount and risk weighted exposure amount in respect of any non-credit-enhancing interest-only strip.
1 of item 106	This item shall be equal to the amount reported in item 159 column 7 of the form BA500.
2 of item 106	This item shall be equal to fifty per cent of the amount reported in item 160 column 7 of the form BA500.
3 of item 106	This item shall be equal to fifty per cent of the amount reported in item 160 column 7 of the form BA500.
4 of item 106	This item shall be equal to the amount reported in item 189 column 7 of the form BA500.
5 of item 106	This item shall be equal to fifty per cent of the amount reported in item 190 column 7 of the form BA500.
6 of item 106	This item shall be equal to fifty per cent of the amount reported in item 190 column 7 of the form BA500.

Columns relating to the summary of selected information: internal rating-based approach, items 103 to 110

Column number	Description
1 of item 107	This item shall be equal to the amount reported in item 200 column 7 of the form BA500.
2 of item 107	This item shall be equal to fifty per cent of the amount reported in item 201 column 7 of the form BA500.
3 of item 107	This item shall be equal to fifty per cent of the amount reported in item 201 column 7 of the form BA500.
4 of item 107	This item shall be equal to the amount reported in item 210 column 7 of the form BA500.
5 of item 107	This item shall be equal to fifty per cent of the amount reported in item 211 column 7 of the form BA500.
6 of item 107	This item shall be equal to fifty per cent of the amount reported in item 211 column 7 of the form BA500.
1 and 4 of item 108	The sum of these items shall be equal to the amount reported in item 232 column 5 of the form BA500.
1 and 4 of item 109	The sum of these items shall be equal to the amount reported in item 234 column 1 of the form BA500.
1 and 2 of item 110	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 111 to 128

1 to 7 of items 111 to 113	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 114 to 116	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.
1 to 7 of items 117 to 119	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 120 to 122	These items shall reflect the respective gross resecuritisation exposure amounts, before 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 111 to 128

1 to 7 of Items 123 to 125	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 126 to 128	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 to 3 of item 212	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 104 or 105.
1 to 3 of Item 213	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).
4 to 6 of item 212	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 104 or 105.
4 to 6 of item 213	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 224 to 232

Column number	Description
1 to 5 of items 224 to 232	Based on the relevant requirements specified in regulation 23(11)(b)(xii)(F) 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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CONSOLIDATED RETURN

(Confidential and not available for inspection by the public)

Name of bank/ controlling company.....

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

BA 600

Quarterly

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

Summary of matters related to group capital adequacy	Line no.	Primary capital and reserve funds	Secondary capital and reserve funds, and tertiary capital	Total (col. 1 + 2)
		1	2	3
Total risk adjusted exposure (item 31, column 14)	1			
Equivalent risk weighted exposure: approved amount of surplus capital in insurance entities	2			
Total group risk weighted exposure (total of items 1 and 2)	3			
Minimum required capital adequacy ratio	4	7,00%		9,50%
Minimum required amount of capital and reserve funds (item 3 column 3 * item 4)	5			
Additional required amount of capital and reserve funds specified by the Registrar	6			
Total minimum required amount of capital and reserve funds (total of items 5 and 6)	7			
Consolidated qualifying amount of capital and reserve funds ^{1, 2, 3}	8			
Approved amount of surplus capital in regulated insurance entities ⁴	9			
Approved adjustment to qualifying capital and reserve funds: increase/(decrease)	10			
Adjusted consolidated qualifying capital and reserve funds (item 8 plus 9 plus/(minus) 10)	11			
Group capital adequacy ratio (%) (item 11 divided by item 5) multiplied by item 4	12			
Memorandum items:		Calculated ratio or total	Specified minimum	
		1	2	
	13		≥ 9,50%	
	14		≥ 7,00%	
	15		≤ 100%	
	16		≤ 20%	
	17		≤ 10%	
	18			

1. Item 8 column 1 shall be equal to item 31 column 20, and to item 23 less item 38, column 1, of the relevant consolidated form BA 700.

2. Item 8 column 2 shall be equal to item 31 column 21, and to the sum of items 62 and 99, column 1, of the relevant consolidated form BA 700.

3. Item 8 column 3 shall be equal to item 31 column 19, and to item 104 less item 38, column 1, of the relevant consolidated form BA 700.

4. Item 9 column 1 shall be equal to item 38, column 1, of the relevant consolidated form BA 700.

(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	Risk weighted exposure or equivalent								
							Credit risk ³	Operational risk ³	Market risk ³	Equity risk ³	Other ³	Sub-total (sum of col. 6 to 10)	Intra-group exposure	Additional required amount of capital and reserve funds ⁴	Total (col. 11 - 12 + 13)
Entities included in banking group		1	2	3	4	5	6	7	8	9	10	11	12	13	14
Registered banks (Specify)	19														
Eliminations	20														
Sub-total: registered banks (item 19 less 20)	21														
Bank controlling company (Specify)	22														
Significant financial entities (Specify)	23														
Significant commercial entities (Specify)	24														
Significant insurance entities (Specify)	25														
Securitisation entities (Specify)	26														
Aggregate of non-significant and other group entities	27														
Eliminations	28														
Total (of items 21 to 27, less item 28)	29														
Definition and other differences between these Regulations and FRS, and goodwill	30														
Group total (item 29 plus 30)	31														

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/controlling 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.

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

[illegible]

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

(All amounts to be rounded off to the nearest R 000)													
Intragroup exposure ¹	Line no.	Current period exposure				Prior period exposure		Variance in exposure (col. 5 minus 7)	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	2a. At arms-length	2b. Board monitoring	2c. Risk mitigation
		Investment	Other	Total (col. 1+2)									
Exposure to:		1	2	3	4	5	6	7	8	9	10	11	12
Registered banks (Specify ¹)	32												
Bank controlling company (Specify ¹)	33												
Significant financial entities (Specify ¹)	34												
Significant non-financial entities (Specify ¹)	35												
Significant insurance entities (Specify ¹)	36												
Other group entities (Specify ¹)	37												
Total (of items 32 to 37)	38												

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 11 column 3.
- 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.	Asset class	Original credit and counterparty exposure ²				Total credit exposure (col. 2 to 5)	Total exposure as % of qualifying capital and reserve funds	Additional required amount of capital and reserve funds
			On-balance-sheet exposure	Off-balance-sheet exposure	Exposure arising from repurchase and resale agreements	Exposure arising from derivative instruments			
Exposure to:		1	2	3	4	5	6	7	8
Private-sector non-bank: total (Specify)	39								
Bank/ regulated securities firm: total (Specify)	40								
Other: total (Specify)	41								
Total (of items 39 to 41)	42								
Less: amount already held in solo return	43								
Net additional required amount relating to group large exposure (item 42 less 43)	44								
									Total
									1
Risk weighted equivalent amount	45								

1. Means a large exposure to a person as envisaged in section 73 of the Act read with the relevant provisions of regulations 24(6) to 24(8).

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	46							
Aggregate effective net open foreign-currency position(s) of all foreign branches ¹ and subsidiaries ¹ of the controlling company	47							
Aggregate effective net open foreign-currency position(s) of the reporting controlling company and its foreign branches and subsidiaries	48							
Limit specified by the Registrar	49							
Maximum effective net open foreign-currency position(s), per each currency and in total, during quarter (maximum based on item 48)	50							

1. Include all branches and subsidiaries of the reporting controlling company not already included in item 46.

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 49 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 intragroup exposures;
 - (iv) 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 intragroup exposures;
 - (iv) 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 BA600, 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 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) 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) 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;

- (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 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;

- (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 11 of items 19 to 31 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 BA600, 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;

- (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.

- (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) may in the case of any minority interest arising from the consolidation of less than wholly owned banks, securities firms or other financial entities, based on the availability of the amount arising from the said minority interest to the said bank or controlling company and the members of the relevant banking group, and subject to such further conditions as may be specified in writing by the Registrar, include in its consolidated amount of qualifying capital and reserve funds such percentage of or amount relating to the said minority interest as may be specified in writing by the Registrar after consultation with the relevant bank or controlling company.

For example, when-

- (i) capital relating to a minority interest is not readily available to other entities within a banking group; or
- (ii) the financial strength of minority shareholders is questionable,

the reporting bank or controlling company, as the case may be, shall after consultation with the Registrar and in order to ultimately determine the bank or controlling company's qualifying amount of capital and reserve funds adjust the relevant minority interest amount that may be included in the consolidated capital and reserve funds of the relevant bank or controlling company by such a percentage of or amount relating to the relevant minority interest as may be specified in writing by the Registrar;

(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 bank or controlling company shall deduct from its primary share capital and reserve funds fifty per cent of the relevant amount to be deducted, and from its secondary capital and reserve funds the remaining fifty per cent of the relevant amount to be deducted; and

(B) remove from its balance sheet any 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 entity deduct from its consolidated amount of capital and reserve funds the said amount relating to such crossholding of capital since reciprocal crossholdings-
 - (A) do not represent externally generated capital;
 - (B) may cause difficulties experienced in a particular entity quickly to transmit to other entities within the banking group;
 - (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, 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 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 investment exceeds 15 per cent of the sum of the issued primary and secondary capital and reserve funds of the reporting bank or controlling company, as reported in items 36, 63 and 72 of the form BA 700, deduct from its consolidated amount of capital and reserve funds the said excess amount relating to such investment, that is, the bank or controlling company shall deduct from its consolidated amount of capital and reserve funds the relevant amount that exceeds the said 15 per cent threshold, provided that when the aggregate amount of individual investments in commercial entities envisaged in this subparagraph (iii) exceeds 60 per cent of the sum of the said issued primary and secondary capital and reserve funds of the relevant bank or controlling company, as reported in items 36, 63 and 72 of the form BA 700, the reporting bank or controlling company, as the case may be, shall in addition to the said excess amount deducted in respect of the 15 per cent threshold deduct from its consolidated amount of capital and reserve funds the excess amount relating to the 60 per cent threshold, that is, the relevant amount that exceeds the said 60 per cent threshold;

Provided that the relevant bank or controlling company shall deduct from its primary share capital and reserve funds fifty per cent of the relevant amount to be deducted in terms of the provisions of this paragraph (c), and from its secondary capital and reserve funds the remaining fifty per cent of the said amount to be deducted.

- (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 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 said 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 primary and secondary capital and reserve funds of the reporting bank or controlling company, as reported in items 36, 63 and 72 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 primary and secondary capital and reserve funds of the reporting bank or controlling company as reported in items 36, 63 and 72 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 BA600, 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 BA100, 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 BA110, 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 on-going 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.
- 6** 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.
- 9** 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.
- 10** 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.
- 13 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.
- 19 to 29** 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.

- 19 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 19.
- 20 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 19, that is, item 20 shall not include any intra-group balance other than an intra-group balance relating to a bank included in item 19, 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 28 below.
- 21 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.
- 22 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 22.

- 23 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 23, 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 25,
- provided that the relevant reporting bank or controlling company shall include the relevant required aggregate amounts relating to non-significant entities in item 27.
- 24 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 24.
- 25 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 25.
- 26 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 26.
- 27 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 19 to 26, shall be reported in this item 27, including any amount relating to any non-significant insurance or commercial entity.

- 28 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 20, 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.
- 30 This item shall reflect-
- (a) in column 13 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 39 to 45;
 - (b) in columns 18 to 21-
 - (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 30.

***Column number relating to
items 19 to 31***

- 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 29, 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 29, column 5, shall be equal to item 54, column 6 or 7, as the case may be, of the form BA 100.
- 6 to 11 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.
- 12 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 11, 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 12.

- 13 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 30 any further required amount of capital and reserve funds in respect of large exposures, calculated in items 44 and 45 of the form BA 600.
- 15 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 29, column 15, shall be equal to item 87, column 6 or 7, as the case may be, of the form BA 100.
- 16 This column shall reflect the aggregate amount of issued qualifying and non-qualifying capital instruments or reserve funds not already included in column 15.
- 17 This column shall reflect the aggregate amount of items included in columns 15 and 16 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 20 and 28 respectively.
- 18 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 20 and 28 appropriately adjust any relevant amount relating to a deduction that arises from an intra-group investment or exposure;
 - (b) shall deduct in item 30, column 18, any relevant goodwill arising from a consolidation of accounts.
- 19 This column shall reflect the relevant amount of qualifying capital and reserve funds of the reporting bank or controlling company.

22 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.

23 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 32 to 38

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***

- 39 to 41 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).
- 43 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 39 to 41 in respect of which an additional required amount of capital and reserve funds is separately calculated in the said items 39 to 41.
- 44 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 39 to 41.
- 45 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 44, which equivalent amount of risk weighted exposure shall be the same amount as the amount reported in item 30, column 13.

***Column number relating to
items 39 to 44***

- 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 1	Trading 2	Total² 3
Cash and balances with central bank	1			
Short term negotiable securities	2			
Loans and advances to customers (item 4 less item 17)	3			
Gross loans and advances (total of items 5 to 16)	4			
Home loans	5			
Commercial Mortgages	6			
Credit cards	7			
Lease and instalment debtors	8			
Overdrafts	9			
Redeemable preference shares and other equivalent instruments	10			
Trade other bills and bankers acceptances	11			
Term loans	12			
Loans granted/ deposits placed under resale agreements	13			
Loans and advances to banks	14			
Foreign currency loans and advances to non-banks	15			
Other loans to customers and clients	16			
Less: credit impairments	17			
Investment and trading securities (total of items 19 to 23, less item 24)	18			
Equities - Listed	19			
Equities - Unlisted	20			
Commodities	21			
Government and government - guaranteed securities	22			
Other dated securities	23			
Less: credit impairments	24			
Derivative financial instruments	25			
Pledged assets	26			
Investment in subsidiary companies	27			
Investments in associates and joint ventures	28			
Non current assets held for sale	29			
Intangible assets	30			
Investment property	31			
Property and equipment	32			
Current income tax receivables	33			
Deferred income tax assets	34			
Other assets	35			
TOTAL ASSETS (total of items 1 to 3, 18 and 25 to 35)	36			

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 38 to 46)	37			
Current accounts	38			
Savings and deposits	39			
Call deposits	40			
Fixed and notice deposits	41			
Negotiable certificates of deposits	42			
Other deposits and loan accounts	43			
Deposits received under repurchase agreements	44			
Interbank funding	45			
Foreign currency funding from non-banks	46			
Derivative financial instruments and other trading liabilities	47			
Term debt instruments (total of item 49 plus 50)	48			
Qualifying as capital	49			
Other	50			
Non current liabilities held for sale	51			
Provisions	52			
Other liabilities	53			
TOTAL LIABILITIES (total of items 37, 47, 48 and 51 to 53)	54			

Equity	Line no.	Banking	Trading	Total ¹
		1	2	3
Total equity attributable to equity holders	55			
Preference shareholders	56			
TOTAL EQUITY (total of items 55 and 56)	57			
TOTAL EQUITY AND LIABILITIES (total of items 54 and 57)	58			
Memorandum items				
Analysis of counterparties (item 3 - Loans and advances to customers)	59			
Loans and advances to non-bank customers	60			
Loans and advances to banks (item 14)	61			
of which:				
Intra group	62			
Interbank	63			
Analysis of counterparties (item 37) - Deposits, current accounts and other creditors	64			
Sovereign, including central banks	65			
Public sector entities	66			
Local sector entities	67			
Banks (total of items 69 and 70)	68			
of which:				
Intra group	69			
Interbank	70			
Securities firms	71			
Corporate customers	72			
Retail customers	73			
Other	74			

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	75			
Letters of credit	76			
Customers' indebtedness for acceptances	77			
Committed undrawn facilities (including unutilised draw-down facilities)	78			
Underwriting exposures (including revolving underwriting exposures)	79			
Credit-derivative instruments	80			
Committed capital expenditure	81			
Operating lease commitments	82			
Other contingent liabilities	83			
TOTAL (of items 75 to 83)	84			

1. Actual balance at month-end.

C. INCOME STATEMENT

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

Description of item	Line no.	Current quarter			Current year to date		
		Banking	Trading	Total ¹	Banking	Trading	Total ¹
		1	2	3	4	5	6
Interest and similar income (total of items 86, 87 and 98, less item 99)	85						
Short-term negotiable securities	86						
Loans and advances to customers (total of items 88 to 97)	87						
Homeloans	88						
Commercial mortgages	89						
Credit cards	90						
Lease instalment debtors	91						
Overdrafts	92						
Redeemable preference shares and other equivalent instruments issued to provide credit	93						
Trade, other bills and bankers acceptances	94						
Term loans	95						
Factoring accounts	96						
Other	97						
Government and other dated securities	98						
Less: interest income on trading assets allocated to trading revenue	99						
Interest expense and similar charges (total of items 101, 109 and 110, less item 111)	100						
Deposits, current accounts and other (total of items 102 to 104 and 107 to 108)	101						
Current accounts	102						
Savings and deposits	103						
Term and other deposits (total of items 105 and 106)	104						
Fixed and notice deposits	105						
Other	106						
Negotiable certificates of deposits	107						
Other deposits and loans	108						
Other liabilities	109						
Term debt instruments	110						
Less: interest expense on trading liabilities allocated to trading revenue	111						
Net interest income (item 85 less item 100)	112						

1. Actual balance at month-end.

C. INCOME STATEMENT

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

Description of Item	Line no.	Current quarter			Current year to date		
		Banking	Trading	Total ¹	Banking	Trading	Total ¹
		1	2	3	4	5	6
Net fee and commission income	113						
Dividend income	114						
Net trading income / (loss) (total of items 116 to 121)	115						
Foreign exchange	116						
Debt securities	117						
Commodities	118						
Derivative instruments	119						
Equities	120						
Other	121						
Other gains less losses	122						
Other operating income / (loss)	123						
Non Interest revenue (total of items 113 to 115, 122 and 123)	124						
Gross operating income / (loss) (total of items 112 and 124)	125						
Credit losses	126						
Operating expenses (including indirect taxation) (total of items 128 to 136)	127						
Staff	128						
Computer processing	129						
Communication and travel	130						
Occupation and accommodation	131						
Marketing	132						
Fees and insurances	133						
Office equipment and consumables	134						
Auditors remuneration	135						
Other	136						
Operating profit/ (loss) before non-trading and capital items (total of item 125 less items 126 and 127)	137						
Non-trading and capital items	138						
Share of profit / (loss) of associates and joint ventures	139						
Profit / (loss) before income tax (total of items 137 to 139)	140						
Direct taxation	141						
Profit / (loss) for the period/ year (item 140 less item 141)	142						

1. Actual balance at month-end.

D. CAPITAL ADEQUACY

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

Summary information in respect of capital adequacy	Line no.	Risk exposure					Total
		Credit	Operational	Market	Equity	Other	
		1	2	3	4	5	6
Required capital adequacy ratio							
Minimum prescribed capital adequacy ratio (percentage)	143						
Additional requirement specified by the Registrar/ foreign supervisor (percentage)	144						
Minimum required capital adequacy ratio (total of items 143 and 144)	145						
Risk weighted exposure							
Risk weighted exposure equivalent amount prior to concentration risk	146						
Risk equivalent amount in respect of concentration risk	147						
Aggregate risk weighted exposure equivalent amounts (total of items 146 and 147)	148						
Minimum required capital and reserve funds							
Minimum required capital and reserve funds based on risk-weighted exposure (Item 145 multiplied with item 148)	149						
Additional capital requirement specified by the Registrar/ foreign supervisor ¹	150						
Subtotal (total of items 149 and 150)	151						
Minimum amount of required capital and reserve funds specified in relevant legislation	152						
Minimum required capital and reserve funds in respect of the reporting entity ²	153						
		Primary capital and reserve funds	Secondary capital and reserve funds	Tertiary capital	Total (of col 1 to 3)		
		1	2	3	4		
Qualifying capital and reserve funds							
Issued capital and reserve funds	154						
Non-qualifying capital and reserve funds	155						
Prescribed deductions against capital and reserve funds	156						
Aggregate amount of qualifying capital and reserve funds (Item 154 less items 155 and 156)	157						
Excess / (shortfall) (Item 157 column 4 less item 153 column 6)	158						
Memorandum items:						Prescribed limit or ratio	Ratio of reporting entity
Total capital adequacy ratio	159					1	2
Primary capital and reserve funds adequacy ratio	160						
Non-redeemable non-cumulative preference shares as % of total primary capital and reserve funds	161						
Secondary capital and reserve funds and tertiary capital as % of primary capital and reserve funds	162						
Subordinated term debt as % of primary capital and reserve funds	163						
Hybrid instruments as % of primary capital and reserve funds	164						
Host capital ratio ³	165						
Host minimum required ratio	166						

1. Including any relevant required amount relating to an imposed capital floor (not to duplicate any requirement reported in item 144).

2. Greater of item 151 or 152.

3. 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.	Primary capital and reserve funds	Secondary capital and reserve funds	Tertiary capital	Non qualifying capital and reserve funds	Total Included in Section A (total of columns 1 to 4)
		1	2	3	4	5
Share capital and premium	167					
Retained earnings	168					
Other reserve funds	169					
Minority interests	170					
Subordinated debt instruments qualifying as capital	171					
General allowance for credit impairment qualifying as capital ¹	172					
Prescribed deductions against capital and reserve funds	173					
Total	174					
Memorandum Items:						
Eligible provisions in excess of expected loss ^{1, 2}	175					
Expected loss in excess of eligible provisions ^{1, 2}	176					

1. Refer to regulation 23(22).

2. Relates to the IRB approach only.

E. 1 CREDIT RISK

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

Standardised approach: Summary of credit exposure and risk weighted exposure Based on asset class	Line no.	Credit risk exposure							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
		1	2	3	4	5	6	7	8	9	10	11	12	13
Corporate exposure (total of items 178 and 179)	177													
Corporate	178													
SME corporate	179													
Public sector entities	180													
Local governments and municipalities	181													
Sovereign (including central government and central bank)	182													
Banks	183													
Securities firms	184													
Retail exposure (total of items 186 to 189)	185													
Residential mortgages (including any home equity line of credit)	186													
Retail revolving credit	187													
Retail - other	188													
SME retail	189													
Other assets	190													
Securitisation and resecuritisation exposure	191													
Total (of items 177, 180 to 185, 190 and 191)	192													

E. 2 CREDIT RISK

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

Standardised and/or IRB approach: Credit concentration risk: large exposure to a person ¹ Name of person	Line no.	Asset class ²	Total credit exposure ³ : exposures exceeding 10% of qualifying capital and reserve funds per person	Total credit exposure ³ : exposures exceeding 25% of qualifying capital and reserve funds per person	Credit risk mitigation	Risk weighted value ⁴ of net exposure
		1	2	3	4	5
Private-sector non bank: total (Specify)	193					
	194					
	195					
	196					
Bank/regulated securities firm: total (Specify)	197					
	198					
	199					
	200					
Other: total (Specify)	201					
	202					
	203					
	204					
Total (of items 193, 197 and 201)	205					
	206					

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 res securitisation 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.

F. LIQUIDITY RISK¹

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

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
		1	2	3	4	5	6	7
Contractual maturity of assets	226							
Contractual maturity of liabilities	227							
On-balance sheet contractual mismatch (item 226 less item 227)	228							
Cumulative on-balance sheet contractual mismatch	229							
BaU ¹ maturity of assets	230							
BaU ¹ maturity of liabilities	231							
On-balance sheet BaU mismatch (item 230 less item 231)	232							
Cumulative on-balance sheet BaU mismatch	233							
Stressed ¹ maturity of assets	234							
Stressed ¹ maturity of liabilities	235							
On-balance sheet stress mismatch (item 234 less item 235)	236							
Cumulative on-balance sheet stress mismatch	237							
Total available stress funding	238							
Funding received from 10 largest depositors	239							

1. Refer to regulation 26 and the form BA300 for the relevant detailed directives.

G. MARKET RISK

(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 ^{1,2}	sVaR ^{1,3}	Specific risk add-on	Incremental risk charge ¹	
		1	2	3	4	5	6	7	
Interest rate risk	240								
Equity position risk	241								
Foreign exchange risk	242								
Commodities risk	243								
Other	244								
Total (of items 240 to 244)	245								
Risk-weighted exposure equivalent amount (item 245 multiplied by 12.5) ⁴	246								

1. Calculated in accordance with the relevant requirements specified in regulation 28(8) read with the relevant requirements specified in this regulation 37.

2. Greater of 60 day average VaR multiplied by the specified multiplication factor or previous day's VaR.

3. Greater of 60 day average sVaR multiplied by the specified multiplication factor or latest sVaR.

4. Based on the higher of the relevant home or host capital requirement.

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

[illegible]

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	250		100%		
Private equity and venture capital	251		150%		

1. Including the simplified standardised approach for credit risk.

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

(All amounts to be rounded off to the nearest 100)						
IRB approach for credit risk	Line no.	Exposure value	Risk weighting	Risk weighted exposure ¹	Capital requirement	
Market based approach		1	2	3	4	
Simple risk weight method (total of items 253 and 254)	252					
	253		300%			
	254		400%			
		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 256 and 257)	255					
	256		200%			
	257		300%			
	Memorandum item: Diversified amount	258				

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	Line no.	Exposure value		Average risk weighted exposure ¹	Capital requirement
		Total	In respect of which the 1,5 scaling factor applies		
PD/LGD approach		1	2	3	4
Total (of items 260 and 261)	259				
Total of performing categories	260				
Total of default categories	261				

1. After the application of a scaling factor of 1.06.

J. 1 OPERATIONAL RISK

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

Summary information relating to required capital and reserve funds and risk weighted exposure	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			
		1	2	3	4	5	6			
Basic Indicator approach	262								15%	
Standardised approach¹: gross income derived from- (total of items 264 to 271)	263									
Corporate finance	264								18%	
Trading and sales	265								18%	
Retail brokerage	266								12%	
Commercial banking	267								15%	
Retail banking	268								12%	
Payment and settlement	269								18%	
Agency services	270								15%	
Asset management	271								12%	
Alternative standardised approach¹ (total of items 273 to 276)	272									
Commercial banking ^{1,2}	273								15%	
Retail banking ^{1,2}	274								12%	
Commercial banking and retail banking ^{1,3}	275								15%	
Business lines other than commercial banking and retail banking ^{1,4}	276								18%	
Advanced measurement approach	277									
Capital requirement in respect of operational risk (total of items 262, 263, 272 and 277)	278									
Risk weighted exposure equivalent amount	279									

1. A bank that obtained the approval of the Registrar to apply the alternative standardised approach shall instead of items 263 to 271 complete the relevant items specified in items 272 to 276.

Refer to the relevant directives specified in regulation 33(8)(c).

2. Refer to regulation 33(8)(c)(ii)(A).

3. Refer to regulation 33(8)(c)(ii)(B).

4. Refer to regulation 33(8)(c)(ii)(C).

J. 2 OPERATIONAL RISK

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

Reconciliation of gross income	Line no.	Financial year -3	Financial year -2	Financial year -1
		1	2	3
Gross operating income (item 125)	280			
Adjustments ^{1, 2} (total of items 282 to 288)	281			
Income derived from insurance	282			
Operating expenses, including fees paid by the reporting bank to service providers in respect of outsourcing	283			
Realised profits/losses on sale of securities held in the banking book	284			
Impairment	285			
Extraordinary or irregular items	286			
Adjusted prior period errors	287			
Other adjustments (please specify)	288			
Gross income (item 280 minus item 281)	289			

1. To the extent that these items are included in item 280 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**Page no.**

- | | | | | |
|----|---------------|---|--|-----|
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| 2. | Regulation 38 | - | Directives and interpretations for completion of
monthly/ quarterly return concerning capital
adequacy (Form BA 700) | 718 |

CAPITAL ADEQUACY

(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)

Summary of information in respect of capital adequacy	Line no.	Risk exposure				
		Credit 1	Operational 2	Market 3	Equity 4	Other 5
						Total 6
Required capital adequacy ratio						
Minimum prescribed capital adequacy ratio (percentage)	1					8.00%
Additional systemic requirement specified by the Registrar	2					1.50%
Minimum required capital adequacy ratio (total of items 1 and 2)	3					9.50%
Risk weighted exposure						
Risk weighted exposure equivalent amount prior to concentration risk	4					
Risk equivalent amount in respect of concentration risk	5					
Aggregate risk weighted exposure equivalent amounts (total of item 4 and 5)	6					
Minimum required capital and reserve funds						
Minimum required capital and reserve funds based on risk-weighted exposure (item 3 multiplied with item 6)	7					
Additional bank specific capital requirement specified by the Registrar ¹	8					
Subtotal (total of items 7 and 8)	9					
Minimum amount of required capital and reserve funds in accordance with section 70 of the Act	10					
Minimum required capital and reserve funds in respect of the reporting bank ²	11					
		Primary capital and reserve funds		Secondary capital and reserve funds		Tertiary capital
		1		2		3
Qualifying capital and reserve funds						Total (of col. 1 to 3)
Issued capital and reserve funds	12					4
Non-qualifying amounts in respect of capital and reserve funds	13					
Prescribed deductions against capital and reserve funds	14					
Aggregate amount of qualifying capital and reserve funds (item 12 less items 13 and 14)	15					
Excess / (shortfall) (item 15 column 4 less item 11 column 6)	16					
Memorandum items:						
Total capital adequacy ratio ³	17					Prescribed limit or ratio
Primary share capital and reserve funds adequacy ratio ⁴	18					1
Non-redeemable non-cumulative preference shares and hybrid debt instruments as % of total primary capital and reserve funds ⁴	19					≥ 9.50%
Secondary capital and reserve funds and tertiary capital as % of primary share capital and reserve funds ⁴	20					≥ 7%
Subordinated term debt as % of primary share capital and reserve funds ⁴	21					≤ 25%
Hybrid debt instruments as % of primary share capital and reserve funds ⁴	22					≤ 100%
						≤ 50%
						≤ 15%

1. Including any relevant required amount relating to an imposed capital floor.

2. Greater of item 9 or item 10.

3. Refer to regulation 38(8)(b).

4. Refer to regulation 38(9).

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

Qualifying capital and reserve funds	Line no.	Balance at the end of the reporting period	Balance at the end of the previous reporting period	Balance at the end of the previous financial year	Movement during the reporting period (col 1 minus col 2)	Movement for the current year to date (col 1 minus col 3)
		1	2	3	4	5
Net qualifying primary share capital and reserve funds (item 36 plus item 37 less items 40 and 43)	23					
Issued primary share capital¹ (total of items 25 to 27)	24					
Ordinary shares	25					
Non-redeemable non-cumulative preference shares	26					
Preferred securities	27					
Primary unimpaired reserve funds (total of items 29 to 32)	28					
Share premium	29					
Retained earnings	30					
Current year appropriated profits	31					
Other appropriated general or special reserve funds (total of items 33 to 35)	32					
other - specify	33					
other - specify	34					
other - specify	35					
Total primary share capital and unimpaired reserve funds before deductions, specified approved amounts and non qualifying amounts (total of items 24 and 28)	36					
Specified approved amounts related to consolidated supervision (total of items 38 and 39)	37					
Surplus capital in insurance entity	38					
Minority interests	39					
Issued primary share capital instruments not qualifying due to prescribed limits² (total of items 41 and 42)	40					
Non-redeemable non-cumulative preference shares	41					
Preferred securities	42					
Deductions against primary share capital and primary unimpaired reserve funds³ (total of items 44 to 59)	43					
Goodwill	44					
Establishment costs	45					
Capital requirement in respect of foreign branches	46					
Accumulated losses	47					
Instruments issued in respect of which no value was received	48					
Financial assistance provided to persons acquiring qualifying instruments	49					
Qualifying capital instruments held in banks or other regulated institutions	50					
Specified increases in capital arising from securitisation schemes, such as any gain-on-sale arising from the recognition of future margin income	51					
Acknowledgement of debt issued to fund qualifying instruments	52					

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

Qualifying capital and reserve funds	Line no.	Balance at the end of the reporting period	Balance at the end of the previous reporting period	Balance at the end of the previous financial year	Movement during the reporting period (col 1 minus col 2)	Movement for the current year to date (col 1 minus col 3)
		1	2	3	4	5
Fifty percent of amount by which expected loss exceeds eligible provisions ⁴	53					
Fifty per cent of specified investments in commercial entities	54					
Fifty per cent of first loss credit enhancement provided in respect of a securitisation scheme	55					
Fifty per cent of an unrated second loss position in an ABCP programme when the bank also retained or provided the first loss position	56					
Fifty per cent of any equity or other capital instrument held in any majority owned or controlled financial entity, or significant minority owned or controlled financial entity, not consolidated ⁵	57					
Fifty per cent of any equity or other capital instrument held in any majority owned or controlled insurance entity, or significant minority owned or controlled insurance entity, not consolidated	58					
Other deductions (total of items 60 and 61)	59					
other - specify	60					
other - specify	61					

1. Refer to regulation 38(13).

2. Refer to regulation 38(9).

3. Refer to, amongst others, the relevant provisions contained in regulations 23(6)(j), 23(8)(j), 23(11)(q) and 23(13)(e).

4. Relates to a bank that adopted the IRB approach for the measurement of the bank's exposure to credit risk.

5. To the extent not already deducted elsewhere.

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

Qualifying capital and reserve funds	Line no.	Balance at the end of the reporting period	Balance at the end of the previous reporting period	Balance at the end of the previous financial year	Movement during the reporting period (col 1 minus col 2)	Movement for the current year to date (col 1 minus col 3)
		1	2	3	4	5
Net qualifying secondary capital and reserve funds (item 79 less items 80 and 84)	62					
Issued secondary capital (total of items 64 to 68)	63					
Prescribed categories of hybrid-debt instruments ¹	64					
Perpetual cumulative preference shares	65					
Prescribed categories of cumulative debt instruments other than term debt instruments	66					
Fifty per cent of ordinary shares or preference shares issued in pursuance of the capitalisation of reserves resulting from a revaluation of assets	67					
Prescribed categories of term debt instruments ²	68					
Non qualifying primary share capital instruments eligible to qualify as secondary capital³ (total of items 70 and 71)	69					
Non-redeemable non-cumulative preference shares (item 41)	70					
Preferred securities (item 42)	71					
Secondary unimpaired reserve funds (total of items 73 to 76)	72					
Fifty per cent of revaluation surplus i.t.o regulation 12	73					
General allowance for credit impairment, after deferred tax: Standardised approach ⁴	74					
Excess amount in respect of eligible provisions: IRB approach ⁵	75					
Other reserve funds (total of items 77 and 78)	76					
other - specify	77					
other - specify	78					
Total secondary capital and unimpaired reserve funds before deductions and non qualifying amounts (total of items 63, 69 and 72)	79					

1. Refer to regulation 38(14)(a).

2. Refer to regulation 38(14)(b).

3. Issued primary share capital instruments not qualifying due to a prescribed limit. Refer to regulations 38(9) and 38(11).

4. The portion of general allowance for credit impairment which relates to exposures subject to the standardised approach for credit risk may be included in secondary unimpaired reserve funds up to a maximum amount of 1,25 per cent of item 52, column 12, of the form BA200. Refer to regulation 23(22)(c).

5. 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 secondary unimpaired reserve funds up to a maximum amount of 0,6 per cent of item 202, column 3, of the form BA200.

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

Qualifying capital and reserve funds	Line no.	Balance at the end of the reporting period	Balance at the end of the previous reporting period	Balance at the end of the previous financial year	Movement during the reporting period (col 1 minus col 2)	Movement for the current year to date (col 1 minus col 3)
		1	2	3	4	5
Issued secondary capital instruments, secondary reserve funds and other instruments not qualifying due to prescribed limits¹ or haircuts² (total of items 81 to 83)	80					
Prescribed categories of term debt instruments	81					
Haircut in respect of term debt instruments ²	82					
Other instruments or reserve funds	83					
Deductions against secondary capital and secondary unimpaired reserve funds³ (total of items 85 to 95)	84					
Issued instruments in respect of which no value was received	85					
Financial assistance provided to persons acquiring qualifying instruments	86					
Qualifying capital instruments held in banks or other regulated institutions	87					
Acknowledgement of debt issued to fund qualifying instruments	88					
Fifty percent of amount by which expected loss exceeds eligible provisions ⁴	89					
Fifty per cent of specified investments in commercial entities	90					
Fifty per cent of first loss credit enhancement provided in respect of a securitisation scheme	91					
Fifty per cent of an unrated second loss position in an ABCP programme when the bank also retained or provided the first loss position	92					
Fifty per cent of any equity or other capital instrument held in any majority owned or controlled financial entity, or significant minority owned or controlled financial entity, not consolidated ⁵	93					
Fifty per cent of any equity or other capital instrument held in any majority owned or controlled insurance entity, or significant minority owned or controlled insurance entity, not consolidated	94					
Other deductions (total of items 96 to 98)	95					
other - specify	96					
other - specify	97					
other - specify	98					
Net qualifying tertiary capital (item 100 less items 102 and 103)	99					
Tertiary capital (item 101)	100					
Issued subordinated term debt instruments ⁶	101					
Tertiary capital not qualifying due to prescribed limits¹	102					
Deductions against tertiary capital³	103					

1. Refer to regulation 38(9).

2. Refer to regulation 38(14)(b).

3. Refer to, amongst others, the relevant provisions contained in regulations 23(6)(j), 23(8)(j), 23(11)(q) and 23(13)(e).

4. Relates to a bank that adopted the IRB approach for the measurement of the bank's exposure to credit risk.

5. To the extent not already deducted elsewhere.

6. Refer to regulation 38(16).

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

Qualifying capital and reserve funds	Line no.	Balance at the end of the reporting period	Balance at the end of the previous reporting period	Balance at the end of the previous financial year	Movement during the reporting period (col 1 minus col 2)	Movement for the current year to date (col 1 minus col 3)
		1	2	3	4	5
Aggregate amount of qualifying primary and secondary capital and reserve funds and qualifying tertiary capital (total of items 23, 62 and 99)	104					
<i>of which:</i> allocated to support risks other than market risk (total of items 106 and 107)	105					
<i>of which:</i>						
Qualifying primary share capital and reserve funds	106					
Qualifying secondary capital and reserve funds	107					
<i>of which:</i> allocated to support market risk (total of items 109 to 111)	108					
<i>of which:</i>						
Qualifying primary share capital and reserve funds	109					
Qualifying secondary capital and reserve funds	110					
Qualifying tertiary capital (item 99)	111					
Other non qualifying amounts not specified elsewhere	112					

(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	Financial year
		1	2	3
Balance in respect of unappropriated profits	113			
Month / year to date movements in respect of:				
Current profits/ (loss)	114			
Payment of dividends	115			
Transfers from appropriated profits	116			
Transfers to appropriated profits	117			
Balance in respect of unappropriated profits (total of items 113, 114 and 116, less items 115 and 117)	118			
Balance in respect of fair value reserves	119			
Balance in respect of cash flow hedging reserves	120			
Other (total of items 122 and 123)	121			
other - specify	122			
other - specify	123			
Total unappropriated reserve funds (total of items 118 to 121)	124			

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

Memorandum items: Reconciliation between qualifying capital and reserve funds and accounting equity and reserves	Line no.	Primary capital and reserve funds	Secondary capital and reserve funds	Tertiary capital	Non qualifying capital and reserve funds	Total included in BA100 (total of columns 1 to 4)
		1	2	3	4	5
Share capital and premium	125					
Retained earnings	126					
Other reserve funds (total of items 128 to 135)	127					
Foreign currency translation reserve	128					
Share based payments reserve	129					
Cash flow hedging reserve	130					
Available for sale reserve	131					
Surplus resulting from a revaluation of specified assets	132					
General credit risk reserve	133					
Other (specify)	134					
Other (specify)	135					
Minority interests	136					
Subordinated debt instruments qualifying as capital	137					
General allowance for credit impairment qualifying as capital	138					
Prescribed deductions against capital and reserve funds	139					
Total (of items 125 to 127 and 136 to 138, less item 139)	140					

38. Capital adequacy - Directives and interpretations for completion of monthly return concerning capital adequacy (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 the purposes of calculating-

- (a) the minimum amount of qualifying primary and secondary 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 amount of qualifying primary and secondary capital and reserve funds and tertiary capital 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) Assets or amounts representing deductions against the reporting bank'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) 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 primary 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 resecuritised, 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 resecuritisation 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 primary and secondary 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 primary and secondary capital and reserve funds and tertiary capital 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 primary and secondary capital and reserve funds and tertiary capital 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 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 items 1 to 3 and 17 to 22 of the form BA 700.
- (c) The Registrar may with the consent of the Minister 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 amount of-
- (i) allocated qualifying primary and secondary capital and reserve funds relating to risks other than market risk; and
 - (ii) allocated qualifying primary and secondary capital and reserve funds and tertiary capital 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 qualifying primary, secondary and tertiary capital and reserve funds to risk weighted exposure; plus
 - (ii) the relevant additional minimum required percentage specified from time to time for systemic risk of qualifying primary, secondary and tertiary capital and reserve funds to risk weighted exposure; plus
 - (iii) the relevant additional bank specific minimum required percentage specified from time to time for idiosyncratic risk of qualifying primary, secondary and tertiary capital and reserve funds to risk weighted exposure; plus
 - (iv) 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 primary, secondary and tertiary 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 primary, secondary and tertiary 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 primary, secondary and tertiary capital and reserve funds to risk weighted exposure is restored.

(9) *Qualifying capital and reserve funds*

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) and (8)(b) above, a bank shall in the calculation of-

- (a) the aggregate amount of primary and secondary capital and reserve funds and tertiary capital that the bank is required to maintain manage its business in such as way that-
 - (i) its primary capital adequacy ratio, at no stage, is less than 7 percent;
 - (ii) the ratio of non-redeemable non-cumulative preference shares and hybrid-debt instruments forming part of the total amount of primary share capital and primary unimpaired reserve funds of the bank at no time exceeds 25 per cent of the total amount of primary share capital and primary unimpaired reserve funds of the bank, that is-
 - (A) at least 75 per cent of the minimum required amount of primary share capital and primary unimpaired reserve funds of the bank shall consist of ordinary shares and primary reserve funds that accrued for the benefit of ordinary shareholders;
 - (B) the bank shall take into account any non-redeemable non-cumulative preference shares, primary reserve funds that accrued for the benefit of non-redeemable non-cumulative preference shareholders and hybrid-debt instruments forming part of the primary share capital and primary unimpaired reserve funds of the bank to a maximum of 25 per cent of the minimum required amount of primary share capital and primary unimpaired reserve funds;
 - (iii) the ratio of hybrid-debt instruments forming part of the total amount of primary share capital and primary unimpaired 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 primary share capital and primary unimpaired 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 primary share capital and primary unimpaired 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 primary share capital and primary unimpaired reserve funds of the bank;

Provided that after 1 January 2015 no amount obtained from the issue of any hybrid-debt instrument shall form part of the total amount of primary share capital and primary unimpaired reserve funds of the bank.

- (iv) the ratio of subordinated term debt instruments qualifying as secondary capital in terms of the provisions of section 1(1) of the Act read with subregulation (14)(b) below at no time exceeds 50 per cent of the sum of the bank's primary share capital and primary unimpaired reserve funds, that is, the bank shall take into account any subordinated term debt qualifying as secondary capital to an amount not exceeding 50 per cent of the sum of the bank's primary share capital and primary unimpaired reserve funds;
- (b) the aggregate amount of allocated qualifying 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 non-redeemable non-cumulative preference shares and hybrid-debt instruments forming part of the total amount of primary share capital and primary unimpaired reserve funds at no time exceeds 25 per cent of the total amount of primary share capital and primary unimpaired reserve funds, that is-
 - (A) at least 75 per cent of the minimum required amount of primary share capital and primary unimpaired reserve funds shall consist of ordinary shares and primary reserve funds that accrued for the benefit of ordinary shareholders;
 - (B) the bank shall take into account any non-redeemable non-cumulative preference shares, primary reserve funds that accrued for the benefit of non-redeemable non-cumulative preference shareholders and hybrid-debt instruments forming part of the total amount of primary share capital and primary unimpaired reserve funds to a maximum of 25 per cent of the minimum required amount of primary share capital and primary unimpaired reserve funds;
 - (ii) the ratio of hybrid-debt instruments forming part of the total amount of primary share capital and primary unimpaired 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 primary share capital and primary unimpaired reserve funds;

- (B) during the period 1 January 2013 to 31 December 2013 exceeds 10 per cent of the total amount of primary share capital and primary unimpaired 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 primary share capital and primary unimpaired reserve funds of the bank;

Provided that after 1 January 2015 no amount obtained from the issue of any hybrid-debt instrument shall form part of the total amount of primary share capital and primary unimpaired reserve funds of the bank.

- (iii) the ratio of subordinated term debt instruments qualifying as secondary capital in terms of the provisions of section 1(1) of the Act read with subregulation (14)(b) below at no time exceeds 50 per cent of the sum of the bank's allocated and qualifying primary share capital and allocated and qualifying primary unimpaired reserve funds, that is, the bank shall take into account any subordinated term debt qualifying as secondary capital to an amount not exceeding 50 per cent of the sum of the bank's allocated and qualifying primary share capital and allocated and qualifying primary unimpaired reserve funds;
- (c) the aggregate amount of allocated qualifying capital and reserve funds required to support market risk, ensure that-
- (i) the ratio of allocated and qualifying primary share capital and reserve funds to allocated and qualifying secondary capital and reserve funds is at no time less than 50:50, that is, at least 50 per cent of the minimum required amount of allocated and qualifying primary and secondary capital and reserve funds shall consist of allocated and qualifying primary share capital and reserve funds, provided that, subject to such conditions and such period as may be specified in writing by the Registrar, the Registrar may in respect of a particular bank, controlling company or the banking sector as a whole specify a ratio of allocated and qualifying primary share capital and reserve funds to allocated and qualifying secondary capital and reserve funds other than 50:50;
 - (ii) the ratio of allocated and qualifying primary share capital and reserve funds to allocated and qualifying secondary capital and reserve funds and tertiary capital is at no time less than 50:50, that is, at least 50 per cent of the minimum required amount of allocated and qualifying primary and secondary capital and reserve funds and tertiary capital shall consist of allocated and qualifying primary share capital and reserve funds, provided that-

- (A) tertiary capital shall be allowed solely to support any capital requirement relating to market risk, that is, tertiary capital shall in no circumstances be taken into consideration in order to support any capital requirement of the reporting bank relating to risks such as operational risk, credit risk or counterparty risk, including counterparty credit risk relating to derivative instruments held in either the bank's banking book or trading book;
- (B) subject to such conditions and such period as may be specified in writing by the Registrar, the Registrar may in respect of a particular bank, controlling company or the banking sector as a whole specify a ratio of allocated and qualifying primary share capital and reserve funds to allocated and qualifying secondary capital and reserve funds and tertiary capital other than 50:50;
- (C) subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, the sum of a bank's allocated and qualifying secondary capital and reserve funds and tertiary capital required to support market risk may be taken into account to an amount not exceeding 250 per cent of the sum of the bank's allocated and qualifying primary share capital and reserve funds required to support market risk provided that after the deduction against the relevant categories of capital and reserve funds of such amounts as may be specified in regulations 23(6)(j), 23(8)(j), 23(11)(q) or 23(13)(e), the sum of the bank's secondary capital, secondary unimpaired reserve funds and tertiary capital relating to banking and trading activities or all relevant risk exposures shall in no case be taken into account to an amount in excess of the sum of the bank's qualifying primary share capital and reserve funds relating to banking and trading activities or all relevant risk exposures.

(10) *Conditions relating to reserve funds and retained earnings*

No amount relating to any reserve fund of a bank or controlling company shall constitute qualifying primary 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 reserve fund constitutes retained earnings to be included in the capital base of the relevant bank or controlling company, which fund is subsequently available to absorb losses that may arise from risks pertaining to the particular nature of such bank's or controlling company's business, and the said reserve fund is disclosed as such in the published financial statements of the relevant bank or controlling company.

- (11) *Conditions relating to instruments not qualifying as primary share capital due to a prescribed limit or ratio*

Any capital obtained through the issue of non-redeemable non-cumulative preference shares or prescribed categories of preferred securities such as hybrid-debt instruments, which capital would otherwise rank as primary share capital of the reporting bank but subsequently is disqualified to rank as primary share capital of the reporting bank as a result of a limit or ratio imposed in respect of qualifying amounts in terms of subregulation (9), shall qualify as secondary capital of the reporting bank.

- (12) *Percentage of capital obtained through the issue of certain shares and debt instruments that may qualify as secondary capital*

Capital obtained through the issue, as contemplated in the definition of secondary capital in section 1(1) of the Act, of-

- (a) cumulative preference shares may subject to paragraph (b) below rank as secondary 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 rank as secondary capital to the extent of 50 per cent thereof;
- (c) ordinary shares or preference shares other than cumulative preference shares issued in pursuance of the capitalisation of reserves resulting from a revaluation of specified assets may rank as secondary capital to the extent of 50 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 secondary capital to the extent of 100 per cent thereof.

(13) Conditions for issue of instruments, including preferred securities such as specified hybrid-debt instruments, of which the proceeds rank as primary share capital

In the case of-

- (a) any instrument, the relevant proceed shall rank as primary share capital only when all the conditions specified below are met.

The instrument-

- (i) shall be issued and fully paid;
- (ii) shall be subordinated to all claims from other elements of funding, including depositors, general creditors, senior creditors and any subordinated debt issued by the bank the proceeds of which subordinated debt qualify as secondary or tertiary capital of the bank, that is, only instruments that represent the most subordinated claim on a *pari passu* basis in the case of liquidation shall be included as primary share capital;
- (iii) shall be able to absorb losses on a going-concern basis;
- (iv) shall, unless specifically otherwise specified in this subregulation (13), have no specified maturity date or incentive for the bank to redeem the instrument;
- (v) shall be free from any mandatory fixed charges or dividend payment;
- (vi) shall be non-cumulative, that is, any potential dividend or cost associated with the instrument shall be non-cumulative;
- (vii) shall provide the bank with full flexibility regarding dividend or similar payment;
- (viii) shall, unless specifically otherwise provided in this subregulation (13), entitle the owner of the instrument to a claim against the residual assets that is proportional with the said owner's share of the issued capital instruments;
- (ix) is neither directly or indirectly secured or covered by any form of guarantee or commitment issued by the issuer or a related person of the issuer, or subject to any arrangement that may legally or economically enhance the seniority of the claim;
- (x) unless specifically otherwise provided in this subregulation (13), constitutes equity of the issuer in terms of financial reporting standards issued from time to time;

- (b) preferred securities, such as hybrid-debt instruments, that is, instruments that combine certain features of equity instruments and debt instruments, contemplated in section 1(1) of the Act-
 - (i) the reporting bank or controlling company shall obtain the prior written approval of the Registrar before the instruments are issued;
 - (ii) the features of the instruments shall be duly disclosed in the annual financial statements and other relevant disclosures to the general public;
 - (iii) the main features of the instruments shall be such that they are likely to be easily understood by investors and the general public;
 - (iv) the said instruments-
 - (A) shall not be payable to bearer;
 - (B) shall be paid in full by the investors on the date of issue and the proceeds of the instruments shall be available to the issuing bank or controlling company without any limitation;
 - (C) shall be free from any mandatory fixed charges;
 - (D) shall be non-cumulative, that is, any interest or other servicing cost shall be non-cumulative;
 - (E) may provide the issuer with an option to settle any relevant interest or other servicing cost through the issue of ordinary shares in lieu of cash settlement;
 - (F) shall enable the bank or controlling company to absorb losses on a going concern basis;
 - (G) shall be issued without a maturity date;
 - (H) may make provision for a call option in terms of which the issuing bank or controlling company may redeem the instruments after a minimum initial period of five years, provided that the instruments shall be replaced with instruments of a similar or better quality unless the Registrar determines that the bank is duly capitalised;
 - (I) may be redeemed only at the option of the bank or controlling company concerned and with the prior written approval of the Registrar;

(J) may in addition to any call option make provision for one step-up in the initial rate payable in terms of the instrument but only after a minimum initial period of ten years, provided that the instrument shall not contain any other feature or clause that creates an incentive to redeem the instrument. Normally the call option and step-up feature may be regarded as synthetic redemption features embedded in the instrument. The said step-up in the initial rate shall be restricted to an increase over the initial rate of not more than-

- (i) 100 basis points, less the swap spread referred to below; or
- (ii) 50 per cent of the initial credit spread, less the swap spread referred to below.

The swap spread shall be determined at the pricing date of the instrument and shall relate to the differential in pricing at that date between the initial reference instrument or rate and the stepped-up reference instrument or rate;

(K) shall be subordinated to claims from depositors, general creditors, senior creditors and any subordinated debt issued by the bank the proceeds of which subordinated debt qualify as secondary or tertiary capital of the bank, that is, any claim by a holder of the instrument in respect of the principal amount or any relevant interest or other servicing costs shall be subordinated to any claim from a depositor, general creditor, senior creditor or the holder of any subordinated debt of which the proceeds qualify as secondary or tertiary capital of the bank, provided that the instrument-

- (i) may rank *pari passu* with the rights of a holder of any non-redeemable non-cumulative preference share of which the proceeds qualify as primary share capital;
- (ii) may rank senior only in respect of the rights of an ordinary shareholder;

(L) issued by the bank to investors shall contain the wording "the proceeds obtained through the issue of this instrument qualify as primary share capital for the issuing bank in terms of the provisions of the Banks Act, 1990. Any direct or indirect acquisition of this instrument by a bank or controlling company, as defined in the Banks Act, 1990, or by a non-bank subsidiary of a bank or controlling company, shall constitute a deduction against the primary share capital of the acquiring bank or controlling company in question, in an amount equal to the book value of the said investment in the instrument".

- (v) the amount obtained by way of the issue of the instruments and which may rank as primary share capital shall be reduced by any direct or indirect funding provided by the reporting bank, or a bank within the reporting banking group, to the person investing in the said instruments;
- (vi) no asset of the bank or controlling company shall be pledged or otherwise encumbered as security for any liability in respect of the instrument;
- (vii) the bank's liabilities in respect of the instruments shall not be protected by any guarantee issued by the bank or any related entity of the bank;
- (viii) no arrangement shall exist that legally or economically enhances the seniority of the ranking of the instruments;
- (ix) the bank or controlling company, as the case may be, may waive any payment in respect of the instruments, subject only to the prior waiver of distributions in respect of any ordinary shares or non-redeemable non-cumulative preference shares the proceeds of which qualify as primary share capital, and the bank shall have full access to the waived payments.

(14) *Conditions for the issue of debt instruments of which the proceeds rank as secondary capital*

The issue of debt instruments contemplated in section 1(1) of the Act shall be subject to the conditions specified below.

In the case of-

- (a) hybrid-debt instruments, that is, instruments that combine certain features of equity instruments and debt instruments-
 - (i) the reporting bank or controlling company, as the case may be, shall obtain the prior written approval of the Registrar before the instruments are issued;
 - (ii) the features of the instruments shall be duly disclosed in the annual financial statements and other relevant disclosures to the general public;
 - (iii) the main features of the instruments shall be such that they are likely to be easily understood by investors and the general public;
 - (iv) the said instruments-
 - (A) shall not be payable to bearer;
 - (B) shall be paid in full by the investors on the date of issue and the proceeds of the instruments shall be available to the issuing bank or controlling company without any limitation;

- (C) may be cumulative;
- (D) shall enable the bank or controlling company to absorb losses on a going concern basis;
- (E) shall be issued without a maturity date;
- (F) may make provision for a call option in terms of which the issuing bank or controlling company may redeem the instruments after a minimum initial period of five years, provided that the instruments shall be replaced with instruments of a similar or better quality, unless the Registrar determines that the bank is duly capitalised;
- (G) may be redeemed only at the option of the bank concerned and with the prior written approval of the Registrar;
- (H) may in addition to any call option make provision for one step-up in the initial rate payable in terms of the instrument after a minimum initial period of ten years. Normally the call option and step-up feature may be regarded as synthetic redemption features embedded in the instrument. The said step-up in the initial rate shall be restricted to an increase over the initial rate of not more than-
 - (i) 100 basis points, less the swap spread referred to below; or
 - (ii) 50 per cent of the initial credit spread, less the swap spread referred to below.

The swap spread shall be determined at the pricing date of the instrument and shall relate to the differential in pricing at that date between the initial reference instrument or rate and the stepped-up reference instrument or rate;

- (I) shall be subordinated to claims from depositors, general creditors, senior creditors and any subordinated term debt issued by the bank the proceeds of which subordinated term debt qualify as secondary or tertiary capital of the bank, that is, any claim by a holder of the instrument in respect of the principal amount or any relevant interest or other servicing costs shall be subordinated to any claim from a depositor, general creditor, senior creditor or the holder of any subordinated term debt of which the proceeds qualify as secondary or tertiary capital of the bank;

- (J) issued by the bank to investors shall contain the wording "the proceeds obtained through the issue of this instrument qualify as secondary capital for the issuing bank in terms of the provisions of the Banks Act, 1990. Any direct or indirect acquisition of this instrument by a bank or a controlling company, as defined in the Banks Act, 1990, or by a non-bank subsidiary of a bank or controlling company, shall constitute a deduction against the secondary capital of the acquiring bank or controlling company in question, in an amount equal to the book value of the said investment in the instrument".
 - (v) the amount obtained by way of the issue of the instruments and which may rank as secondary capital shall be reduced by any direct or indirect funding provided by the reporting bank or a bank within the reporting banking group to the person investing in the said instruments;
 - (vi) no asset of the bank or controlling company shall be pledged or otherwise encumbered as security for any liability in respect of the instrument;
 - (vii) the bank's liabilities in respect of the instruments shall not be protected by any guarantee issued by the bank or any related entity of the bank;
 - (viii) no arrangement shall exist that legally or economically enhances the seniority of the ranking of the instruments;
 - (ix) the bank may waive any payment in respect of the instruments, subject only to the prior waiver of distributions in respect of any ordinary shares, non-redeemable non-cumulative preference shares or hybrid-debt instruments in respect of which the proceeds qualify as primary share capital, and the bank shall have full access to the waived payments.
- (b) any term debt instrument-
- (i) the reporting bank shall obtain the prior written approval of the Registrar before the debt instrument is issued;
 - (ii) the debt instrument shall not be payable to bearer;
 - (iii) no asset of the bank issuing the debt instruments shall be pledged or otherwise encumbered as security for any liability by virtue of the debt instrument;
 - (iv) the debt instrument shall be issued for a minimum original term to maturity of more than five years;

- (v) the debt instrument may be redeemed before maturity only at the option of the bank concerned and with the prior written approval of the Registrar;
- (vi) notwithstanding the provisions of any other Act, in the event of the winding-up of the bank concerned, the capital amount and any related interest cost of the debt instrument shall not be repaid until the claims of other creditors have been fully satisfied;
- (vii) which term-debt instrument makes provision for an interest rate step-up, such an interest rate step-up shall take effect only after a minimum period of more than five years from the issue date of the said instrument;
- (viii) issued by the bank to investors, the said instrument shall contain the wording "the proceeds obtained through the issue of this instrument qualify as secondary capital for the issuing bank in terms of the provisions of the Banks Act, 1990. Any direct or indirect acquisition of this instrument by a bank or a controlling company, as defined in the Banks Act, 1990, or by a non-bank subsidiary of a bank or controlling company, shall constitute a deduction against the secondary capital of the acquiring bank or controlling company in question, in an amount equal to the book value of the said investment in the instrument"; and
- (ix) the amount obtained by way of the issue of the debt instrument and which may in terms of section 1(1) of the Act rank as secondary capital, except in the case of such debt instruments that are to be converted into shares representing capital that may in terms of this section rank as primary or secondary capital, shall during the fifth year preceding the maturity of such debt instruments 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.

(15) *Secondary unimpaired reserve funds*

- (a) The funds contemplated in paragraph (a) of the definition of 'secondary unimpaired reserve funds' in section 1(1) of the Act shall be funds obtained from actual earnings or by way of recoveries and which have been set aside as a general or special reserve and which are available for the purpose of meeting liabilities of or losses suffered by the bank.
- (b) The percentage contemplated in paragraph (b) of the definition of 'secondary unimpaired reserve funds' in section 1(1) of the Act shall be 100 per cent of the portion of the revaluation surplus that brings the book value of the assets up to the original cost of such assets, that is, accumulated depreciation, and 50 per cent of the surplus amount above the original cost of such assets.

- (c) The conditions contemplated in paragraph (d) of the definition of 'secondary unimpaired reserve funds' in section 1(1) of the Act shall be the conditions *mutatis mutandis* set forth in subregulation (14).

(16) *Conditions for issue of debt instruments of which the proceeds rank as tertiary capital*

The issue of debt instruments contemplated in section 1(1) of the Act shall be subject to the conditions specified below.

- (a) The reporting bank shall obtain the prior written approval of the Registrar before the debt instruments are issued.
- (b) The debt instruments shall be issued for a minimum original term to maturity of more than two years.
- (c) The debt instrument shall not be payable to bearer.
- (d) The debt may be repaid before maturity only at the option of the bank concerned and with the prior written approval of the Registrar.
- (e) No asset of the borrowing bank may be pledged or otherwise encumbered as security for any liability by virtue of the debt.
- (f) Notwithstanding the provisions of any other Act, in the event of the winding-up of the bank concerned, the capital amount and any related interest cost of the debt instrument shall not be repaid until the claims of depositors and other creditors have been fully satisfied.
- (g) The debt instrument issued by the bank to investors shall contain the wording "the proceeds obtained through the issue of this instrument qualify as tertiary capital for the issuing bank in terms of the provisions of the Banks Act, 1990. Any direct or indirect acquisition of this instrument by a bank or a controlling company, as defined in the Banks Act, 1990, or by a non-bank subsidiary of a bank or controlling company, shall constitute a deduction against the tertiary capital of the acquiring bank or controlling company in question, in an amount equal to the book value of the said investment in the instrument".
- (h) In the event of the borrowing bank's qualifying capital falling below or being likely to fall below the prescribed minimum amount, the Registrar may require that interest and capital payments in respect of the subordinated debt be deferred for such a period of time and subject to such conditions, if any, as the Registrar may determine.

(17) *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 primary share capital or, before the maturity thereof, redeem any of the instruments issued that qualify as secondary capital or tertiary capital.
- (b) A written application by a bank under paragraph (a) for the permission of the Registrar-
 - (i) to repay any of its primary share capital shall contain written confirmation by the board of directors of the bank that-
 - (A) the capital-adequacy ratio of the bank concerned shall be at least one percentage point higher than the relevant percentage determined in terms of subregulation (8)(b) after the repayment of the said primary share capital without relying on new capital issues;
 - (B) the remaining primary share capital shall be sufficient to ensure continued compliance by the relevant bank with the relevant requirements specified in subregulation (9), including, amongst others, that the bank's primary capital adequacy ratio shall exceed 7 per cent;
 - (C) the repayment of primary share capital is consistent with the bank's strategic and operating plans;
 - (D) the repayment of primary share 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 primary share 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 secondary 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 secondary 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 subregulation (8)(b) after the repayment of the said secondary capital without relying on new capital issues;
 - (C) the repayment of secondary capital is included in the bank's ALCO process regarding the management of liquidity risk;
- (iii) to repay any of its tertiary 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 tertiary 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 two years;
 - (B) the repayment of tertiary capital is included in the bank's ALCO process regarding the management of liquidity risk.
- (c) The provisions of this subregulation (17), to the extent that they are relevant, shall *mutatis mutandis* apply to a controlling company.

(18) *Matters specifically related to solo reporting and consolidated reporting*

When-

- (a) a bank or controlling company completes the form BA 700 on a consolidated basis, the said bank or controlling company-

 - (i) shall in accordance with the relevant directives specified in regulation 36 and on the form BA 600, instead of items 1 to 22 of the form BA 700, complete the relevant items and columns of the form BA 600 that relate to the consolidated required amount of capital and reserve funds, the consolidated amount of qualifying capital and reserve funds and capital adequacy;
 - (ii) shall in accordance with the relevant directives specified in subregulation (19) below complete all the relevant required information specified in items 23 to 140 of the form BA 700;
- (b) a bank completes the form BA 700 on a solo basis, the said bank shall complete all the relevant required information specified in items 1 to 140 of the form BA 700;

Provided that any difficulty experienced in the completion of the forms BA 600 and BA 700 shall be referred to the Registrar for an appropriate directive.

- (19) Instructions relating to the completion of the form BA700 are furnished with reference to the headings and item descriptions of certain columns and line item numbers appearing on the form BA700, as follows:

Columns relating to the summary information of capital adequacy, items 1 to 22

Column number	Description
1 of item 4	<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 94, column 3, of the form BA 200; plus Item 202, column 3, of the form BA 200; plus Item 2, column 1, of the form BA 500; plus Item 3, column 1, of the form BA 500; less Item 93, column 3, of the form BA 200; less Item 201, column 3, of the form BA 200.</p>
2 of item 4	<p>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.</p>
3 of item 4	<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; plus Item 33, column 3, of the form BA 320, multiplied by 12,5 or such imputed variable as may be applicable from time to time.</p>
4 of item 4	<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>
5 of item 4	<p>This item shall reflect the relevant required risk weighted exposure equivalent amount in respect of assets or risks other than credit risk, operational risk, market risk or risk related to equity instruments held in the bank's banking book, including any relevant amount of risk weighted exposure related to items reported in-</p> <p>Item 104, column 3, of the form BA 200; Item 222, 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>

Column number	Description
1 to 6 of item 5	<p>These items shall be completed based on, amongst others-</p> <ul style="list-style-type: none"> the relevant provisions of section 73 of the Act read with the relevant provisions of regulations 24(6) to 24(8) of these Regulations; and directives issued in writing by the Registrar from time to time, which directives may include matters relating to the completion of items 64 to 77, column 10, and items 285 to 300, column 24, of the form BA210.
1 of item 12	This item shall be equal to the sum of items 36 and 37, column 1.
2 of item 12	This item shall be equal to item 79, column 1.
3 of item 12	This item shall be equal to item 100, column 1.
1 of item 13	This item shall be equal to item 40, column 1.
2 of item 13	This item shall be equal to item 80, column 1.
3 of item 13	This item shall be equal to item 102, column 1.
1 of item 14	This item shall be equal to item 43, column 1.
2 of item 14	This item shall be equal to item 84, column 1.
3 of item 14	This item shall be equal to item 103, column 1.
2 of item 17	This item shall reflect the quotient of the amount reported in item 15, column 4, divided by the amount reported in item 6, column 6
2 of item 18	This item shall reflect the quotient of the amount reported in item 15, column 1, divided by the amount reported in item 6, column 6
2 of item 19	This item shall reflect the quotient of (the sum of amounts reported in items 26 and 27, column 1, less the sum of amounts reported in items 41 and 42, column 1), divided by the amount reported in item 15, column 1.
2 of item 20	This item shall reflect the quotient of (the sum of amounts reported in item 15, column 2, and item 15, column 3), divided by the amount reported in item 15, column 1.
2 of item 21	This item shall reflect the quotient of (the amount reported in item 68, column 1, less the amount reported in item 81, column 1), divided by the amount reported in item 15, column 1.
2 of item 22	This item shall reflect the quotient of (the amount reported in item 27, column 1, less the amount reported in item 42, column 1), divided by the amount reported in item 15, column 1.

Columns relating to qualifying capital and reserve funds, items 23 to 111

Column number	Description
1 of item 23	This item shall be equal to the amount reported in item 15, column 1, and the amount reported in item 140, column 1.
1 of item 43	This item shall be equal to the amount reported in item 14, column 1, and the amount reported in item 139, column 1.
1 of item 62	This item shall be equal to the amount reported in item 15, column 2, and the amount reported in item 140, column 2.
1 of item 84	This item shall be equal to the amount reported in item 14, column 2, and the amount reported in item 139, column 2.
1 of item 99	This item shall be equal to the amount reported in item 15, column 3, and the amount reported in item 140, column 3.
1 of item 103	This item shall be equal to the amount reported in item 14, column 3, and the amount reported in item 139, column 3.

Columns relating to the reconciliation of unappropriated reserve funds, items 113 to 124

Column number	Description
1 of item 113	This item shall reflect the balance in respect of unappropriated profits at the beginning of the reporting period.
2 of item 113	This item shall reflect the balance in respect of unappropriated profits at the beginning of the previous reporting period.
3 of item 113	This item shall reflect the balance in respect of unappropriated profits at the beginning of the current financial year.

Line item number

- 1 This item shall reflect the prescribed minimum required percentage of capital and reserve funds relating to assets and other risk exposures, envisaged in section 70 of the Act read with the relevant provisions of subregulation (8)(b).
- 2 This item shall reflect any additional percentage requirement of capital and reserve funds specified in writing by the Registrar in respect of potential systemic risk.
- 5 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.

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- 8 This item shall reflect any additional capital requirement specified in writing by the Registrar in respect of the reporting bank, including any relevant amount related to an imposed capital floor.
- 118 Any negative amount in respect of unappropriated reserve funds shall be deducted from primary capital and reserve funds in accordance with the relevant requirements specified in, amongst others, regulation 23(6)(j).
- 119 to 123 These items shall reflect the relevant required amounts in respect of reserve funds other than retained earnings, not yet appropriated, such as reserves related to cash flow hedging.

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 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.

- (g) 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;
- (h) 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;
- (i) 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;

(j) 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;

(k) shall be subject to adequate internal controls and appropriate internal audit coverage;

(l) shall ensure appropriate board and senior management oversight and involvement;

(m) shall include adequate internal controls to produce any data or information which might be required on a consolidated basis;

- (n) shall be duly documented;
 - (o) 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 regular reports on the output of the bank's risk measurement model, including an evaluation of the relationship between measures of risk exposure and counterparty 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-
- (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 as an essential aspect of the bank's business;
 - (iii) devote adequate resources to the bank's risk control unit;
 - (iv) ensure that reports prepared by the independent risk control 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 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;
 - (vii) 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;
 - (viii) store sufficient data relating to the bank's counterparty exposure in order to conduct robust stress-testing and backtesting;

- (ix) 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.
- (d) 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 reporting 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 exposure limits in a manner that is consistent over time and that is well understood by the senior management and relevant line functions of the reporting 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.
- (e) shall have in place a robust process in respect of model validation, which model validation process-
 - (i) shall include an appropriate testing of the pricing models used to calculate counterparty exposure for a given scenario of future shocks to market risk factors, which pricing models-
 - (A) may be different from the pricing models used to calculate VaR 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;
 - (ii) shall include appropriate backtesting in respect of representative counterparty portfolios and netting sets-
 - (A) which backtesting shall be conducted at regular intervals;
 - (B) which backtesting shall include a sufficient number of actual and hypothetical representative counterparty portfolios and netting sets;
 - (C) 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;

- (D) 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.
- (f) shall have in place a routine and rigorous process or programme of stress-testing-
 - (i) the results of which stress-testing-
 - (A) shall periodically be reviewed by 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) 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.

- (B) shall include the stress testing of the bank's counterparty exposures, including a process of jointly stressing relevant market and credit risk factors;
- (iii) 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.

- (g) 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;
- (h) 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 counterparty risk;
- (i) 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 integration of risk measures into the bank's ongoing risk management processes;
 - (D) the approval process relating to all relevant risk pricing models and valuation systems;
 - (E) the validation of any significant changes made in respect of the bank's risk measurement process;
 - (F) the scope of credit risk and market risk factors captured by the risk measurement model;
 - (G) the integrity of the management information system;
 - (H) the accuracy and completeness of relevant credit and market variables and data;
 - (I) 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;
 - (J) the accuracy and appropriateness of volatility and correlation assumptions;
 - (K) the accuracy of valuation and risk transformation calculations;
 - (L) the verification of the model's accuracy through frequent backtesting.
- (j) shall comply with the relevant 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 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.
- (e) 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, 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 a robust stress-testing process, which stress-testing process, amongst other things, shall comply with the minimum requirements specified in subregulation (8)(f) above.

(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 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; and
- (b) specific wrong-way risk, that is, when future exposure relating to a specific counterparty is expected to be high when the counterparty's probability of default is high, 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 and 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 model, amongst other things, shall contain and apply current market data in order to calculate current exposures, which data-
 - (A) shall cover a full range of economic conditions, such as a full business cycle;
 - (B) shall be acquired independently from all relevant lines of business or business units;
 - (C) shall be captured in a timely and complete manner;
 - (D) shall be maintained in a secure database subject to formal and periodic audit;
 - (E) shall be subject to a robust data integrity process in order to ensure that the data does not contain erroneous and/or anomalous observations;

Provided that-

- (i) when the bank uses historical data in order to estimate volatility and correlations, the bank shall use no less than three years of historical data, which data shall be updated quarterly or more frequently when warranted by market conditions;
 - (ii) to the extent that the bank's internal model relies on proxy market data, for example, in the case of new products where three years of historical data may not be available, the bank shall have in place internal policies that identify suitable proxy market data and the bank shall demonstrate empirically to the satisfaction of the Registrar that the said proxy market data provides a conservative estimation of the underlying risk under adverse market conditions;
 - (iii) when the bank's internal model includes the effect of collateral on changes in the market value of a netting set, the bank shall have available adequate historical data to model the volatility in the value of the said collateral.
- (iii) 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 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.

- (c) 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);

- (I) 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.

- (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 12, 13, 14 and 15 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 30, 31 and 32 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 BA020 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 BA020, 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.

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 BA020, 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) on a quarterly basis, disclose to the public quantitative information in respect of-
 - (A) the bank's primary capital, including the bank's primary 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) any risk exposure or other item that is subject to rapid or material change,
 - (iii) on a semi-annual basis, disclose to the public the qualitative and quantitative information, other than the information referred to in subparagraphs (i) and (ii) 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 primary capital adequacy ratio, including the component relating to innovative capital instruments, 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 the terms and conditions of all capital instruments issued by the bank, particularly in respect of innovative, complex or hybrid capital instruments;

- (B) quantitative information, disclose to the public the amount relating to-
- (i) primary capital and reserve funds, including information in respect of:
 - (aa) paid-up share capital, including ordinary shares;
 - (bb) reserve funds;
 - (cc) minority interests in the equity of subsidiaries;
 - (dd) other instruments qualifying as primary share capital;
 - (ee) surplus capital from insurance companies, calculated in accordance with the provisions of regulation 36(10);
 - (ff) amounts deducted from primary share 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 primary share capital, including goodwill and investments.
 - (ii) secondary and tertiary capital;
 - (iii) deductions from the bank's secondary capital and reserve funds, and tertiary capital;
 - (iv) qualifying capital and reserve funds.

(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 alphanumeric 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 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 resecuritised 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 primary or secondary 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 BA330 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 resecuritised 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 resecuritised, 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 resecuritised 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 primary capital and reserve funds and from secondary 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 primary capital and reserve funds and from secondary 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 resecutised, 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 resecutised 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 resecutised 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 resecutisation exposure retained or purchased;
 - (iii) off-balance-sheet securitisation or resecutisation exposure;
 - (iv) exposures intended to be securitised or resecutised 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 resecutisation transactions concluded during the current reporting period, including the relevant aggregate amount of exposures securitised or resecutised, 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 primary share capital and reserve funds and from secondary 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) To the extent not already covered by the information required to be disclosed in terms of the provisions of paragraphs (a) to (e) 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 composition and the mandate of the remuneration committee;
 - (C) the most important design characteristics of the compensation system, including-
 - (i) criteria used for performance measurement and risk adjustment;
 - (ii) the linkage between pay and performance;
 - (iii) relevant matters related to the bank's deferral policy and vesting criteria;
 - (iv) the parameters used for allocating cash versus other forms of compensation;
 - (D) aggregate quantitative information on compensation, which information, as a minimum, shall be in respect of all relevant directors, the chief executive officer, executive officers, employees in charge of the bank's relevant risk management or risk control functions, the internal auditor, the compliance officer, and every other employee whose actions may have a material impact on the bank's exposure to risk, indicating-

- (i) the relevant amounts of remuneration for the financial year, split into fixed and variable compensation, and the number of beneficiaries;
 - (ii) the relevant amounts and form of variable compensation, split into cash, shares and share-linked instruments and other;
 - (iii) the relevant amounts of outstanding deferred compensation, split into vested and unvested;
 - (iv) the relevant amounts of deferred compensation awarded during the financial year, paid out and reduced through performance adjustments;
 - (v) new sign-on and severance payments made and awarded during the financial year, and the number of beneficiaries of such payments;
 - (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 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 104 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

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 risk 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 fraud

- (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 and financial fraud, including insider trading, market manipulation, financing of terrorism 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 relevant 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 shall be available on equivalent terms to both domestic and foreign institutions that may have a legitimate interest in the assessment.

(iv) *Disclosure*

As a minimum, an external credit assessment institution shall publicly disclose-

- (A) 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;
- (B) the actual default rates experienced in respect of each assessment category;
- (C) 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)	859
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	860
BA 003	Certificate of registration as a bank	Section 17(4)	864
BA 004	Application for registration as a controlling company	Section 43(1)	865
BA 005	Certificate of registration as a controlling company in respect of a bank	Section 44(4)	867
BA 006	Application for approval of appointment of auditor(s)	Section 61(2)	868
BA 007	Application for permission to acquire shares in a bank/controlling company	Section 37(2)	877
BA 008	Certificate of change of name	Section 56(5)	879
BA 009	Certificate of authorisation to establish a branch	Section 18A	880
BA 010	Certificate of authorisation to establish a representative office	Section 34(2C)	881
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	799
BA 021	Annual licence for a representative office	Section 35	886
BA 022	Annual licence for a bank	Section 35	887
BA 023	Annual licence for a branch	Section 35	888

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 - 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		

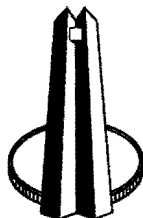
1. Indicate with an "X", under appropriate heading, type of application being submitted.

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 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

.....

.....

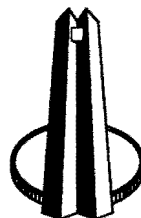
.....

.....
*Delete whichever is not applicable

FOR OFFICIAL USE	
Application granted	
Application refused	
Application granted subject to the appended conditions	

.....
Date

.....
Registrar of Banks



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)

Certificate No.

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>
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.	<p>Are you of the opinion that sufficient and relevant knowledge, skills and disciplines are available in your firm for the engagement? (Please provide details)</p> <p>.....</p> <p>.....</p>
11.	<p>Is the responsible partner qualified to act as auditor under the Auditing Profession Act, 2005?</p> <p>.....</p> <p>.....</p>
12.	<p>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?</p> <p>.....</p> <p>.....</p>
13.	<p>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)</p> <p>.....</p> <p>.....</p>
14.	<p>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)</p> <p>.....</p> <p>.....</p>
15.	<p>Does your firm have access to adequately specialised training for auditors in the industry of the <i>regulated institution</i>? (Please provide details)</p> <p>.....</p> <p>.....</p>
16.	<p>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)</p> <p>.....</p> <p>.....</p>
17.	<p>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)</p> <p>.....</p> <p>.....</p>
18.	<p>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)</p> <p>.....</p> <p>.....</p>
19.	<p>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)</p> <p>.....</p> <p>.....</p>

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.	<p>Are you qualified to act as auditor, specifically keeping in mind the disqualification criteria covered in section 275 of the Companies Act, 1973?</p> <p>.....</p> <p>.....</p>
16.	<p>Are there any pending or current lawsuits or professional liability suits pending against you of which the regulator should be aware? (Please provide details)</p> <p>.....</p> <p>.....</p> <p>.....</p>
17.	<p>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)</p> <p>.....</p> <p>.....</p> <p>.....</p>
18.	<p>Have you ever been removed as responsible partner of a regulated institution by a <i>regulatory authority</i>? (Please provide details)</p> <p>.....</p> <p>.....</p> <p>.....</p>

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*

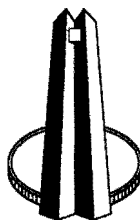
**Delete whichever is not applicable*

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

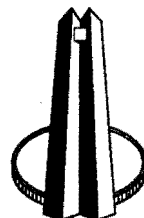
has, with my approval in terms of section 56(5)(b) of the Banks Act, 1990, changed its name to

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 No.

**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**

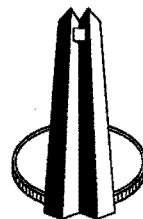
(Section 18A of the Banks Act, 1990)

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

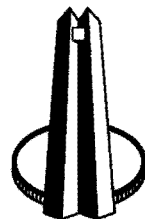
- (1) An application under section 52(2) of the Act for the permission, in terms of section 52(1) of the Act, of the Registrar for the acquisition or establishment of subsidiaries, joint ventures, branch offices, divisions, other interests and representative offices of banks or controlling companies 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 Exchange Control 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.

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 REPRESENTATIVE OFFICE**
(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)

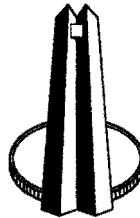
amounting to, for the period ending as indicated below.

Year ending 31 December

DONE at Pretoria this day of

.....
Registrar of Banks

BA 021



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)

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)

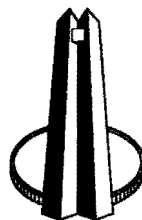
amounting to, for the period ending as indicated below.

Year ending 31 December

DONE at Pretoria this day of

.....
Registrar of Banks

BA 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
1 Lodging of a review in terms of section 9(1) of the Act	12,000.00	1,680.00	13,680.00
2 Application for authorisation as an eligible institution	18,000.00	2,520.00	20,520.00
3 Application for authorisation to establish a bank	18,000.00	2,520.00	20,520.00
4 Application for authorisation to establish a branch	18,000.00	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	20,520.00
6 Application for authorisation to establish a representative office	6,000.00	840.00	6,840.00
7 Application in terms of section 52 of the Act	6,000.00	840.00	6,840.00
8 Registration as a bank	6,000.00	840.00	6,840.00
9 Registration as a branch	6,000.00	840.00	6,840.00
10 Registration as a controlling company in respect of a bank	6,000.00	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	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	5,472.00
13 Registration of change of name of bank	4,800.00	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	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	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	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	13.68
Computer printout	24.00	3.36	27.36
Double-spaced typewritten	240.00	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	1,368.00

	FEE EXCLUDING VAT R	VAT R	FEE INCLUDING VAT 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-

$$\frac{\text{R 30 million}}{\text{R 2000 billion}} \times \frac{(\text{total capital and liabilities in rand at the date on which it is so registered})}{(12)} \times (X)$$

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	896
2. Regulation 62 - Directives and interpretations for completion of monthly return concerning institutional and maturity breakdown of liabilities and assets (Form BA 900).....	918

INSTITUTIONAL AND MATURITY BREAKDOWN OF LIABILITIES AND ASSETS

Name of bank

Month ended (yyyy-mm-dd)

BA 900
Monthly

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

LIABILITIES AT MONTH-END	Line no.	DEPOSITS							TOTAL	NCDs/PNs (included in col. 7)
		Cheque	Savings	Other demand	Other short-term	Medium- term	Long- term			
				Up to 1 day	More than 1 day to 1 month	More than 1 month to 6 months	More than 6 months			
Table 1	a	1	2	3	4	5	6	7	8	
DEPOSITS (total of items 2 and 32)	1	001,037,038,053,060								
DEPOSITS DENOMINATED IN RAND (total of items 3, 6, 12, 13 and 29)	2	002,053,037,038,060								
SA banks ^a (total of items 4 and 5)	3	003,006,037,038,060*								
NCDs/PNs ^b	4	004,007,060*								
Other deposits	5	005,008,037,038								
Central and provincial government sector deposits ^c (total of items 7, 10 and 11)	6	009 min 012,054								
Central government of the Republic (total of items 8 and 9)	7	010								
Tax and loan account	8	010*								
Other	9	010*								
Provincial governments	10	011								
Social security funds	11	013								
Other monetary institutions ⁿ	12	055								
Other domestic parties (total of items 14 to 20, 25, 26, 27 and 28)	13	014,012								
Local government	14	015								
Public financial corporate sector ^a (such as IDC, DBSA)	15	016								
Public Investment Corporation (PIC)	16	012								
Public non-financial corporate sector (such as Transnet, Eskom and Telkom)	17	017								
Insurers ^d	18	018								
Pension funds	19	019								
Private financial corporate sector ^e (total of items 21 to 24)	20	020								
Money-market unit trusts	21	020*								
Other unit trusts	22	020*								
Fund managers	23	020*								
Other ^f	24	020*								
Private non-financial corporate sector	25	021								
Unincorporated business enterprises	26	022								
Households	27	023								
Non-profit organisations serving households and other	28	024								

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							
			Cheque ^f	Savings	Other demand	Other short-term	Medium-term	Long-term	TOTAL	NCDs/PNs ^e (included in col. 7)
					Up to 1 day	More than 1 day to 1 month	More than 1 month to 6 months	More than 6 months		
Table 2		a	1	2	3	4	5	6	7	8
Foreign sector (total of items 30 and 31)	29	025,057								
Banks - including foreign group funding	30	026,057								
Other non-residents	31	027								
DEPOSITS DENOMINATED IN FOREIGN CURRENCY (total of items 33 to 38)	32	028								
SA banks ^b	33	029,030								
Central and provincial government	34	031								
Household sector	35	032								
Financial corporate sector ^c	36									
Non-financial corporate sector and other ^d	37	033								
Foreign sector (total of items 39 and 40)	38									
Banks	39	034								
Other non-residents	40	035								

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
	Table 3	a	1	2	3	4
OTHER BORROWED FUNDS (total of items 42, 51 and 57)	41	036*				
Loans received under repurchase transactions (total of items 43 to 50)	42	039				
SA Reserve Bank and Corporation for Public Deposits	43	040				
SA banks ^b	44	041				
Insurers ^g	45	042				
Pension funds	46					
Other financial corporate sector ^c	47	043*				
Non-financial corporate sector	48					
Foreign sector	49	044				
Other	50	043*				
Collateralised borrowing (total of items 52 to 56)	51	061*				
SA banks ^b	52					
Financial corporate sector ^a	53	056*				
Non-financial corporate sector	54	056*				
Foreign sector	55	057				
Other	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	Line no.		Short-term	Medium-term	Long-term	TOTAL
	Table 4	a	1	2	3	4
OTHER LIABILITIES TO THE PUBLIC (total of items 68, 73, 74 and 77)	67	058*				
Debt securities (total of items 69 to 72)	68	061*,078,080				
SA banks ^b	69					
Financial corporate sector ^c	70					
Non-financial corporate sector and other	71					
Foreign sector	72					
Credits in transit	73	059				
Other (total of items 75 and 76)	74	061*				
Financial corporate sector	75					
Non-financial corporate sector and other	76					
Foreign sector	77	062				
TOTAL LIABILITIES TO THE PUBLIC (total of items 1, 41, 58 and 67)	78	063				
OUTSTANDING LIABILITIES ON BEHALF OF CLIENTS, per contra item 268	79	064				
OTHER LIABILITIES (total of items 81, 85, 86, 90, 91 and 94)	80	065				
Liabilities i.r.o derivative instruments: to domestic sector (total of items 82 to 84)	81	067				
SA banks ^b	82					
Financial corporate sector ^c	83					
Non-financial corporate sector and other	84					
Liabilities i.r.o derivative instruments : to foreign sector	85	068				
Other trading liabilities (excluding derivatives): to domestic sector (total of items 87 to 89)	86	069*				
SA banks ^b	87					
Financial corporate sector ^c	88					
Non-financial corporate sector and other	89					
Other trading liabilities (excluding derivatives): to foreign sector	90	070*				
Other liabilities: to domestic sector (total of items 92 and 93)	91	069*,066				
Tax (current and deferred)	92					
Other	93					
Other liabilities: to foreign sector	94	070*				
TOTAL LIABILITIES (total of items 78 to 80)	95					

a) For official use only. * indicates where relevant.

b) Including interbank and intragroup funding.

c) Excluding banks.

(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
	a		1	2
Table 5				
TOTAL EQUITY (total of items 97 and 101)	96	071*		
Share capital (total of items 98 to 100)	97	072-075,077		
Banks ^b	98	072		
Financial corporate sector ^c	99	073		
Non-financial corporate sector and other	100	074,075,077		
Other reserves	101	076,079,081,084 less 082		
TOTAL EQUITY AND LIABILITIES (total of items 95 and 96)	102	085		

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)

ASSETS AT MONTH-END	Line no.		Domestic assets ^d	Foreign assets ^e	TOTAL ASSETS	Of which: under repurchase agreements
		a	1	2	3	4
Table 6						
CENTRAL BANK MONEY AND GOLD (total of items 104 to 106)	103	086				
South African bank notes and subsidiary coin	104	087				
Gold coin and bullion	105	090				
Domestic currency deposits with SA Reserve Bank (total of items 107 to 109)	106	091				
Cash reserve deposits: Interest bearing	107	092				
Cash reserve deposits: Non-interest bearing	108	093				
Other deposits	109	094				
DEPOSITS, LOANS AND ADVANCES (total of items 111, 117, 118, 126, 135, 139, 150, 166, 171 and 180, less item 194)	110	095 minus 130				
SA banks ^b (total of items 112 and 116)	111	096,102				
NCDs/PNs ^c issued by banks, with an unexpired maturity of: (total of items 113 to 115)	112					
Up to 1 month	113	097,103				
More than 1 month to 6 months	114	098,104				
More than 6 months	115	099,105				
Other deposits with and loans and advances to SA banks ^b	116	100,101,106,107				

a) For official use only.

b) Including interbank and intragroup funding.

c) Including other similar acknowledgements of debt.

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)

ASSETS AT MONTH-END	Line no.		Domestic assets ^e	Foreign assets ^f	TOTAL ASSETS	Of which: under repurchase agreements
Table 7		a	1	2	3	4
Deposits with and loans and advances to foreign banks, denominated in rand	117	108				
Loans granted under resale agreements to: (total of items 119 to 125)	118	109				
SA Reserve Bank	119	110				
Banks ^d	120	111				
Insurers	121	112*				
Pension funds	122	112*				
Other financial corporate sector ^b	123	112*				
Non-financial corporate sector	124	112*				
Other	125	112*				
Foreign currency loans and advances (total of items 127 to 130, 133 and 134)	126	140				
Foreign currency notes and coin	127	141				
Deposits with and advances to SA Reserve Bank	128	142				
Deposits with and advances to SA banks ^d	129	143				
Other advances to: (total of items 131 and 132)	130	144				
Financial corporate sector ^c	131					
Non-financial corporate sector and other	132					
Deposits with and advances to foreign banks	133	145				
Other advances to foreign sector	134	146				
Redeemable preference shares issued by: (total items 136 to 138)	135	151				
Banks ^d	136	152				
Financial corporate sector ^c	137					
Non-financial corporate sector and other	138	153				

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	Of which: under repurchase agreements
	Table 8	a	1	2	3	4
Instalment debtors, suspensive sales and leases (total of items 140 and 145)	139	113				
Instalment sales (total of items 141 to 144)	140	114				
Financial corporate sector	141					
Non-financial corporate sector	142					
Household sector	143	115				
Other ^b	144					
Leasing transactions (total of items 146 to 149)	145	116				
Financial corporate sector	146					
Non-financial corporate sector	147					
Household sector	148	117				
Other ^b	149					
Mortgage advances (total of items 151, 155 and 159)	150	118				
Farm mortgages: (total of items 152 to 154)	151	119, 120				
Corporate sector	152	120*				
Household sector	153	119				
Other ^b	154	120*				
Residential mortgages: (total of items 156 to 158)	155	121, 122				
Corporate sector	156	121				
Household sector	157	122*				
Other ^b	158	122*				
Commercial and other mortgage advances: (total of items 160 to 165)	159	123, 124, 125				
Public financial corporate sector	160	124*				
Public non-financial corporate sector	161	124*				
Private financial corporate sector	162	123*				
Private non-financial corporate sector	163	123*				
Household sector	164	125*				
Other ^b	165	125*				

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	Of which: under repurchase agreements
	Table 9	a	1	2	3	4
Credit-card debtors (total of items 167 to 170)		126				
Financial corporate sector		127				
Non-financial corporate sector						
Household sector		128,129*				
Other ^b		129*				
Overdrafts, loans and advances: public sector (total of items 172 to 179)		154				
Central government of the Republic (excluding social security funds)		155				
Social security funds		156				
Provincial governments		157				
Local government		158				
Land Bank		159				
Other public financial corporate sector (such as IDC) ^c		160				
Public non-financial corporate sector (such as Transnet, Eskom and Telkom)		161				
Foreign public sector		162				
Overdrafts, loans and advances: private sector (total of items 181, 187 and 188)		163				
Overdrafts, including overdrafts under cash-management schemes: (total of items 182 to 186)						
Financial corporate sector		164				
Non-financial corporate sector		165				
Unincorporated business enterprises of households		166				
Households		167				
Non-profit organisations serving households		168				
Factoring debtors		169				
Other loans and advances: (total of items 189 to 193)						
Financial corporate sector		170				
Non-financial corporate sector		171				
Unincorporated business enterprises of households		172				
Households		173				
Non-profit organisations serving households		174				
Less: credit impairments in respect of loans and advances		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)

ASSETS AT MONTH-END	Line no.		Domestic assets ^f	Foreign assets ^g	TOTAL ASSETS	Of which: under repurchase agreements
	Table 10	a	1	2	3	4
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)	195	176,130				
Interest-bearing central or provincial government securities (total of items 197, 198 and 203 to 206)	196	177				
Non-marketable government stock	197	183				
Marketable government stock (total of item 199 and 201)	198					
Unexpired maturity of up to 3 years	199	178				
Memo: Nominal value of such stock	200	179				
Unexpired maturity of more than 3 years	201	180				
Memo: Nominal value of such stock	202	181				
Government loan levies	203	182				
Securities of provincial governments	204	184				
Securities of social security funds	205	185				
Securities of other central government institutions ^e	206	186				
Other public-sector interest-bearing securities (total of items 208 to 212)	207	187				
SA Reserve Bank debentures	208	134*, 188				
Securities (including debentures) issued by the Land Bank	209	189				
Securities issued by other public financial corporate sector ^b (such as IDC, DBSA)	210	190,193*				
Securities issued by public non-financial corporate sector (such as Transnet and Eskom)	211	191,193*				
Securities of local authorities	212	192				
Debentures and other interest bearing security investments of private sector (total of items 214 to 216)	213	194				
Banks ^d	214	195				
Financial corporate sector ^c	215					
Non-financial corporate sector and other	216	196				

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 technikons.

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 ^d	Foreign assets ^e	TOTAL ASSETS	Of which: under repurchase agreements
	Table 11	a	1	2	3	4
Equity holdings in subsidiaries (total of items 218 to 220)	217	197*				
Banks ^c	218	198*				
Financial corporate sector ^b	219	199*				
Non-financial corporate sector	220	199*				
Equity holdings in associates including joint ventures (total of items 222 to 224)	221	197*				
Banks ^c	222	198*				
Financial corporate sector ^b	223	199*				
Non-financial corporate sector	224	199*				
Listed equities (total of items 226 to 228)	225	200				
Banks ^c	226	201				
Financial corporate sector ^b	227	202				
Non-financial corporate sector	228	202				
Unlisted equities (total of items 230 to 232)	229	206*				
Banks ^c	230	207*				
Financial corporate sector ^b	231	208*				
Non-financial corporate sector	232	208*				
Securitisation/ asset-backed securities: (total of items 234 to 236)	233	206*				
Banks ^c	234	207*				
Financial corporate sector ^b	235	208*				
Non-financial corporate sector	236	208*				
Derivative instruments issued by: (total of items 238 to 240)	237	203				
Banks ^c	238	204				
Financial corporate sector ^b	239	205				
Non-financial corporate sector	240	205				
Other investments (total of items 242 to 244)	241	206*				
Banks ^c	242	207*				
Financial corporate sector ^b	243	208*				
Non-financial corporate sector	244	208*				
Less: Allowances for impairments i.r.o investments	245	209				

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.

(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	Of which: under repurchase agreements
	Table 12	a	1	2	3	4
Acceptances, commercial paper, bills, promissory notes and similar acknowledgements of debt discounted or purchased (total of items 247, 250 to 254 and 257)	246	130				
Bankers' acceptances (total of items 248 and 249)	247					
Own bankers' acceptances	248	137				
Other bankers' acceptances	249	138				
Treasury bills	250	132				
SA Reserve Bank bills	251	134*				
Promissory notes	252	139*				
Commercial paper	253	139*				
Land Bank bills (total of items 255 and 256)	254	133,136				
Liquid	255	133				
Non-liquid	256	136				
Other	257	139*				

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	Of which: under repurchase agreements
	Table 13	a	1	2	3	4
NON-FINANCIAL ASSETS (total of items 259 and 264)	258	210				
Tangible assets (total of items 260 to 263)	259					
Premises of the bank	260	211				
Other fixed property	261	212				
Computer equipment, including peripherals	262	213				
Other tangible assets, including vehicles, equipment, furniture and fittings	263	215				
Intangible assets (total of items 265 and 266)	264					
Computer software	265	214				
Other intangible assets including purchased goodwill	266	216				
OTHER ASSETS (total of items 268 to 272 and 276)	267	217				
Clients' liabilities per contra (total of items 280 to 283)	268	218				
Remittances in transit	269	219				
Current income tax receivables and deferred income tax assets	270	220,223*				
Retirement benefit assets	271	223*				
Assets acquired or bought in to protect an advance or investment (total of items 273 to 275)	272	222				
Fixed property	273					
Shares	274					
Vehicles and other assets	275					
Other	276	221,223*				
TOTAL ASSETS (total of items 103, 110, 195, 258 and 267)	277	224				

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	Of which: under repurchase agreements
Table 14	a	1	2	3	4
DISAGGREGATED EXPOSURES	278				
Details of client's liabilities, per item 268 (total of items 280 to 283)	279				
Acceptances outstanding	280	225			
Commercial paper endorsed	281	226			
Bills endorsed	282	227			
Promissory notes and similar acknowledgements of debt endorsed	283	228			
Total assets prior to netting or set-off	284	229			

a) For official use only.

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)

CONTINGENT LIABILITIES AND OTHER RISK EXPOSURES	Line no.	Total
Table 15	a	1
Guarantees on behalf of clients	285	230
Letters of credit	286	231*
Bankers acceptances	287	
Committed undrawn facilities and/ or irrevocable undrawn loan commitments (including committed unutilised draw-down facilities)	288	
Underwriting exposures (including revolving underwriting exposures)	289	232
Credit derivative instruments	290	
Committed capital expenditure	291	235
Operating lease commitments	292	
Other contingent liabilities	293	234
of which: uncommitted undrawn facilities (including conditionally revocable undrawn loan commitments)	294	
Portfolios managed : For others where financing is provided	295	

a) For official use only.

NUMBER OF ACCOUNTS AND AMOUNTS IN RESPECT OF SELECTED ITEMS		Line no.	Amount R '000	Number: of accounts/ applications/ transactions (where applicable) ^b
(This table 16 is confidential and not available for inspection by the public)				
Table 16		a	1	2
Instalment sale transactions ^{c, d}		296		
Applied for		297		
Granted		298		
Paid out		299		
Leasing finance transactions ^{c, d}		300		
Applied for		301		
Granted		302		
Paid out		303		
Mortgage advances ^c		304		
Applied for		305		
Granted (total of items 307 to 309)		306		
On vacant land		307		
For construction of buildings		308		
On existing buildings		309		
Residential mortgages (home loans): new advances		310		
Granted		311		
Paid out (total of items 313, 316 and 319)		312		
Owner-occupied (total of items 314 and 315)		313		
Fixed rate		314		
Variable rate		315		
Buy-to-let (total of items 317 and 318)		316		
Fixed rate		317		
Variable rate		318		
Second mortgage and other (total of items 320 and 321)		319		
Fixed rate		320		
Variable rate		321		
Residential mortgages (home loans): re-advances		322		
Granted		323		
Paid out		324		
Farm mortgages		325		
Granted		326		
Paid out		327		
Commercial and other mortgage advances		328		
Granted		329		
Paid out		330		
Overdraft facilities loaded on bank's computer system: Total limit (item 332 and 333)		331		
Drawn		332		
Undrawn		333		
Credit card straight accounts: Total limit (item 335 and 336)		334	238	
Drawn		335		
Undrawn		336		
Credit card budget accounts: Total limit (item 338 and 339)		337	238	
Drawn		338		
Undrawn		339		
Debit card: debit transactions ^c		340		
Travellers cheques ^c : Rand		341		
Other currency		342		

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	a	1	2
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.

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

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	244					
Under loans granted under resale agreements (total of items 353, 356, 359 and 366)	352	245					
Listed equity instruments (total of items 354 and 355)	353	246					
Domestic (SA residents)	354						
Foreign (non-residents)	355						
Unlisted equity instruments (total of items 357 and 358)	356	246					
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	247					
Public financial and non-financial corporate sector	363						
Other	364						
Foreign (non-residents)	365						
Other securities (total of items 367 and 368)	366	248					
Domestic (SA residents)	367						
Foreign (non-residents)	368						
Under securities-borrowing agreements (total of items 370, 373 and 374)	369	249					
Equity instruments (total of items 371 and 372)	370	250					
Domestic (SA residents)	371						
Foreign (non-residents)	372						
RSA government securities	373	251					
Other securities (total of items 375 and 376)	374	252					
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		1	2
Table 19				
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)

FINANCIAL STOCKS (BALANCES) AT MONTH-END AND FLOWS DURING MONTH		Line no.	Opening stock (balance)	Plus/minus transactions	Plus/minus valuation changes	Plus/minus other	Closing stock (balance)
LIABILITIES AND EQUITY							
(This table 20 is confidential and not available for inspection by the public)							
Table 20			1	2	3	4	5
DEPOSITS DENOMINATED IN RAND (item 2)		385					
General government sector (item 6 plus item 14)		386					
SA banks (item 3)		387					
Financial corporate sector (items 12, 15, 16, 18, 19 and 20)		388					
Non-financial corporate sector (items 17 and 25)		389					
Household sector (items 26, 27 and 28)		390					
Foreign sector (item 29)		391					
DEPOSITS DENOMINATED IN FOREIGN CURRENCY (item 32)		392					
General government sector (item 34, and item 37 ¹)		393					
SA banks (item 33)		394					
Financial corporate sector (item 36)		395					
Non-financial corporate sector (item 37 ¹)		396					
Household sector (item 35)		397					
Foreign sector (item 38)		398					
OTHER BORROWED FUNDS (item 41)		399					
SA banks (items 44 and 52)		400					
Financial corporate sector (items 43, 45, 46, 47 and 53)		401					
Non-financial corporate sector and other (items 48, 50, 54, 56 and 57)		402					
Foreign sector (items 49 and 55)		403					
FOREIGN CURRENCY FUNDING (item 58)		404					
SA banks (item 60)		405					
Financial corporate sector (items 59 and 61)		406					
Non-financial corporate sector and other (items 62 and 66)		407					
Foreign sector (item 63)		408					
DEBT SECURITIES (item 68)		409					
SA banks (item 69)		410					
Financial corporate sector (item 70)		411					
Non-financial corporate sector and other (item 71)		412					
Foreign sector (item 72)		413					
OTHER LIABILITIES (total of items 73, 74, 77, 79, 86, 90, 91 and 94)		414					
LIABILITIES I.R.O DERIVATIVE INSTRUMENTS (items 81 and 85)		415					
SA banks (item 82)		416					
Financial corporate sector (item 83)		417					
Non-financial corporate sector and other (item 84)		418					
Foreign sector (item 85)		419					
EQUITY (item 96)		420					
TOTAL EQUITY AND LIABILITIES (item 102)		421					

1. Where applicable.

(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)	Line no.	Opening stock (balance)	Plus/minus transactions	Plus/minus valuation changes	Plus/minus other	Closing stock (balance)
		1	2	3	4	5
TABLE 21						
CENTRAL BANK MONEY AND GOLD (item 103, column 3)	422					
Domestic sector (item 103, column 1)	423					
Foreign sector (item 103, column 2)	424					
DEPOSITS AND LOANS DENOMINATED IN RAND (item 111, column 3, and item 117, column 3)	425					
SA banks (item 111, column 3)	426					
Foreign sector (item 117, column 3)	427					
LOANS RECEIVED UNDER RESALE AGREEMENTS (item 118, column 3)	428					
SA banks (item 120, column 1)	429					
Financial corporate sector (total of item 119, column 1, and 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 2)	432					
FOREIGN CURRENCY LOANS AND ADVANCES (item 126, column 3)	433					
SA banks (item 129, column 1)	434					
Financial corporate sector (item 128, column 1, and item 131, column 1)	435					
Non-financial corporate sector and other (item 132, column 1)	436					
Foreign sector (item 127, column 2, item 133, column 2, and item 134, column 2)	437					
REDEEMABLE PREFERENCE SHARES (item 135, column 3)	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 2)	442					
INSTALLMENT SALES (item 140, column 3)	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 2)	447					
Other sectors (item 144, column 1)	448					
LEASING FINANCE (item 145, column 3)	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 2)	453					
Other sectors (item 149, column 1)	454					
MORTGAGE ADVANCES (item 150, column 3)	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 2)	458					
Other sectors (item 154, column 1, item 158, column 1, and item 165, column 1)	459					

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

FINANCIAL STOCKS (BALANCES) AT MONTH-END AND FLOWS DURING MONTH		TABLE 21 continue					
ASSETS		Line no.	Opening stock (balance)	Plus/minus transactions	Plus/minus valuation changes	Plus/minus other	Closing stock (balance)
(This table 21 is confidential and not available for inspection by the public)			1	2	3	4	5
CREDIT CARD DEBTORS (item 166, column 3)		460					
Corporate sector (item 167, column 1, and item 168, column 1)		461					
Household sector (item 169, column 1)		462					
Foreign sector (item 166, column 2)		463					
Other sectors (item 170, column 1)		464					
OVERDRAFTS, LOANS AND ADVANCES: PUBLIC SECTOR (item 171, column 3)		465					
General government sector (items 172 to 175, column 1)		466					
Financial corporate sector (items 176 and 177, column 1)		467					
Non-financial corporate sector (item 178, column 1)		468					
Foreign sector (item 179, column 3)		469					
OVERDRAFTS, LOANS AND ADVANCES: PRIVATE SECTOR (item 180, column 3)		470					
Financial corporate sector (item 182, column 1, item 187 ¹ , column 1, and item 189, column 1)		471					
Non-financial corporate sector (item 183, column 1, item 187 ¹ , column 1, and item 190, column 1)		472					
Household sector (items 184 to 186, column 1, and items 191 to 193, column 1)		473					
Foreign sector (item 180, column 2)		474					
LESS: IMPAIRMENTS (item 194, column 3, and item 245, column 3)		475					
DEBT SECURITIES (item 196, column 3, item 207, column 3, item 213, column 3, and item 246, column 3)		476					
General government sector (item 196, column 1, item 212, column 1, and item 250, column 1)		477					
Banks (item 214, column 1, item 247, column 1, item 252, column 1 ¹ , and item 253, column 1 ¹)		478					
Public financial corporate sector (items 208 to 210, column 1, items 251 to 254, column 1 ¹ , and item 257, column 1 ¹)		479					
Public non-financial corporate sector (item 211, column 1)		480					
Private financial corporate sector (item 215, column 1, item 252, column 1 ¹ , item 253, column 1 ¹ , and item 257, column 1 ¹)		481					
Private non-financial corporate sector (item 216, column 1)		482					
Foreign sector (item 207, column 2, item 213, column 2, and item 246, column 2)		483					
EQUITY (item 217, column 3, item 221, column 3, item 225, column 3, and item 229, column 3)		484					
Banks (item 218, column 1, item 222, column 1, item 226, column 1, and item 230, column 1)		485					
Financial corporate sector (item 219, column 1, item 223, column 1, item 227, column 1, and item 231, column 1)		486					
Non-financial corporate sector (item 220, column 1, item 224, column 1, item 228, column 1, and item 232, column 1)		487					
Foreign sector (item 217, column 2, item 221, column 2, item 225, column 2, and item 229, column 2)		488					
DERIVATIVE INSTRUMENTS (item 237, column 3)		489					
Banks (item 238, column 1)		490					
Financial corporate sector (item 239, column 1)		491					
Non-financial corporate sector (item 240, column 1)		492					
Foreign sector (item 237, column 2)		493					
SECURITISATION AND OTHER INVESTMENTS (items 233 and 241, column 3)		494					
Banks (items 234 and 242, column 1)		495					
Financial corporate sector (items 235 and 243, column 1)		496					
Non-financial corporate sector (items 236 and 244, column 1)		497					
Foreign sector (items 233 and 241, column 2)		498					

TABLE 21 continue

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

FINANCIAL STOCKS (BALANCES) AT MONTH-END AND FLOWS DURING MONTH		Line no.	Opening stock (balance)	Plus/minus transactions	Plus/minus valuation changes	Plus/minus other	Closing stock (balance)
ASSETS			1	2	3	4	5
(This table 21 is confidential and not available for inspection by the public)							
TABLE 21 continue							
NON-FINANCIAL ASSETS (item 258, column 3)		499					
Domestic sector (item 258, column 1)		500					
Foreign sector (item 258, column 2)		501					
OTHER ASSETS (item 267, column 3)		502					
Domestic sector (item 267, column 1)		503					
Foreign sector (item 267, column 2)		504					
TOTAL ASSETS (item 277, column 3)		505					

1. Where applicable.

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

BALANCES AT MONTH-END AND FLOWS DURING MONTH			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	
INSTALMENT SALES AND LEASING TRANSACTIONS										
(This table 22 is confidential and not available for inspection by the public)										
TABLE 22				a	1	2	3	4	5	6
INSTALMENT SALES (item 140, column 3)			506	910(20)						
LEASING TRANSACTIONS (item 145, column 3)			507	910(21)						

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 BA900 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 BA900 is confidential information not available for inspection by the public.

(2) The purpose of the form BA900 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 BA900.

(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 stated-
- (a) items reported on the form BA900 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.

(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</p> <p>This column shall reflect any credit balance in respect of cheque or transmission deposits, that is, any credit balance in respect of a current account deposit with unlimited cheque writing privileges in terms of which payments by means of cash withdrawals, cheque, direct debit orders or electronic funds transfer is facilitated, irrespective whether or not interest is paid in respect of the said credit balance.</p> <p>Credit balances arising under a cash management scheme shall also be included under this column.</p>
2	<p>Savings deposits</p> <p>This column shall reflect any credit balance in respect of savings deposits, that is, a deposit held in an account typically aimed at the retail market, which type of account makes provision for immediate cash withdrawal or some form of transfer but not for any cheque facility or overdraft facility, and which type of account normally earns interest.</p>
3	<p>Other demand deposits</p> <p>This column shall reflect any credit balance 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.</p> <p>Credit balances held in credit-card accounts shall be included in this category.</p>
4	<p>More than 1 day to 1 month</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 day up to 1 month, which deposits normally cannot be withdrawn or renewed before the said term or period has expired.</p>

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	Deposits 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.
2	Deposits denominated in rand 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.
3, 33, 44, 52, 60, 69, 82 and 87	SA banks 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.
6 and 34	Central and provincial government This item shall include any amount received from the central government, provincial government or social security funds.
8	Tax and loan account 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.
9	Other 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.

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 BA900;</p> <p>(b) shall also be reported in column 4 on the asset side of the form BA900.</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	Liabilities in respect of derivative instruments 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.
86 and 90	Other trading liabilities excluding derivatives 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 BA900.
92	Current and deferred tax liabilities 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.
93 and 94	Other 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.
97	Share capital This item shall include any amount obtained in respect of equity instruments issued by the reporting bank.
101	Other reserves This item shall include any amount relating to the reserves of the reporting bank, including any amount in respect of retained earnings.

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	Instalment sales 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.
145	Leasing transactions 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.
150	Mortgage advances 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.
151	Farm mortgages This item shall include the aggregate amount in respect of farm mortgaged loans, advances or re-advances.
152	Farm mortgages: corporate sector 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.
153	Farm mortgages: household sector 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.
154	Farm mortgages: other 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.
155	Residential mortgage loans (home loans/ housing advances) 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.
156	Residential mortgages: corporate sector 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.

Line items relating to assets, tables 6 to 14

Line item	Description
157	Residential mortgages: household sector This item shall include the aggregate amount in respect of home loans or housing advances to the household sector.
158	Residential mortgages: other 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.
159	Commercial and other mortgage advances 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- <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	Commercial and other mortgage advances: public financial corporate sector 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.
161	Commercial and other mortgage advances: public non-financial corporate sector 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.
162	Commercial and other mortgage advances: private financial corporate sector 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.

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	Non-marketable government stock 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.
198	Marketable government stock 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.
199	Marketable government stock with unexpired maturity of up to 3 years 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.
201	Marketable government stock with unexpired maturity of more than 3 years 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.
200 and 202	Nominal value of stock 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.
207	Other public-sector interest-bearing securities 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.
213	Debentures and other interest bearing security investments of the private corporate sector 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.
217	Equity holdings in subsidiaries 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.

Line items relating to assets, tables 6 to 14

Line Item	Description
221	Equity holdings in associates, including joint ventures 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.
225	Listed equities 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.
229	Unlisted equities 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.
233	Securitisation or asset-backed securities 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.
237	Derivative instruments 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.
241	Other investments This item shall include the aggregate amount in respect of investments not reported elsewhere in this return.
245	Allowance for impairments i.r.o. investments 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.
246	Acceptances, commercial paper, bills, promissory notes and similar acknowledgements of debt discounted or purchased 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.

Line items relating to assets, tables 6 to 14

Line item	Description
247	Bankers' acceptances This item shall include the aggregate amount in respect of own or other bankers' acceptances.
248	Own bankers' acceptances This item shall include any relevant amount in respect of a bankers' acceptance created and endorsed by the reporting bank.
249	Other bankers' acceptances This item shall include any relevant amount in respect of a bankers' acceptance created or endorsed by any other bank.
250	Treasury bills 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.
251	Reserve Bank bills 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.
252	Promissory notes 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.
253	Commercial paper 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.
255	Land Bank bills, liquid 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.
256	Land Bank bills, non-liquid 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.

Line Items relating to assets, tables 6 to 14

Line item	Description
257	Other 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.
260	Premises of the bank 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.
261	Other fixed property 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.
262	Computer equipment, including peripherals 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.
263	Other tangible assets This item shall include any relevant amount in respect of other tangible assets, including amounts relating to vehicles, equipment, furniture or fittings.
265	Computer software 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.
266	Other intangible assets This item shall include any relevant amount in respect of other intangible assets, such as purchased goodwill or patents.

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 BA100 and BA900.</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	Leasing finance balances - granted This item shall reflect the aggregate amount in respect of leasing finance applications approved during the reporting month.
303	Leasing finance balances - paid out 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.
305	Mortgage advances - applied for 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.
306	Mortgage advances - granted This item shall reflect the aggregate amount in respect of mortgage advances granted during the reporting month.
307	Mortgage advances - granted on vacant land This item shall reflect the aggregate amount in respect of mortgage advances granted on vacant land during the reporting month.
308	Mortgage advances - granted for construction on buildings This item shall reflect the aggregate amount in respect of mortgage advances granted during the reporting month for the construction of buildings.
309	Mortgage advances - granted on existing buildings This item shall reflect the aggregate amount in respect of mortgage advances granted on existing buildings during the reporting month.
311	Residential mortgages - new advances granted This item shall reflect the aggregate amount in respect of new residential mortgage advances granted during the reporting month.
312	Residential mortgages - new advances paid out 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.

Line Item relating to selected items, table 16

Line Item	Description
313	<p>Residential mortgages - new advances paid out l.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 l.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 l.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 l.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>Residential mortgages – new advances paid out i.r.o second mortgage and other</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 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"> (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; (b) an amount relating to a residence mainly used for vacation or holiday.
323	<p>Residential mortgages - re-advances granted</p> <p>This item shall reflect the aggregate amount in respect of</p> <ul style="list-style-type: none"> (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 (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	Commercial and other mortgage advances – paid out 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
332	Overdraft facilities – drawn This item shall reflect the aggregate amount in respect of all utilised overdraft facilities.
333	Overdraft facilities – undrawn This item shall reflect the aggregate amount in respect of all committed and uncommitted undrawn or unutilised overdraft facilities.
335	Credit card, straight accounts – drawn This item shall reflect the aggregate amount in respect of all utilised facilities on credit card straight accounts.
336	Credit card, straight accounts – undrawn This item shall reflect the aggregate amount in respect of all committed and uncommitted undrawn or unutilised credit card straight facilities.
338	Credit card, budget accounts – drawn This item shall reflect the aggregate amount in respect of all utilised facilities on credit card budget accounts.
339	Credit card, budget accounts – undrawn This item shall reflect the aggregate amount in respect of all committed and uncommitted undrawn or unutilised facilities on credit card budget accounts.
340	Debit card transactions 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.
341	Travellers' cheques: Rand 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.

Line item relating to selected items, table 16

Line item	Description
342	Travellers' cheques: other currency 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.

Columns relating to securitisation activity, table 17

Column number	Description
1	New securitisation during the month 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.
2	Outstanding balance in respect of securitisation 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.

Line item relating to securitisation activity, table 17

Line item	Description
350	Public sector: loans and advances 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.

Columns relating to assets temporarily acquired, table 18

Column number	Description
1	Total acquired 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.
2	Sold outright This column shall reflect the relevant required aggregate amounts of assets sold outright that previously were temporarily acquired.
3	Sold under repo This column shall reflect the relevant required aggregate amounts of assets sold in terms of a repurchase agreement that previously were temporarily acquired.
4	On-lent This column shall reflect the relevant required aggregate amounts of assets lent to other parties that previously were temporarily acquired.
5	Pledged as security This column shall reflect the relevant required aggregate amounts of assets pledged as security that previously were temporarily acquired.
6	Other This column shall reflect the relevant required aggregate amounts of assets in hand that previously were temporarily acquired.

Line items relating to assets temporarily acquired, table 18

Line item	Description
351	Total assets temporarily acquired 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.
352	Under loans granted under resale agreements 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.
366	Other securities 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.
369	Under securities-borrowing agreement 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.

Columns relating to assets lent to other parties, table 19

Column number	Description
1	Total lent to other parties This column shall reflect the relevant required aggregate amounts of assets lent to other parties in terms of a securities-lending agreement or arrangement.
2	Of which: on lent 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.

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> <ul style="list-style-type: none"> (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; (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>provided that-</p> <ul style="list-style-type: none"> (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; (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; (iii) any relevant <i>debit amount</i> shall represent either a purchase or acquisition of an asset or a reduction in a liability; (iv) any relevant <i>credit amount</i> shall represent either a sale or disposal of an asset or an increase in a liability; (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.

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	3	Central Bank money and gold (total)
			Plus 127	3	Foreign currency notes and coin
3	3	Gold coin and bullion	105	3	Gold coin and bullion
4	3	Local currency and foreign currency	104	3	South African bank notes and subsidiary coin
			Plus		
			127	3	Foreign currency notes and coin
5	3	Mandatory reserve deposits with central bank	107	3	Domestic cash reserve deposits with SARB : interest bearing
			Plus 108	3	Domestic cash reserve deposits with SARB : non-interest bearing
6	3	Other balances with central bank	109	3	Other deposits at SARB
13	3	Homeloans			
Plus 14	3	Commercial mortgages	150	3	Mortgage advances (total of farm, residential, commercial)
15	3	Credit cards	166	3	Credit card debtors
17	3	Overdrafts	126	3	Foreign currency loans and advances (total)
Plus 20	3	Term loans	Plus 116	3	Other deposits with and loans and advances to SA banks
Plus 21	3	Factoring accounts	Plus 117	3	Deposits and loans and advances to foreign banks in rand
			Plus 171	3	Overdrafts, loans and advances : Public sector
Plus 23	3	Other loans to clients	Plus 180	3	Overdrafts, loans and advances : Private sector (factoring included)
			Less 127	3	Foreign currency notes and coin
16	3	Lease and instalment debtors	139	3	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	3	Bankers' acceptances
			Plus 254	3	Land Bank bills
			Plus 257	3	Other (short term debt instruments)
22	3	Deposits placed under resale agreements	118	3	Loans granted under resale agreements
25	3	Less: Credit impairments	194	3	Less: Credit impairments
32	3	Impairment	245	3	Impairments i.r.o investments
33	3	Derivative financial instruments	237	3	Derivative instruments issued
39	3	Investment in subsidiary companies	217	3	Equity holdings in subsidiaries
40	3	Investment in associate companies			
Plus			221	3	Equity holdings in associates, including joint ventures
41	3	Investments in joint ventures			
43	3	Intangible assets	264	3	Intangible assets
48	3	Investment property			
Plus			259	3	Tangible assets
49	3	Property and equipment			
50	3	Current income tax receivables			
Plus			270	3	Current income tax receivables and deferred income tax assets
51	3	Deferred income tax assets			
52	3	Post-employment assets	271	3	Retirement benefit assets
			277	3	TOTAL ASSETS
54	3	TOTAL ASSETS	Less		
			268	3	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
			85	4	Liabilities i.r.o financial derivative instruments: foreign sector
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 79	4	Outstanding liabilities on behalf of clients

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 assets957
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) 962

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	
	Table 1	a	1	2	3	4
Outstanding balance at end of quarter						
Passenger cars:						
- new	1	1				
- used	2	2				
Commercial vehicles ^c - light:						
- new	3	4*				
- used	4	4*				
Commercial vehicles - medium and heavy:						
- new	5	4*				
- used	6	4*				
Commercial vehicles - minibuses:						
- new	7	3*				
- used	8	3*				
Other land transport equipment	9	4*				
Total vehicles (total of items 1 to 9)	10					
Air transport equipment	11	5*				
Sea and water transport equipment	12	5*				
Agricultural machinery and equipment	13	6				
All household appliances	14	7				
Industrial machinery and equipment	15	8*				
Commercial equipment	16	8*				
Computer, IT and other office equipment	17	8*,9*				
Other goods	18	9*				
Total: all goods (total of items 10 to 18)	19	10				

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
	Table 2	a	1	2	3	4	5	6
Outstanding balance at end of quarter								
Instalment sale transactions (BA 900 item 140) (total of items 21 to 29)	20	11						
Vehicles	21							
Air transport equipment	22							
Sea and water transport equipment	23							
Agricultural machinery and equipment	24							
All household appliances	25							
Industrial machinery and equipment	26							
Commercial equipment	27							
Computer, IT and other office equipment	28							
Other goods	29							
Leasing transactions (BA 900 item 145) (total of items 31 and 41)	30	12						
Financial leases (total of items 32 to 40)	31							
Vehicles	32							
Air transport equipment	33							
Sea and water transport equipment	34							
Agricultural machinery and equipment	35							
All household appliances	36							
Industrial machinery and equipment	37							
Commercial equipment	38							
Computer, IT and other office equipment	39							
Other goods	40							
Operating leases (total of items 42 to 50)	41							
Vehicles	42							
Air transport equipment	43							
Sea and water transport equipment	44							
Agricultural machinery and equipment	45							
All household appliances	46							
Industrial machinery and equipment	47							
Commercial equipment	48							
Computer, IT and other office equipment	49							
Other goods	50							

a) For official use only.

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

(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)
				Plus: capital expenditure on new ^b assets	Plus: other purchases (used/ existing assets)	Minus: sales / disposal			
Table 3		a	1	2	3	4	5	6	7
Total premises/ buildings (BA 900 item 260) (total of items 52 and 53)	51								
Improvements to leasehold bank premises/ buildings	52	910(39)							
Bank premises/ buildings	53	910(40)							
Total other fixed property (BA 900 item 261) (total of items 55 and 56)	54								
Other non-residential premises/ buildings	55	910(41)							
Residential premises/ buildings	56	910(42)							
Total computer equipment (BA 900 item 262) (total of items 58 and 59)	57								
Computers, peripherals and IT equipment	58	910(45)*							
ATM's	59	910(45)*							
Total other tangible assets (BA 900 item 263) (total of items 61 to 63)	60								
Passenger cars	61	910(43)							
Other vehicles/ transport equipment	62	910(44)							
Other machinery and equipment, furniture and fittings	63	910(47)							
Computer software (BA 900 item 265)	64	910(46)							
Other intangible assets , including purchased goodwill (BA 900 item 266)	65	910(48)							
Total (of items 51, 54, 57, 60, 64 and 65)	66								

a) For official use only.

b) Including additions, alterations and improvements to existing assets.

Personnel and infrastructure of the reporting bank	Line no.		Number ^b
	a		1
Table 4			
Number of individual contractors rendering services to the bank	67	910(98)	
Number of personnel in employ	68		
Number of cash-dispensing automated teller machines operated by the reporting bank	69	910(99)	
Number of branches and sub-branches in the Republic	70	910(100)	
Number of agencies in the Republic	71	910(101)	
Number of branches and agencies in foreign countries	72	910(102)	
Number of current accounts, including accounts under cash-management schemes	73	910(103)	
Number of deposit accounts, excluding current accounts	74	910(105)	
Number of reporting bank's electronic data transfer (card swipe) machines at point of sale	75	910(106)	
Number of motor vehicles repossessed by the reporting bank ^d :			
- Passenger cars	76		
- Commercial vehicles and other ^c	77		
Number of properties repossessed by the reporting bank ^d :			
- Residential properties	78		
- Commercial properties	79		
Number of loan accounts	80		
Hash total	81		

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 BA920 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	Operating leases 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.

Line items relating to tables 1 and 2

Line item number	Description
1 and 2	Passenger cars 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.
3, 4, 5 and 6	Commercial vehicles 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- <ul style="list-style-type: none"> (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; (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, provided that for purposes of the form BA920- <ul style="list-style-type: none"> (i) minibuses shall be classified separately; (ii) light commercial vehicles mean vehicles with a gross weight of up to 3500 kg; (iii) medium and heavy commercial vehicles mean vehicles with a gross weight of more than 3500 kg.
7 and 8	Minibuses These items shall reflect the relevant required aggregate amounts relating to small bus-type vehicles, typically capable of transporting 20 passengers or less.

Line items relating to tables 1 and 2

Line item number	Description
9	Other land transport equipment 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.
10, 21, 32 and 42	Total vehicles 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.
11, 22, 33 and 43	Air transport equipment These items shall reflect the relevant required aggregate amounts relating to all equipment used for air transport, such as aircraft and helicopters. 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.
12, 23, 34 and 44	Sea/water transport equipment 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. 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.
13, 24, 35 and 45	Agricultural machinery and equipment 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. 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.
14, 25, 36 and 46	Household appliances 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. 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.

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	Improvements to leasehold bank premises/ buildings 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.
53	Bank premises/ buildings 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.
54	Other fixed property 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.
58	Computers, peripherals and IT equipment 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.
59	ATM's This item shall reflect the relevant required amounts in respect of all cash-dispensing automated teller machines owned by the reporting bank.
60	Total other tangible assets 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.
64	Computer software This item shall reflect the relevant required amounts in respect of all purchases or development costs of computer software capitalised by the reporting bank.
65	Other intangible assets 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.

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>

INTEREST RATES ON DEPOSITS, LOANS AND ADVANCES**Page no.**

- | | | | | |
|----|---------------|---|---|-----|
| 1. | Form BA 930 | - | Interest rates on deposits, loans and advances | 972 |
| 2. | Regulation 64 | - | Directives and interpretations for completion of
monthly return concerning interest rates on deposits,
loans and advances (Form BA 930) | 976 |

INTEREST RATES ON DEPOSITS, LOANS AND ADVANCES

(Confidential and not available for inspection by the public)

Name of bank.....

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

BA930

Monthly

DEPOSIT RATES	Line no.	All deposits ¹	
		Outstanding balance at month end ⁵ 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 BA930 may not exactly match the relevant balances reported on the form BA900 due to the omission of amounts relating to non arms-length banking business from the form BA930.

DEPOSIT RATES	Line no.	All deposits ¹	
		Outstanding balance at month end R'000	Weighted average rate ² (%)
		1	2
Table 1			
Foreign sector – rand denominated (total of items 25 to 34)	24		
Cheque accounts	25		
Call deposits	26		
Notice deposits: 1 day to 32 days	27		
More than 32 days to 91 days	28		
More than 91 days to 185 days	29		
Fixed deposits: Up to 1 year	30		
More than 1 year but less than 3 years	31		
3 years and more but less than 5 years	32		
5 years and more	33		
Other	34		
All domestic private sectors³ (total of items 36 to 45)	35		
Cheque accounts	36		
Call deposits	37		
Notice deposits: 1 day to 32 days	38		
More than 32 days to 91 days	39		
More than 91 days to 185 days	40		
Fixed deposits: Up to 1 year	41		
More than 1 year but less than 3 years	42		
3 years and more but less than 5 years	43		
5 years and more	44		
Other	45		
Interbank deposit rate	46		

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 BA930 may not exactly match the relevant balances reported on the form BA900 due to the omission of amounts relating to non arms-length banking business from the form BA930.

LENDING RATES	Line no.	All loans ¹	
		Outstanding balance at month end ⁵ R'000	Weighted average rate ² (%)
		1	2
Table 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		

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 BA930 may not exactly match the relevant balances reported on the form BA900 due to the omission of amounts relating to non arms-length banking business from the form BA930.

LENDING RATES	Line no.	All loans ¹	
		Outstanding balance at month end ⁴ R'000	Weighted average rate ² (%)
		1	2
Table 2			
Foreign sector – rand denominated (total of items 68 to 73)	67		
Overdrafts	68		
Instalment sale agreements	69		
Leasing transactions	70		
Mortgage advances	71		
Credit cards	72		
Other	73		
All domestic private sector³ (total of items 75 to 83)	74		
Overdrafts	75		
Instalment sale agreements: flexible rate	76		
fixed rate	77		
Leasing transactions : flexible rate	78		
fixed rate	79		
Mortgage advances: flexible rate	80		
fixed rate	81		
Credit cards	82		
Other	83		
Micro loans	84		
Interbank lending rate	85		
Hash total	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 BA930 may not exactly match the relevant balances reported on the form BA900 due to the omission of amounts relating to non arms-length banking business from the form BA930.

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.

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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) 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 BA930, 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.

SELECTED LOCATIONAL STATISTICS BASED ON RESIDENCE**Page no.**

- | | | | | |
|----|---------------|---|---|------|
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| 2. | Regulation 65 | - | Directives and interpretations for completion of
quarterly return concerning selected locational
statistics based on residence (Form BA 940)..... | 1003 |

SELECTED LOCATIONAL STATISTICS BASED ON RESIDENCE

(Confidential and not available for inspection by the public)

Name of bank/ controlling company.....

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

BA940

Quarterly

(All amounts to be rounded off to the nearest US\$ millions¹)

(All amounts to be rounded off to the nearest US\$ millions)

Vis-à-vis country with ISO code	Line no.	Total claims: 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	All	Non-banks
		MAAC	MAAD	MACC	MACD	MADC	MADD	MAFC	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																			
Developed countries ³ :																			
Andorra - AD	1																		
to																			
United States - US	34																		
Residual developed countries - 2R	35																		
Developed countries - 5R	36																		
Offshore centres ⁴ :																			
Aruba – AW	37																		
to																			
West Indies UK – 1Z	57																		
Residual former Netherlands Antilles – 2D	58																		
Residual offshore centres - 2N	59																		
Offshore centres - 1N	60																		
Developing Europe ⁵ :																			
Albania - AL	61																		
to																			
Ukraine - UA	78																		
Residual Former Serbia and Montenegro - 2C	79																		
Residual Europe - 2B	80																		
Developing Europe - 3C	81																		

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\$ millions¹)

(All amounts to be rounded off to the nearest US\$ millions)

Vis-à-vis country with ISO code	Line no.	Total claims: 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	All	Non-banks
		MAAC	MAAD	MACC	MACD	MADC	MADD	MAFC	MAFD	MAXC	MAXD	MAQC	MAQD	MAJC	MAJD	MAKC	MAKD	MAIC	MAID
Table 1 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	82																		
to																			
Venezuela - VE	112																		
Residual Latin America and Caribbean - 2H	113																		
Developing Latin America and Caribbean - 4U	114																		
Developing Africa and Middle East ⁴																			
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 ⁵																			
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 claims: 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	All	Non-banks
		MAAC	MAAD	MACC	MACD	MADC	MADD	MAFC	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
International organisations (except the BIS which is included under Switzerland, and the ECB which is included under Germany) - 1C	230																		
Unallocated - 5M	231																		
All countries - 3P = (5R+1N+3C+4U+4W+4Y+1C+5M)	232																		
Residents - 1E	233																		
All countries plus Residents - 5J = (3P+1E)	234																		
Memorandum:-																			
Official monetary authorities - 1D	235																		

1. Without any decimals.

2. Total international claims: international loans plus international holdings of debt securities plus other international assets.

(All amounts to be rounded off to the nearest US\$ millions¹)

(All amounts to be rounded on to the nearest US\$ millions)

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	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 ³	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 ⁵																			
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\$ millions¹)

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	All	Non-banks
		MGAC	MGAD	MGCC	MGCD	MGDC	MGDD	MGFC	MGFD	MGXC	MGXD	MGQC	MGQD	MGJC	MGJD	MGKC	MGKD	MGIC	MGID
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
International organisations (except the BIS which is included under Switzerland, and the ECB which is included under Germany) - 1C	465																		
Unallocated - 5M	466																		
All countries - 3P = (5R+1N+3C+4U+4W+4Y+1C+5M)	467																		
Residents - 1E	468																		
All countries plus Residents - 5J = (3P+1E)	469																		
Memorandum:-																			
Official monetary authorities - 1D	470																		

Table 2²

1. Without any decimals.

2. Total International loans.

(All amounts to be rounded off to the nearest US\$ millions¹)

(All amounts to be rounded off to the nearest US\$ millions)

Vis-à-vis country with ISO code	Line no.	Total securities: 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	All	Non-banks
		MDAC	MDAD	MDCC	MDCD	MDDC	MDDD	MDFC	MDFD	MDXC	MDXD	MDQC	MDQD	MDJC	MDJD	MDKC	MDKD	MDIC	MDID
Table 3 ²		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Developed countries ³ :																			
Andorra - AD	471																		
to																			
United States - US	504																		
Residual developed countries - 2R	505																		
Developed countries - 5R	506																		
Offshore centres ⁴																			
Aruba – AW	507																		
to																			
West Indies UK – 1Z	527																		
Residual former Netherlands Antilles – 2D	528																		
Residual offshore centres - 2N	529																		
Offshore centres - 1N	530																		
Developing Europe ⁵																			
Albania - AL	531																		
to																			
Ukraine - UA	548																		
Residual Former Serbia and Montenegro - 2C	549																		
Residual Europe - 2B	550																		
Developing Europe - 3C	551																		

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)

(All amounts to be rounded off to the nearest US\$ millions)

Vis-à-vis country with ISO code	Line no.	Total securities: 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	All	Non-banks
		MDAC	MDAD	MDCC	MDCD	MDDC	MDDD	MDFC	MDFD	MDXC	MDXD	MDQC	MDQD	MDJC	MDJD	MDKC	MDKD	MDIC	MDID
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 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 ⁵ Afghanistan - AF to Wallis and Futuna - WF Residual Asia and Pacific - 2O Developing Asia and Pacific - 4Y	552																		
	to																		
	582																		
	583																		
	584																		
	585																		
	to																		
	649																		
	650																		
	651																		
	652																		
	to																		
	697																		
	698																		
	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\$ millions¹)

(All amounts to be rounded off to the nearest US\$ millions.)

Vis-à-vis country with ISO code	Line no.	Total securities: 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	All	Non-banks
		MDAC	MDAD	MDCC	MDCD	MDDC	MDDD	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 International organisations (except the BIS which is included under Switzerland, and the ECB which is included under Germany) - 1C Unallocated - 5M All countries - 3P = (5R+1N+3C+4U+4W+4Y+1C+5M) Residents - 1E All countries plus Residents - 5J = (3P+1E) Memorandum:- Official monetary authorities - 1D	700																		
	701																		
	702																		
	703																		
	704																		
	705																		

1. Without any decimals.

2. Total international holdings of debt securities.

(All amounts to be rounded off to the nearest US\$ millions¹)

(All amounts to be rounded off to the nearest 0.01 millions)

Vis-à-vis country with ISO code	Line no.	Total other assets: 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	All	Non-banks
		MIAC	MIAD	MICC	MICD	MIDC	MIDD	MIFC	MIFD	MIXC	MIXD	MIQC	MIQD	MIJC	MIJD	MIKC	MIKD	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 :																			
Andorra - AD	706																		
to																			
United States - US	739																		
Residual developed																			
countries - 2R	740																		
Developed countries - 5R	741																		
Offshore centres ⁴																			
Aruba – AW	742																		
to																			
West Indies UK – 1Z	762																		
Residual former																			
Netherlands Antilles – 2D	763																		
Residual offshore																			
centres - 2N	764																		
Offshore centres - 1N	765																		
Developing Europe ⁵																			
Albania - AL	766																		
to																			
Ukraine - UA	783																		
Residual Former Serbia																			
and Montenegro - 2C	784																		
Residual Europe - 2B	785																		
Developing Europe - 3C	786																		

- Without any decimals.
- Total other international assets.
- As specified in table A, in regulation 65(3)(a).
- As specified in table B, in regulation 65(3)(b).
- 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													
				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	MJJC	MJJD	MIKC	MIKD	MIIC	MIID
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Table 4 ²																			
International organisations (except the BIS which is included under Switzerland, and the ECB which is included under Germany) - 1C	935																		
Unallocated - 5M	936																		
All countries - 3P = (5R+1N+3C+4U+4W+4Y+1C+5M)	937																		
Residents - 1E	938																		
All countries plus Residents - 5J = (3P+1E)	939																		
Memorandum:-																			
Official monetary authorities - 1D	940																		

1. Without any decimals.

2. Total other international assets.

(All amounts to be rounded off to the nearest US\$ millions¹)

Vis-à-vis country with ISO code	Line no.	Total liabilities: 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	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
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\$ millions¹)

Vis-à-vis country with ISO code	Line no.	Total liabilities: 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	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																			
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\$ millions¹)

Vis-à-vis country with ISO code	Line no.	Total deposits: 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	All	Non-banks
		MGAA	MGAB	MGCA	MGCB	MGDA	MGDB	MGFA	MGFB	MGXA	MGXB	MGQA	MGQB	MGJA	MGJB	MGKA	MGKB	MGIA	MGIB
Table 6 ²		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.	Total deposits: 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	All	Non-banks
		MGAA	MGAB	MGCA	MGCB	MGDA	MGDB	MGFA	MGFB	MGXA	MGXB	MGQA	MGQB	MGJA	MGJB	MGKA	MGKB	MGIA	MGIB
Table 6 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	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 ⁵																			
Afghanistan - AF	1357																		
to																			
Wallis and Futuna - WF	1402																		
Residual Asia and Pacific - 2O	1403																		
Developing Asia and Pacific - 4Y	1404																		

- Without any decimals.
- Total international deposits.
- As specified in table D, in regulation 65(3)(d).
- As specified in table E, in regulation 65(3)(e).
- As specified in table F, in regulation 65(3)(f).

(All amounts to be rounded off to the nearest US\$ millions¹)

(All amounts to be rounded off to the nearest US\$ millions)

Vis-à-vis country with ISO code	Line no.	Total deposits: 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	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 International organisations (except the BIS which is included under Switzerland, and the ECB which is included under Germany) - 1C Unallocated - 5M All countries - 3P = (5R+1N+3C+4U+4W+4Y+1C+5M) Residents - 1E All countries plus Residents - 5J = (3P+1E) Memorandum:- Official monetary authorities - 1D	1405																		
	1406																		
	1407																		
	1408																		
	1409																		
	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													
				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
		MDAA	MDAB	MDCA	MDCB	MDDA	Mddb	MDFA	MDFB	MDXA	MDXB	MDQA	MDQB	MDJA	MDJB	MDKA	MDKB	MDIA	MDIB
Table 7 ²		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	1445																		
countries - 2R																			
Developed countries - 5R	1446																		
Offshore centres ⁴																			
Aruba - AW	1447																		
to	to																		
West Indies UK - 1Z	1467																		
Residual former	1468																		
Netherlands Antilles - 2D																			
Residual offshore	1469																		
centres - 2N																			
Offshore centres - 1N	1470																		
Developing Europe ⁵																			
Albania - AL	1471																		
to	to																		
Ukraine - UA	1488																		
Residual Former Serbia	1489																		
and Montenegro - 2C																			
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		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	All	Non-banks
		MDAA	MDAB	MDCA	MDCB	MDDA	Mddb	MDFA	MDFB	MDXA	MDXB	MDQA	MDQB	MDJA	MDJB	MDKA	MDKB	MDIA	MDIB
Table 7 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	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 ⁵																			
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\$ millions¹)

(All amounts to be rounded off to the nearest US\$ millions)

Vis-à-vis country with ISO code	Line no.	Total securities: 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	All	Non-banks
		MDAA	MDAB	MDCA	MDCB	MDDA	Mddb	MDFA	MDFB	MDXA	MDXB	MDQA	MDQB	MDJA	MDJB	MDKA	MDKB	MDIA	MDIB
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
International organisations (except the BIS which is included under Switzerland, and the ECB which is included under Germany) - 1C Unallocated - 5M All countries - 3P = (5R+1N+3C+4U+4W+4Y+1C+5M) Residents - 1E All countries plus Residents - 5J = (3P+1E) Memorandum:- Official monetary authorities - 1D	1640																		
	1641																		
	1642																		
	1643																		
	1644																		
	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													
				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
		MIAA	MIAB	MICA	MICB	MIDA	MIDB	MIFA	MIFB	MIXA	MIXB	MIQA	MIQB	MIJA	MIJB	MIKA	MIKB	MIIA	MIIB
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Table 8 ²																			
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)

Vis-à-vis country with ISO code	Line no.	Total other liabilities: 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	All	Non- banks
		MIAA	MIAB	MICA	MICB	MIDA	MIDB	MIFA	MIFB	MIXA	MIXB	MIQA	MIQB	MIJA	MIJB	MIKA	MIKB	MIIA	MIIB
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 ³																			
Argentina - AR	1727																		
to																			
Venezuela - VE	1757																		
Residual Latin America and Caribbean - 2H	1758																		
Developing Latin America and Caribbean - 4U	1759																		
Developing Africa and Middle East ⁴																			
Algeria - DZ	1760																		
to																			
Zimbabwe - ZW	1824																		
Residual Africa (includes Western Sahara) and Middle East - 2W	1825																		
Developing Africa and Middle East - 4W	1826																		
Developing Asia and Pacific ⁵																			
Afghanistan - AF	1827																		
to																			
Wallis and Futuna - WF	1872																		
Residual Asia and Pacific - 2O	1873																		
Developing Asia and Pacific - 4Y	1874																		

- Without any decimals.
- Total other international liabilities.
- As specified in table D, in regulation 65(3)(d).
- As specified in table E, in regulation 65(3)(e).
- As specified in table F, in regulation 65(3)(f).

[illegible]

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 Johnston) - 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 (IJSG)	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 Bank for International Settlements	Zurich
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	International deposits These items shall include the relevant amounts related to non-negotiable CD's. 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.

- (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 BA940			Form BA900		
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 BA940			Form BA900		
Line item	Description		Line item	Description	
	Column	Description		Column	
		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	
			257*	2*	*Non-bank portion

Form BA940			Form BA900		
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 BA940			Form BA900		
Line item	Description		Line item	Description	
	Column	Description		Column	
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*	*Non-bank portion
467	5	Total international loans in foreign currency	127	2	
			133	2	
			134	2	
			248	2*	*Foreign currency portion
			249	2*	
			257	2*	
467	6	Total international loans to non-banks in foreign currency	134	2	
			257*	2*	*Non-bank portion

Form BA940			Form BA900		
Line item	Description		Line item	Description	
	Column	Description		Column	
468	1	Total international loans to residents	128	1	
			129	1	
			131	1	*Foreign-currency portion
			132	1	
			257*	1*	
468	2	Total international loans to non-bank residents	131*	1	*Non-bank portion
			132*	1	
			257**	1**	**Non-bank foreign-currency portion
468	5	Total international loans to residents in foreign currency	128	1	
			129	1	
			131	1	*Foreign-currency portion
			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	
			137	2	
			138	2	
			210	2	
			211	2	
			212	2	
			214	2	
			215	2	
			216	2	
			234	2	
			235	2	
			236	2	
			242*	2	*Any debt securities portion
			243*	2	
			244*	2	
			252	2	
			253	2	
702	2	Total international holdings of non-bank debt securities	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	
702	3	Total international	252**	2	**Non-bank portion
			253**	2	
702	3	Total international	136	2	

Form BA940			Form BA900		
Line item	Description		Line item	Description	
	Column	Description		Column	
		holdings of debt securities in domestic currency	137	2	
			138	2	
			210	2	
			211	2	
			212	2	
			214	2	
			215	2	
			216	2	
			234	2	
			235	2	
			236	2	
			242*	2	*Any debt securities portion
			243*	2	
			244*	2	
			252	2	
			253	2	
702	4	Total international holdings of non-bank debt securities in domestic 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	
702	5	Total international holdings of debt securities in foreign currency	136	2	
			137	2	
			138	2	
			210	2	
			211	2	
			212	2	
			214	2	
			215	2	
			216	2	
			234	2	
			235	2	
			236	2	
			242*	2	*Any debt securities portion
			243*	2	
			244*	2	
			252	2	
			253	2	

Form BA940			Form BA900		
Line item	Description		Line item	Description	
	Column	Description		Column	
702	6	Total international	137	2	
		holdings of non-bank debt	138	2	
		securities in foreign	210	2	
		currency	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 BA940			Form BA900		
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 BA940			Form BA900		
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 BA940			Form BA900		
Line item	Description		Line item	Description	
	Column	Description		Column	
937	5	Total other international assets in foreign currency	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	6	Total other non-bank international assets in foreign 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	
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

Form BA940			Form BA900		
Line item	Description		Line item	Description	
	Column	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	
			*Non-bank portion		
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	
*Non-bank portion					
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 BA940			Form BA900		
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 BA940			Form BA900		
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 BA940			Form BA900		
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 BA940			Form BA950		
Line item	Description		Line item	Description	
	Column	Description		Column	
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.**

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2. Regulation 66 - Directives and interpretations for completion of quarterly return concerning selected locational statistics based on nationality of bank (Form BA 950).....1046

SELECTED LOCATIONAL STATISTICS BASED ON NATIONALITY OF BANK

(Confidential and not available for inspection by the public)

BA950

Quarterly

Name of bank/ controlling company.....

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

(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	Assets	Liabilities	Related offices		Official monetary institutions		
						Assets	Liabilities	Assets	Liabilities	
		MKAD	MKAH	MKAA	MKAE	MKAB	MKAF	MKAC	MKAG	MKAJ
Table 1 ²		1	2	3	4	5	6	7	8	9
BIS reporting countries³:										
Australia – AU	1									
to	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+SI+SK+SM+VA+NZ)										
Non-reporting offshore centres (excluding BH, BS, BM, KY, GG, HK, IM, JE, MO, PA and SG) - 1Q	46									
Non-reporting developing Europe (excluding TR) - 3Y	47									
Non-reporting developing Latin America and Caribbean (excluding BR, CL and MX) - 3Z	48									
Non-reporting developing Africa and Middle East - 3W	49									
Non-reporting developing Asia and Pacific (excluding KR, IN, MY and TW) - 3X	50									
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\$ millions¹)

Parent country of bank with ISO Code	Line no.	Total		Positions vis-à-vis banks		of which:				CDs and other securities
						Related offices		Official monetary institutions		
		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	
		MKED	MKEH	MKEA	MKEE	MKEB	MKEF	MKEC	MKEG	MKEI
Table 2 ²		1	2	3	4	5	6	7	8	9
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+SI+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\$ millions¹)

(All amounts to be rounded off to the nearest 100 millions)

Parent country of bank with ISO Code	Line no.	Total		Positions vis-à-vis banks		of which:				CDs and other securities
						Related offices		Official monetary institutions		
		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 to United States - US Unallocated BIS reporting countries - 5H BIS reporting countries - 5L Other countries: Non-reporting developed countries - 5N = (AD+EE+FO+GL+IS+LI+MT+SI+SK+SM+VA+NZ) Non-reporting offshore centres (excluding BH, BS, BM, KY, GG, HK, IM, JE, MO, PA and SG) - 1Q Non-reporting developing Europe (excluding TR) - 3Y Non-reporting developing Latin America and Caribbean (excluding BR, CL and MX) - 3Z Non-reporting developing Africa and Middle East - 3W Non-reporting developing Asia and Pacific (excluding KR, IN, MY and TW) - 3X Consortium banks - 1G Unallocated non-BIS reporting countries - 5M All countries - 5J	107									
	to									
	148									
	149									
	150									
	151									
	152									
	153									
	154									
	155									
	156									
	157									
	158									
	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\$ millions¹)

(All amounts to be rounded off to the nearest US\$ millions)

Parent country of bank with ISO Code	Line no.	Total		Positions vis-à-vis banks		of which:				CDs and other securities
		Assets	Liabilities	Assets	Liabilities	Related offices		Official monetary institutions		
						Assets	Liabilities	Assets	Liabilities	
		1	2	3	4	5	6	7	8	9
Table 4 ²										
BIS reporting countries ³ :										
Australia – AU	160									
to	to									
United States – US	201									
Unallocated BIS reporting countries – 5H	202									
BIS reporting countries – 5L	203									
Other countries:										
Non-reporting developed countries – 5N = (AD+EE+FO+GL+IS+LI+MT+SI+SK+SM+VA+NZ)	204									
Non-reporting offshore centres (excluding BH, BS, BM, KY, GG, HK, IM, JE, MO, PA and SG) – 1Q	205									
Non-reporting developing Europe (excluding TR) – 3Y	206									
Non-reporting developing Latin America and Caribbean (excluding BR, CL and MX) – 3Z	207									
Non-reporting developing Africa and Middle East – 3W	208									
Non-reporting developing Asia and Pacific (excluding KR, IN, MY and TW) – 3X	209									
Consortium banks – 1G	210									
Unallocated non-BIS reporting countries – 5M	211									
All countries – 5J	212									

1. Without any discounts.

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\$ millions¹)

(All amounts to be rounded off to the nearest US\$ millions)

Parent country of bank with ISO Code	Line no.	Total		Positions vis-à-vis banks		of which:				CDs and other securities
						Related offices		Official monetary institutions		
		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	
		MKOD	MKOH	MKOA	MKOE	MKOB	MKOF	MKOC	MKOG	MKOI
Table 5 ²		1	2	3	4	5	6	7	8	9
BIS reporting countries³:										
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)

(All amounts to be rounded up to the nearest 00\$ millions)

Parent country of bank with ISO Code	Line no.	Total		Positions vis-à-vis banks		of which:				CDs and other securities
						Related offices		Official monetary institutions		
		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	
		MKKD	MKKH	MKKA	MKKE	MKKB	MKKF	MKKC	MKKG	MKKI
Table 6 ²		1	2	3	4	5	6	7	8	9
BIS reporting countries³: Australia – AU to United States - US Unallocated BIS reporting countries - 5H BIS reporting countries - 5L Other countries: Non-reporting developed countries - 5N = (AD+EE+FO+GL+IS+LI+MT+SI+SK+SM+VA+NZ) Non-reporting offshore centres (excluding BH, BS, BM, KY, GG, HK, IM, JE, MO, PA and SG) - 1Q Non-reporting developing Europe (excluding TR) - 3Y Non-reporting developing Latin America and Caribbean (excluding BR, CL and MX) - 3Z Non-reporting developing Africa and Middle East - 3W Non-reporting developing Asia and Pacific (excluding KR, IN, MY and TW) - 3X Consortium banks - 1G Unallocated non-BIS reporting countries - 5M All countries - 5J	266									
	to									
	307									
	308									
	309									
	310									
	311									
	312									
	313									
	314									
	315									
	316									
	317									
	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
		Assets	Liabilities	Assets	Liabilities	Related offices		Official monetary institutions		
						Assets	Liabilities	Assets	Liabilities	
Table 8 ²		1	2	3	4	5	6	7	8	9
BIS reporting countries³:										
Australia – AU	372									
to	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)

(All amounts to be rounded off to the nearest US\$ millions)

Parent country of bank with ISO Code	Line no.	Total		Positions vis-à-vis banks		of which:				CDs and other securities
						Related offices		Official monetary institutions		
		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	
		MKPD	MKPH	MKPA	MKPE	MKPB	MKPF	MKPC	MKPG	MKPI
Table 9 ²		1	2	3	4	5	6	7	8	9
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 68(3)(e).

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 BA950.
- (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 BA950 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 BA950 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 that acts as an intermediary between counterparties to contracts traded within one or more financial markets, which central counterparty or intermediary becomes the legal counterparty to a particular contract such that the said central counterparty or intermediary is the buyer to every seller and the seller to every buyer;

"central government" means all relevant-

- (a) central government departments;
- (b) major extrabudgetary 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;

"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;

“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;

"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;

"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 BA100 and BA900;

"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;

"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 sequestered 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;

“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 tranchised 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;

"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;

“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.

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 2012.
